Registered Company No. 05275586

Homes & Communities Agency No. L4460

Victory
HOUSING TRUST

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

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BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

Board	
Chairman	Philip Burton
Vice Chair	Doris Jamieson
Other Members	Peter Baynham Stephen Burke Keith Dixon Sasha Gurrey Zoe Slater
Executive Directors	
Chief Executive	John Archibald
Deputy Chief Executive	Darryl Cox
Director of Finance & Secretary	Stephen Read
Registered office	Tom Moore House Cromer Road North Walsham Norfolk NR28 0NB
Registered numbers	Registered Company No: 05275586 Homes & Communities Agency Registered No: L4460 Charity Commission Registered No: 1112915
Auditor	Grant Thornton UK LLP Kingfisher House 1 Gilders Way St James Place Norwich NR3 1UB
Internal Auditors	PricewaterhouseCoopers LLP 3 St James Court Whitefriars Norwich NR3 1RJ
Bankers	Lloyds Bank plc 3rd Floor 25 Gresham Street London EC2V 7HN

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT

The Board presents its report and Victory Housing Trust's (Victory's) audited financial statements for the year ended 31 March 2016.

Principal activities

Victory's principal activities are the management and development of affordable housing. It owns 5,000 general needs and sheltered housing properties located across Norfolk that are managed from its head office based in North Walsham. In furtherance of Victory's charitable objectives, these homes are let to families and individuals who are unable to rent or buy at open market rates due to their circumstances.

Business and financial review

The result for the year was a surplus of £11.6 million, which compares with a surplus of £8.0 million for 2015. The capital and reserves at the year end increased by £12.6 million to £55.1 million due to the surplus for the year and a £1.0 million remeasurement gain on the pension scheme. Surpluses are reinvested into the development program and improvement in services to our tenants. Whilst 104 new homes were completed in the year a further 130 are under construction and 265 homes are in the pipeline.

The surplus includes £5.9 million from the disposal of properties (2015: £4.8 million). This is mostly the open market sale of properties that are misaligned to need or require significant investment in order to achieve a home that is comfortable to live in. Proceeds were higher than the previous year as a spike in the completions in March 2016 was experienced as buyers brought forward plans to mitigate the increase in stamp duty. The disposal proceeds are reinvested in the provision of newer homes that are built to a higher standard, are cheaper to heat for residents and have lower maintenance costs for Victory, thereby providing better value.

The operating surplus is £8.7 million (2015: £6.3 million) providing an interest cover of 2.9 (2015: 2.1). This indicates Victory can support the additional finance servicing costs of borrowing more funds for investment. The Board considers this regularly and makes its decision based on what represents good value for money for residents. Whilst the Board has considered the argument for borrowing more money during the year no commitment has been agreed to proceed.

The number of units owned at the end of the year was 4,969, 20 lower than the previous year. 104 new homes have been completed and this has been exceeded by the number sales, through both Right to Buy and stock realignment together with the demolition of bedsit accommodation that Victory determined are not fit for purpose. There are no further planned demolitions and we expect unit numbers to increase in the future.

Victory's overall staff numbers increased to 77 full time equivalents (2015: 70) and is a reflection of vacancies and agency staff covering positions in 2015 that are filled by employed staff in 2016. Over the same period the revised staffing structure has increased by 1 full time equivalent to 80.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

The financial highlights over the past five-years are summarised in the table below.

Financial Highlights **For the year ended 31 March**	**2016** **£ '000**	**2015** **£ '000** restated	**2014** **£ '000**	**2013** **£ '000**	**2012** **£ '000**
Income & expenditure account*					
Total turnover	23,936	23,576	23,117	21,811	20,399
Operating surplus	8,669	6,322	7,932	7,606	5,488
Surplus for the year	11,582	8,038	10,040	6,013	3,727
Balance Sheet*					
Housing properties net book value (cost)	136,263	127,185	103,500	93,143	82,950
Other fixed assets	1,531	1,450	1,102	916	752
Net current assets	5,201	2,287	1,260	1,660	8,239
Total assets less current liabilities	142,995	130,922	105,862	95,719	91,941
Loans (due over one year)	70,000	70,000	70,000	70,000	60,000
Grant	17,182	16,822	-	-	-
Disposal Proceeds Fund/Provisions	124	124	-	-	12,266
Pension liability	560	1,468	706	1,268	682
Revenue reserve*	55,129	42,508	35,156	24,451	18,993
	142,995	130,922	105,862	95,719	91,941

* Note that 2015 incorporates the change to FRS102 and includes a £0.1 million increase to revenue reserves in relation to this. Fixed assets for 2014 and before are net of grant that is shown in creditors for 2015 onwards.

Housing properties owned at year end:					
Social housing (number of units)	4,969	4,989	4,878	4,877	4,854

Statistics					
Operating surplus as a % of turnover	36.2%	26.8%	34.3%	34.9%	26.9%
Surplus for year as a % of net rental income from lettings	51.2%	36.1%	45.6%	29.1%	19.8%
Rent losses (voids and bad debts as a % of rent and service charges receivable)	1.9%	3.0%	2.9%	2.1%	2.3%
Liquidity (current assets divided by current liabilities)	3.1	1.8	1.3	1.2	0.9
Debt per property unit	£14,087	£14,031	£14,053	£14,350	£13,020
Current tenant arrears as a % of rent and service charges receivable	2.8%	3.0%	2.9%	3.3%	3.3%

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

Objectives and strategy

We believe everyone deserves to live in a good, affordable home. Homes that meet people's needs give stability to their lives and help communities flourish.

Our priorities:

- Build more affordable homes
- Support our residents to help them in their homes and communities
- Improve and look after our homes

Our approach:

- We are local people providing a local service.
- We are big enough to make a difference, yet small enough to care.
- We show the 'Victory spirit': we are positive, supportive and caring.
- We are bold, looking for new ways of working and taking difficult decisions where necessary.
- We use our resources efficiently to provide value for money.

Our way of working:

- We put people first: we keep people at the heart of everything we do and value their differences.
- We say what we mean and mean what we say: we are clear & consistent in what we do.
- We love what we do and why we do it: we enjoy and take pride in our work.
- We are positive: we make things happen & achieve results.

Our key goals for the period to December 2021:

1. We will build 600 new homes.
2. We will secure £20m of additional funding for development.
3. We will provide tenancy support for tenants and learning programmes for those seeking employment.
4. We will invest £500k in community initiatives.
5. We will invest £46m in the maintenance and improvement of Victory's homes.
6. We will replace 200 outdated properties with modern, energy efficient homes.

Victory's Corporate Plan sets out our medium and short term targets, our policies (aligned to the National Standards) and service standards, provides a review of our operating environment and sets out the key risks we face and our risk appetite. Victory's Business Plan which sets out our funding capacity, long term financial position and confirms our ability to meet our financial commitments.

Performance and development

Key indicators used by senior management and the board to monitor achievement of Victory's performance objectives and a detailed performance dashboard and commentary is reviewed regularly by the board. The tables below show the key efficiency, financial, customer satisfaction and operational performance indicators used:

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

Efficiency Key Performance Indicators

The efficient and effective operation of the organisation is a high priority for Victory. Performance is benchmarked against the previous year to drive continuous improvement and against the national Registered Provider sector. The table below shows that during 2016 Victory delivered cost reductions in most of the keys headings and saw an increased service charge recovery (compared to 2015).

Efficiency - KPIs	2016	2015
Headline social housing cost per unit (Target: <£3,110 cost per unit for 2017)	£2,875	£3,636
Management cost per unit (Target: <£740 cost per unit for 2017)	£746	£778
Service charge cost per unit (Target: <£220 cost per unit for 2017)	£228	£221
Maintenance cost per unit (Target: <£930 cost per unit for 2017)	£940	£1,036
Major repairs cost per unit (Target: <£1,160 cost per unit for 2017)	£898	£1,390
Other social housing costs per unit (Target: <£60 cost per unit for 2017)	£63	£167

Victory's management cost per unit (£746) reduced by 4% and compares very favourably with the sector median of £950 per unit (latest sector data available being for 2015). Our maintenance cost per unit (£940) reduced by 9.3% following a detailed review of costs and methods of working in conjunction with our main contractor partners. Costs were below the sector median cost of £980 per unit. Expenditure on Major Repairs fell 35% to £898k per unit, although this was in part due to a decision in 2015 to bring forward some expenditure from the 2016 year in order to maximise value. This resulted in the costs for 2015 being higher than they would otherwise have been and for 2016 proportionately lower. We are committed to improving and looking after our homes and accept our Major Repairs plans to invest in our properties will involve an above median investment. The sector median for 2015 was £800 per unit. We believe our investment in Major Repairs drives our top quartile resident satisfaction score for the quality of the homes we own.

Financial Key Performance Indicators

The table below shows that Victory exceeded by a significant margin all financial performance targets and has comfortably met lender's covenants on interest rate cover and asset cover.

Financial – KPIs	2016	2015
Net operating cashflow / Interest payable loan covenant (Target 105%)	468%	248%
EBITDA-MRI / gross interest payable (Target +150%)	329%	172%
Asset cover ratio (Target +105%)	180%	175%

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

Resident Satisfaction KPIs

Victory completed an independent resident satisfaction survey based on the STAR (Survey of Tenants and Residents) methodology in 2015/16. This methodology allows comparisons and benchmarking with other social landlords to enable the relative satisfaction of Victory's residents to be compared with those of other social landlords across England. For the key satisfaction questions Victory has set a target to achieve the median or above compared with the Registered Provider sector.

The table below summarises the results for 9 key questions and shows satisfaction ratings for all indicators exceeded the target (which is the median figure). Five indicators showed improvement. Most notably overall satisfaction with the service provided improved to 89% (from 87%) and satisfaction with keeping residents informed significantly increased (from 84% to 89%). Three indicators remained the same and one indicator fell (neighbourhood as a place to live) but nonetheless remained very high at 92% (compared to a national median benchmark of 84%).

Resident Satisfaction KPIs	2016	2015
Overall service provided (Target +86%)	89%	87%
Quality of home (Target +84%)	91%	91%
Value for money of rent (Target +80%)	89%	89%
Value for money of service charge (Target +66%)	75%	74%
Repairs and maintenance (Target +79%)	86%	85%
Dealing with enquiries (Target +82%)	86%	85%
Keeping tenants informed (Target +79%)	89%	84%
Listening and taking account of views (Target +68%)	69%	69%
Neighbourhood as a place to live (Target +84%)	92%	93%

In addition to reviewing resident satisfaction, Victory monitors complaints, discretionary payments and compliments. In the last year Victory received 165 complaints (2015: 145), made 21 discretionary payments (2015: 52) and received 134 compliments (2015: 108). Discretionary payments totalled £1,752 (2015: £6,342) with an average payment of £83 per case (2015: £122).

The majority of complaints were resolved at stage one (Local Resolution), with 13 complaints (8%) escalating to the Review (second) stage and two complaints escalating to the Appeal (third and final) stage. One complaint was subject to a Housing Ombudsman determination. In February 2014, a case was escalated to the Housing Ombudsman but not determined until October 2015. The Ombudsman found that Victory had acted appropriately and fairly and no additional action was required to resolve the matter.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

Operational Key Performance Indicators

The table below shows the key operational performance targets.

Operational – KPIs	2016	2015
Rent and service charge outstanding as a percentage of annualised rent roll (Target <3.1%)	2.8%	3.0%
Rent loss through vacant dwellings (Target <1.25%)	1.6%	2.4%
Number of days to relet vacant general needs & sheltered dwellings (Target <28.68 days)	34.7 days	32 days
Average time taken to answer telephone calls (Target <30 seconds)	17	21
Repairs completed within target time (Target >98.3%)	99.0%	97.9%
Routine repairs attended within appointed time slot (Target >97.6%)	98.4%	96.0%
Repair jobs completed at earliest possible visit (Target >90.5%)	96.4%	96.7%
Properties meeting the Decent Homes Standard (Target 100%)	100%	100%
Properties with a 5 year periodic electrical installation condition report (Target 100% by December 2017)	82.3%	n/a
Properties with a valid gas / oil / solid fuel safety certificate (Target 100%)	99.8%	99.9%

Our target for the year was to keep rent losses due to empty homes, excluding properties held vacant for re-development, below 1.25% of rental income receivable. For the year, our overall rent loss from voids was 1.6% (2015: 2.4%) which was above target. However, 0.6% (2015: 1.2%) of the loss related to properties specifically held vacant to enable redevelopment or sale. Adjusting for those necessary voids, the target was met.

The number of days to relet a property increased to 34.7 days on average (2015: 32 days) above the target of 28.7 days. These figures exclude major works, the initial let of a new build, disposals and demolitions. The target was achieved for much of the 2015/16 financial year, but performance slipped in February 2016 and did not meet the target in March. During this period relet periods deteriorated due to 57 new build properties across three schemes being completed and handed over for letting in a short space of time. From April 2016, budget has been provided to increase staffing numbers within the Tenancy Management Team and measures have subsequently been taken to ensure peaks in demand can be responded to more appropriately by drawing on the wider Housing team where necessary.

Historically, Victory has done a periodic electrical installation inspection every ten years. Based on good practice, the decision has been taken to move to a 5 year inspection schedule by December 2017. Currently 82.3% of properties have a five year installation check and this is on target to reach 100% by December 2017.

Victory has set a target to ensure 100% of properties have a valid gas certificate' performance certificate and actual performance was below target at 99.8%. Performance during the early part of the year did not consistently meet target following the introduction of a new contractor. Performance has subsequently improved.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

New Homes Delivered

In the year to March 2016 Victory delivered 104 homes comprising 85 new homes and 19 major refurbishments of sheltered bedsit accommodation. Of the 104 total homes, 77 were general needs units, 19 were sheltered housing for older people, and eight were shared ownership units. A further 130 homes were in construction at the year end and Victory has a pipeline of development schemes for the next three years totalling 265 new homes. The Board has targeted the provision of 600 new homes in the five years to December 2021.

The first tranche shared ownership sales report a small loss in the notes to the accounts (note 3). This reflects the fact that Victory's development of affordable housing generates a negative net present value but is in line with our charitable objects. The Board considers this is acceptable and notes shared ownership properties generate more financial contribution per property than rented units and hence contribute effectively to Victory's overall development pipeline net present value.

Results compared to budgets and loan covenants

Our financial performance was in line with the budget for the year and has meant that Victory met all the lender's covenants on interest rate cover and asset cover.

The total comprehensive income for the year transferred to reserves was £12.6 million (2015: £7.3 million).

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED) VALUE FOR MONEY

VALUE FOR MONEY

Victory is committed to operating economically, efficiently and effectively and maximising value for residents and local communities. We have completed a comprehensive self-assessment of Value for Money (VfM), which is published on our website at www.victoryhousing.co.uk. This section provides key highlights drawn from the full report.

In the past year, Victory's financial return on assets has increased by almost a third, management, maintenance and major repair costs have fallen and are below benchmark medians, we are actively managing our property assets to capitalise on their inherent value, development output of new homes has increased, and resident satisfaction has risen from an already high level. Because of this, and the detailed information contained in the full self assessment, we believe Victory complies with the Homes and Communities Agency's Value for Money National Standard.

Victory defines Value for Money (VfM) as delivering more with the same or fewer resources, maintaining high quality services by using resources for maximum impact, cutting out waste and minimising costs to deliver resident expectations and priorities. Social value relates to 'the difference we make to people's lives and local communities', ranging from reductions in social deprivation, fuel poverty, unemployment levels to promoting social enterprise.

Return on Assets

Victory saw a marked (33%) increase in its Return on Assets compared with 2015.

	Return on Assets	
	2016	2015
Return on Assets	8.1%	6.1%
Surplus before taxation £'000	11,582	8,038
Net assets £'000	142,995	130,922

The financial return significantly improved in 2016 due to a lower property upkeep spend and lower management costs. These reductions in spend were mainly the result of the business responding to changes to the sector from the Government's 2015 Summer Budget announcement. The table below shows that the operating surplus increased by more than a third to 36.2% (2015: 26.8%) and the surplus as a percentage of net rental income from lettings increased by 39% to its highest ever level of 51.2% (2015: 36.1%).

	2016	2015
Operating surplus as a % of turnover	36.2%	26.8%
Surplus as a % of net rental income from lettings	51.2%	36.1%

Managing our Assets Effectively

Another key contributor to the positive improvement in return on assets was Victory's active Asset Management Plan, which targets the sale of outdated properties and their replacement with modern, energy efficient homes. In 2016, Victory sold 44 properties as part of its asset management plans, achieving a £6.26m cash inflow. The properties sold were chosen based on their energy efficiency, condition, construction, location, size and amenity, as well as the cost of short term and longer term repairs and maintenance. The sales helped fund new homes which are built to a higher standard, are cheaper to heat for residents and have lower maintenance costs for Victory, thereby providing much better value. The

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)
VALUE FOR MONEY

disposals programme has saved £735k in works not undertaken to the properties sold.

With a diverse range of garage sites in its ownership, Victory has undertaken option appraisals to optimise the use of, and value to be obtained from, these assets. Through selective investment, value is being maximised by capturing the development potential of appropriate retained garage sites to be used as development sites for new homes, and using funding obtained from disposal of the remaining garage sites to develop additional new homes. In total, Victory owned 800 garages on 73 sites. Of these sites, 30 will be sold now, 35 will be sold at a later date (to avoid sharing the proceeds, as required under the terms of their acquisition as part of the stock transfer), six will be redeveloped with housing, and two will be retained for garage use. The sale proceeds are estimated at £2.39m. By March 2016, two sites had been redeveloped with housing and 17 sites had been sold.

In 2016 we concluded the remodelling of sheltered housing schemes containing 40 bedsits that no longer met acceptable standards or resident's needs, and were therefore not providing good value. Work to replace these out-dated properties with modern, self-contained homes that meet a range of needs was completed with the support of £679,200 in Grant payment and the overall project delivered savings on the budgeted cost of £1.4m.

Victory's Tenants Incentive Scheme helped 41 tenants to move to a smaller property. This freed up 36 homes for larger families to move into, and 5 older, less energy efficient properties to be sold, raising money to find new build schemes. The scheme also helped 35 tenants to move to a property where they were no longer affected by the 'bedroom tax'.

Delivering New Homes

In 2016 Victory completed 104 new properties. Added to this, another 130 new homes were under construction at the end of the year. With 104 properties completed in 2016, our latest three year rolling average was 121 units per annum. This represents a 157% increase on the previous three year rolling average (47 units per annum). The National Housing Federation Economic Impact Calculator estimates that for every property built in Victory's area of operation, 2.2 full-time equivalent jobs are created. Using this calculation, the 2016 build programme supported 229 full time jobs for a year.

We are committed to building more affordable homes. Having built 600 new homes in our first ten years, we plan to double our rate of construction and build 600 further homes over the next five years. These new homes will be principally for affordable rent with 20% to 30% built for low cost home ownership. To achieve this goal we will need to secure an additional £20m of funding over and above our existing facilities of £80m.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)
VALUE FOR MONEY

Comparing Our Costs

Victory has compared its management, maintenance and major repairs expenditure with the Homes & Community Agency's Global Accounts for both traditional and Large Scale Voluntary Transfer (LSVT) associations together with a local Norfolk & Suffolk peer group of housing associations.

Benchmark	Management £/unit	Maintenance (routine & planned) £/unit	Total Management & Maintenance Costs £/unit	Major Repairs £/unit
Norfolk / Suffolk Peer group average	813	1,045	1,858	922
Traditional Global Accounts median	1,082	1,016	2,098	767
LSVT Global Accounts median	972	1,018	1,990	1,138
Victory (2016)	746	940	1,686	898
Victory (2015)	778	1,036	1,814	1,390
Source: Homes & Communities Agency Global Accounts report. Comparative data is for the financial year ending 2014/15.				

Management Costs: In 2016, Victory's management cost per unit (£746) fell by 4.1% from 2015 (£778) and compare very favourable with other housing associations. Victory's 2016 costs were 8.2% lower than the Norfolk & Suffolk Peer group average, 31.1% lower than the Global Accounts median for traditional housing associations and 23.3% lower than the Global Accounts median both for Large Scale Voluntary Transfer (LSVT) associations.

Maintenance Costs: In 2016, Victory's Maintenance costs per unit (£940) fell by 9.3% from 2015 (£1,036). This was equivalent to a cost reduction of £477k in total. Victory's cost per unit was 10.0% below the Norfolk & Suffolk peer group average, 7.5% below the median for traditional housing associations and 7.7% below the LSVT housing associations.

Combined Management & Maintenance Costs: Victory's 2016 combined management and maintenance costs have fallen by £128 per unit compared to 2015, a fall of 7.1%. Given Victory's 4,969 stock total at 31 March 2016, this equates to a reduction in costs of £636k and places Victory's combined management and maintenance costs per unit £412 (19.6%) below the Global Accounts median for traditional housing associations, £304 (15.3%) below the Global Accounts median for LSVT associations, and £172 (9.3%) below its local Norfolk & Suffolk peer group average. Victory's combined management and maintenance cost base is therefore £855k per annum below its local peer group average.

Major repairs costs: Victory's major repairs costs in 2016 (£898) showed a marked decline of £492 (35.1%) compared to 2015. The 2016 figure is below the equivalent 2015 Norfolk & Suffolk Peer group average (£922) and the Global Accounts LSVT median (£1,138), but remains above the median for traditional housing associations (£767). The reduction in major repairs costs per unit was in part the result of a previous decision to bring forward 2016 expenditure into 2015. It also reflects a decision taken by the Board to no longer pursue a (higher) 'Victory Homes Standard' and instead focus on delivering the Decent Homes Standard.

The Homes & Communities Agency's regression analysis published in 2016 identified that LSVT transfer associations that were 7-12 years old had on average a £300 cost per unit premium for major repairs. This reflects the high early years investment profiles of LSVT associations. Victory falls into this category. Adjusting for that LSVT 'premium', Victory's major repairs costs are below the Global Accounts traditional association median.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)
VALUE FOR MONEY

Procuring Effectively

Victory utilises procurement consortia wherever efficiency gains can be realised and is a founder-member of Eastern Procurement Ltd (EPL). Victory has a dedicated Procurement Manager and has identified savings of over £440k achieved during 2016.

Using Human Resources Effectively

We recognise that a happy, engaged and well trained workforce is strongly correlated to better resident satisfaction and higher productivity, whilst active resident involvement is necessary to improve services and the efficiency with which they are delivered. Our employees attended approximately 480 training sessions in 2016, with 15 employees (19%) supported in gaining a professional qualification. Our 2016 annual employee survey secured a 97% response rate, with 41 of the 42 indicators improved compared with 2015. Time volunteered by residents totalled 1974 hours or 38 hours per week in 2016.

During 2016 we established a dedicated Income Management team to provide a more effective rent collection service. This change helped deliver a reduction in rent arrears to 2.8% (2015: 3.0%). We combined our Estate Officer and Anti-Social Behaviour Officer roles to create a Community Management team. An apprentice joined our Finance team and our development team absorbed the previously out sourced management of shared ownership sales. This has delivered a saving of £22,950 in fees in 2016, with anticipated savings of £65,000 in 2017.

Achieving Resident Satisfaction

We are achieving above median levels of resident satisfaction, whilst maintaining below median management, maintenance and major repairs expenditure. Overall satisfaction increased to 89% (from 87% in 2015) against a housing sector median of 86%. In the context of welfare benefit reform, value for money of rent is increasingly important with the 2016 survey showing for the first time that value for money of rent was a key driver of overall resident satisfaction. Nine out of ten (89%) residents were satisfied with the value for money of their rent, including 50% who were ‘very satisfied’. This result is 9% above the benchmark median and places Victory in the top quartile of providers. Equally, satisfaction with the value for money of service charges is high, which at 75% showed an improvement on the 2015 position (74%). It is also significantly above the benchmark median (66%) and places Victory resident satisfaction with the value for money of service charges in the top quartile of providers.

Managing and Improving Performance

Operational performance was strong, with Victory delivering a good KPI & financial performance. Highlights include reductions being achieved in rent and service charge outstanding (down to 2.8% from 3.0% in 2015); rent loss through vacant dwellings (down to 1.6% from 2.4%); and average time to answer telephone calls (which fell to 17 seconds from 21 seconds). Repairs completed within target time improved (to 99.0% from 97.9%); and repairs attended within appointed time slots increased (to 98.4% from 96.0%). Victory also maintained 100% Decent Homes Standard compliance.

Performance fell in three key areas - properties with a valid gas safety certificate (down to 99.8% from 99.9%); repairs completed at the earliest possible visit (down to 96.4% from 96.7%) and days taken to relet vacant dwellings (increased to 34.7 days from 32 days).

Our responsive building maintenance service was independently assessed by Savills and continues to embrace the principles of partnering with a particular focus on constructive cost savings agreed collaboratively following detailed quarterly open book reviews. In 2016 Victory secured a reduction in the overhead and supervision cost with no detriment to operational performance. Cost reduction measures included removal of the ‘Urgent’ repair category, and the introduction of am/pm appointments (in lieu of the previous early/mid/late time slots). These changes enabled a reduction of eight operatives who left through either voluntary redundancy or termination of temporary contracts with no exceptional costs incurred. The overall impact of the above measures has seen the price framework for 2017 decrease overall by 4% compared to 2016. Benchmarking undertaken by Savills against three similar peer organisations from the East Anglian region show Victory’s outsourced service contract providing the lowest average annual repair cost per property.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)
VALUE FOR MONEY

During 2016, Victory reviewed arrangements for work undertaken for our main repairs contractor by sub-contractors. These services were market tested and the outcome informed an alternative strategy to be formed, in collaboration with Jeakins Weir, which identified capacity within Victory to directly administer and manage some of the sub-contracted works. Subsequently direct contracts have been entered into yielding a £28,000 saving per annum.

Value Management Projects

In the year, Value Management studies were conducted in the following areas – recharges, electronic document and records management, repairs top 100, planned maintenance, Caretaking & Handyman service, lettable standard, direct debits and website review.

Managing Liabilities

Victory has not diversified to any significant extent outside the core provision of social housing and hence does not have any other significant liabilities arising other than amounts due and committed to funders, developers, contractors and other suppliers. The main financial liability is bank loan funding amounting to £70 million at 31 March 2016. The total facility is £80m and this is secured on the housing stock transferred to Victory in 2006. Our approach to treasury risk is to maintain a high proportion of loans at a fixed rate to provide certainty. The bank loans are long-term, being due for repayment between 2017 and 2039, and mainly at fixed rates of interest ranging from 2.6% to 5.2%. A further £15m of the loans was initially fixed but changed to an interest rate based on RPI and capped at 5%. The covenants under the loan facility are based on operational cash flows and total value of loan to total secured property value. Both covenants are comfortably within tolerances and regularly monitored by the Board. The 2016 treasury performance has been benchmarked against the 2015 Global Accounts and compare favourably.

	2016	2015 Global Accounts
Effective interest rate	4.3%	4.7%
EBITDA(MRI) / interest	2.16	1.54
Total interest cost as % of turnover	12.6%	18.4%
Debt per unit	£14,087	£23,931

Defined benefit pension obligations are limited to those members of staff who transferred from the local authority in 2006, now just 17 staff. Whilst Victory is responsible for the liability, by restricting new membership the future liability is being managed as effectively as possible. At March 2016 this pension scheme was 94% funded, with the unfunded liabilities amounted to £560k. The majority of Victory's employees are members of a defined contribution pension scheme.

Investing in Communities

Supporting local charities: During 2016 Victory distributed 19 grants totalling £120,469 to charitable and voluntary organisations working in areas where Victory owns properties. Whilst many projects are at an early stage, over 1,385 people have already benefited Victory's support.

Volunteering: Staff can take up to three days paid leave (pro rata for part-time employees) in addition to their normal holiday entitlement to volunteer in the local community. With an average of 77 employees, this provides a resource of up to 231 volunteer days per annum. Examples of activities include: mentoring students at a local High School; community counselling; school governor responsibilities; organising community sports events; and assisting in a day-care centre for the elderly.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)
VALUE FOR MONEY

Supporting local businesses: Our major programmes of repairs, maintenance and development continue to be predominantly delivered by local operatives working for companies based in and around Norfolk, providing work and apprentice opportunities for local people and contributing to the local economy. Over 70% of suppliers are Small Medium Enterprises (SMEs), over 70% (25 of 35) are based in Victory's operating area of Norfolk, and over 50% (18 of 35) are both an SME's and local.

Apprenticeships: Victory and its contractors have collectively supported 19 apprenticeships, with a further four planned during 2017.

Where We Need To Improve

Victory's self-assessment has identified that the organisation has not yet calculated a clear measurement of the Social return on investment it has delivered from its various activities. Victory's social value is primarily measured through its grants programme administered by the Norfolk Community Foundation. In 2016, over £120,000 of grants were distributed to charitable and voluntary organisations working in areas where Victory owns properties. Victory has invested in the HACT Value Insight and Community Insight web tool but this is not yet being consistently used to measure social return. This is an area of focus in 2017.

We recognise that there are areas for improvement that will help to improve homes and services, reduce costs and waste, maximise the use of resources and add social value. To this end we have developed a VfM action plan to address these. Over the next 12 months we will:

1. Achieve further overall efficiency savings of:
   - £200k against the management costs (compared to the 2017 budget).
   - £50k against maintenance costs (compared to the 2017 budget).
   - £250k against the major repairs cost (compared to the 2017 budget).
2. Implement reviewed Recharge Process to target recovery of additional income of £50,000.
3. Develop 90 new properties generating additional estimated rent of £468,000.
4. Dispose of 45 properties, generating an additional estimated income of £6 million.
5. Undertake research and compare our cost base with peer groups that have an equivalent profile.
6. Formulate a bid to apply for inclusion in the HCA 2016-21 affordable housing programme.
7. Utilise the HACT Value Insight and Community Insight web tools to measure and report on Social Value impacts.
8. Review the Void process to reduce the turnaround time of relet voids.
9. Develop new build housing scheme proposals for four former garage sites.
10. Implement Social Media/IT improvements to enhance resident communication.
11. Further develop the Victory website and implement the Civica Tenant Portal (self service) module.
12. Increase opportunities for staff volunteering initiatives.
13. Investigate the potential for a Community learning programme for residents.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

Risks and uncertainties

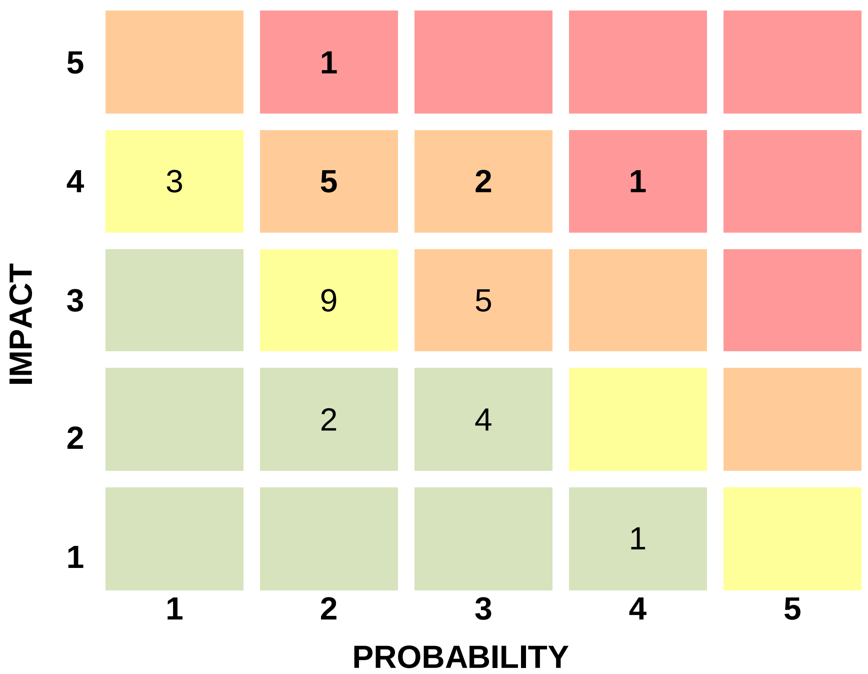
Victory regularly assesses its capacity for risk and has established a risk appetite within that capacity. Its risk management processes are designed to ensure that the aggregate exposure to risk remains within both appetite and capacity. All information relating to risk is held within a risk management database, which allows each risk to be linked to a specific risk owner who is responsible for reviewing and updating the controls and actions in relation to that risk. Managers are provided with clear information about the risks, actions and controls for which they are responsible. Victory's identified risks together with their probability and impact of occurrence are subject to an annual independent review and are benchmarked against sector norms.

Each risk is given a risk score based on the probability and impact of occurrence as detailed in the table below.

Definition of risk scores

			Impacts			
Score	**Description**	**Probability**	**Financial**	**Legal / Regulatory**	**Growth**	**Residents / Communities**
1	Very Low	Between 0% and 3%	£0 to £74,999	Reportable event	Moderate loss of one year's growth	Small number of residents affected
2	Low	Between 3% and 10%	£75,000 to £249,999	Formal regulatory interaction	Significant loss of one year's growth	Effect more significant / on more residents
3	Medium	Between 10% and 30%	£250,000 to £749,999	Adverse Regulatory Judgment	Complete loss of growth for one to two years	Much of a neighbourhood affected
4	High	Between 30% and 90%	£750,000 to £2,499,999	Special Measures / loss of right to manage	Complete loss of growth for five years	All of a neighbourhood affected
5	Very High	Above 90%	£2,500,000 and above	Loss of independence		Almost all residents significantly affected

The following chart shows the distribution of the strategic and operational risks identified by Victory.



The following table highlights the top 9 risks (the numbers shown in bold above) – those with an impact of four or more and a probability of two or more – and the key controls in place to mitigate those risks.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

Significant risks and mitigating controls

Key risk	Mitigating controls
Failure to comply with loan covenants Financial planning failure	• All variables subject to covenants are monitored closely by the Board (at least quarterly); • The business planning model is validated by an independent expert to confirm that it is free from errors and corruption; • Headroom against both loan covenants and the available loan facilities is evaluated, taking account of the volatility of known financial risks and the possibility of unforeseen risks occurring; • Recognised industry standard financial planning software is used; • Business plan assumptions are independently reviewed for reasonableness, both individually and as a set; • The Board scrutinises growth and diversification plans to ensure they are within the organisation's financial capacity; even should adverse conditions be encountered.
Failure to raise sufficient finance for our development aspirations	• Credit facilities are in place for at least the next 12 months and contractually agreed with funders for the long term; • Annual Treasury Management board review incorporating an assessment of the financial market conditions for new debt.
Failure to effectively monitor, anticipate and respond to changes in the external environment	• Adoption of cautious financial planning assumptions with capacity to withstand financial shocks; • Regular stress testing against multi variant scenarios; • Regular reports and independent sector assessments provided to managers and Non Executive Directors; • Annual appraisal and skills audit of Non Executive Directors.
Failure to manage assets to make agreed progress towards the Victory standards	• Use asset management software to ensure work programmes in place to meet standards; • Undertake stock condition surveys and maintain a stock condition database; • Quarterly monitoring report to Board of progress in meeting Decent Homes Standard; • Appoint independent specialist consultant to annually validate compliance with Decent Homes Standard.
Costs of employer's pension greater than planned	• The majority of existing staff and all new staff are entitled to participate in a defined contribution scheme, with the defined benefit scheme not open to new applicants. Annual accounts valuation and triennial Valuation Report apply for the defined contribution scheme; • Increases reflected in salary and terms and conditions negotiations; • Undertake independent pension risk assessments.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

Failure to comply with health & safety obligations as a landlord, employer and developer	• Health & Safety policy and Victory Safety Management System in place; • Construction (Design and Management) coordinator appointed; • Customer Safety Group and Employee Safety Group operational; • Risk assessment regimes and registers in place for fire, water, and asbestos risks; • Annual gas and heating checks undertaken, with periodic electrical installation checks undertaken; • Construction Skills Certification Scheme Site Health & safety certificate held by Assets staff.
Failure of governance (including medium and long term financial control)	• Board approved Governance & Financial Viability Policy in place; • Annual governance review and self assessment, with periodic independent reviews undertaken; • Annual appraisal and skills audit of Non Executive Directors; • Regular reports and independent sector assessments provided to managers and Non Executive Directors.
Failure to define strategic direction	• The Board undertake an annual SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis together with a STEP (Sociological, Technological, Economic/Environment and Political) analysis to inform corporate planning. • Non Executor Directors are well informed, with briefings, independent reviews, and regular strategic workshops exploring the implications of external changes. The skill set of the Board is regularly reviewed. • Membership of lobby / trade groups such as National Housing Federation and PlaceShapers. • The Board's attitude to risk depends on the nature, magnitude and impact of the risk, the assessed level of positive and negative outcomes, the distance from core competencies and geographical areas of operation, the potential for knowledge and risk sharing with others, and confidence in managing the rate of change and the assessment of Victory's ability to manage the risk.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

Capital structure and treasury policy

Borrowings remained at the same level during the year. The funds required for the on-going development of housing and investment in improvements of existing stock were realised from operating cashflows and the disposal proceeds generated by the stock rationalisation programme. Borrowings amounted to £70.0m and is due to be repaid as shown below.

Maturity	2016 £m	2015 £m
Within one year	-	-
Between one and two years	5.0	-
Between two and five years	10.0	5.0
After five years	55.0	65.0
	70.0	70.0

Victory borrows at both fixed and floating rates of interest. Victory's policy is to fix the interest cost of a significant proportion of its debt to provide certainty. At the year-end, 79% (2015: 79%) of Victory's borrowings were at fixed rates with rates of interest ranging from 2.6% to 5.2% including lender's margin. £15.0m of loans are at a variable rate linked to RPI capped at 5.0% with a floor of 0.0%. The loans repayable after five years are repayable in the period 2021 to 2034.

The weighted average interest rate at 31 March 2016 was 4.2% (2015: 4.2%) which means that Victory is paying interest at rates above current market levels. The board assess this annually and consider that the certainty provided by fixing the interest rate on a proportion of the debt over the long term remains beneficial.

Total debt per property is £14,087 (2015: £14,031). During the next twelve months is anticipated that no further borrowings will be drawn down from the existing facility to finance new developments.

Victory had cash balances of £5.2m at 31 March 2016 (2015: £2.8m) and the current ratio stands at 3.1 (2015: 1.8). Cash flow forecasts are closely monitored to ensure that sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required.

Compliance with loan covenants

The loan agreement requires compliance with a number of financial and non-financial covenants. This is monitored on an on-going basis and reported to the board each quarter.

Victory has met all the lender's covenant requirements during the year and the board expects to remain compliant in the foreseeable future. There are two main covenants, being interest cover ratio and asset cover ratio. The cashflow-based interest cover ratio is required to be above 48% (2015: 37%) and the asset cover ratio above 105% (2015: 105%). For the year to March 2016, the interest cover ratio was 468% (2015: 248%) and the asset cover ratio was 180% (2015: 175%).

Cash flows

Cash inflows and outflows during the year are shown in the Statement of Cash Flows (page 29).

The cash inflow from operating activities increased this year to £11.4 million (2015: £7.3 million), predominantly because of lower operating costs relating to management and repairs and maintenance.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

Pension costs

Victory participates in two pension schemes, the Norfolk Pension Fund (a Local Government Pension Scheme – LGPS) and a defined contribution scheme run by Scottish Widows. Victory has contributed to the Norfolk Pension fund final scheme in accordance with levels set by the actuaries, and contributes variable amounts from 7% to 15% of salary for the defined contribution scheme.

The Norfolk Pension Fund Scheme was valued at 31 March 2013 and shows an overall deficit for the whole fund of £705m, a funding level of 78%. The actuarial funding report for Victory's element of the fund shows a funding level of 101% at 31 March 2013. The FRS 102 valuation for Victory at 31 March 2016 discloses a £0.6m deficit (2015: £1.5m). Victory will continue to contribute to the scheme in line with the advice of independent actuaries. The decrease in the deficit is mainly the result of changes made by the actuary to the financial assumptions used.

Future developments

We are committed to building more affordable homes. Having built 600 new homes in our first ten years, we plan to double our rate of construction and build 600 further homes over the next five years. Victory has received funding under the Affordable Homes Programme 2015-18 which will help to deliver at least 194 homes.

We aim to achieve resident satisfaction levels for our services that are above the median when benchmarked against the national Registered Provider sector, whilst maintaining management and routine maintenance costs below the median. We are committed to improving and looking after our homes and accept our plans to invest £46 million in our properties over the next five years will involve an above median investment in major improvements. This investment is necessary for the long term maintenance of our housing stock and drives our top quartile resident satisfaction for the quality of the homes we own. To ensure investment is targeted at the right properties and that the homes we offer meet people's needs, we plan to sell 200 out-dated, less energy efficient, expensive to maintain homes, and replace them with modern, energy efficient homes.

To support our residents, we offer a comprehensive tenancy support service providing benefit and debt advice, with additional support and training offered to those seeking employment. We aim to invest £500k in community initiatives over the next five years. We will work with partners to support the wider community, recognising that Victory has an important community role to play in areas where we are the dominant landlord.

Governance and regulatory compliance

In accordance with the requirements of the Accounting Direction 2015, the directors certify that Victory Housing Trust has complied with the requirements of the Homes and Community Agency's Governance and Financial Viability Standard.

Victory has adopted and complies with the National Housing Federation's (NHF) Code of Governance 2015.

Victory has adopted the NHF's code of conduct 2012 (with minor amendments to reflect Victory's circumstances) for all board members, involved residents and employees. The Board confirms Victory complies with the principal recommendations and is committed to upholding the code.

Victory has adopted the NHF Voluntary Code on mergers, group structures and partnerships.

The HCA completed a viability review during the year and there has been no change to the regulatory assessment which was:

- G1 - meets the requirements on governance set out in the Governance and Financial Viability standard; and
- V1 - meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively.

These are the highest ratings awarded to registered providers.

OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

Statement of compliance

In preparing this Operating and Financial Review and Strategic Report, the board has followed the principles set out in the Housing SORP 2014: Statement of Recommended Practice (SORP) for Registered Social Housing Providers.

In approving the Operating and financial review and Strategic Report, the board is also approving the Strategic Report in their capacity as directors of the company.

The Operating and Financial Review and Strategic Report were approved by the board on 4 August 2016 and signed on its behalf by:

P Burton
Chairman
4 August 2016

REPORT OF THE BOARD

Non-executive and executive directors

The present non-executive and executive directors of Victory are set out on page 1. The board comprises solely non-executive directors and are drawn from a wide background bringing together professional, commercial and local experience.

The following non-executive directors served throughout the year: Stephen Burke, Philip Burton, Peter Baynham, Keith Dixon, Sasha Gurrey, Doris Jamieson and Zoe Slater. Clare Barter resigned on 11 February 2016 because the terms of office do not allow her to stand for re-election. Stephen Udberg was appointed on 5 May 2016.

The Residents' Panel Chair, Mike Gates, attends board meetings in a non- voting capacity.

During the year the non-executive directors were remunerated as follows:

	Current year	**Prior year**
	£	£
Barter C M	5,385	7,700
Baynham P F	4,300	3,672
Burke S B	3,000	3,000
Burton P J	6,714	4,972
Jamieson D A	3,675	377
Rest J V	-	3,212
Slater Z D	3,175	377
Travis R A	-	2,101
Wollocombe J B	-	3,212

The performance of each individual non-executive director is annually assessed through an appraisal framework managed by the Chair. An independent committee is responsible for remuneration and the levels of remuneration are independently assessed to ensure that they are at a level comparable to similar organisations.

There are three executive directors including the chief executive (2015: 3). They hold no interest in Victory's shares and act as executives within the authority delegated by the board.

Victory's insurance policies indemnify non-executive directors and officers against liability when acting for Victory.

Employment contracts

The executive directors are appointed on employment contracts. Notice periods are six months.

Pensions

The executive directors are members of the Norfolk Pension Fund, which is a defined benefit final salary pension scheme. They participate in the scheme on the same terms as all other eligible staff and Victory contributes to the scheme on behalf of its employees.

Other benefits

The executive directors are entitled to other benefits such as the provision of a car allowance and medical cover. Details of their remuneration are included in note 10 to the audited financial statements.

Donations

Victory made no charitable or political donations in the year (2015: £nil).

Payment of creditors

The average number of days between receipt and payment of creditors was 31 days (2015: 36 days).

REPORT OF THE BOARD (CONTINUED)

Financial risk management objectives and policies

Victory uses various financial instruments, including loans and cash, and other items such as trade creditors that arise directly from its operations to fund operations.

The existence of these financial instruments expose Victory to a number of financial risks. The main risks arising from these financial instruments are considered by the directors to be interest rate risk, liquidity risk, counterparty credit risk and operational treasury risk. Victory borrows and lends only in sterling and so is not exposed to currency risk. The board review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

Victory finances its operations through a mixture of retained surpluses and bank borrowings. Victory's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities, which have been set out above.

Liquidity risk

Victory seeks to manage financial risk by ensuring sufficient liquidity is available to cover the next one month's Net Cash Requirements subject to an absolute minimum of £1m cash at anyone time. £25.0m of the committed facility is in the form of a revolving credit facility (of which £15.0m has been fixed). The remaining £10.0m allows us to manage liquidity.

The maturity of borrowings is set out above. In addition to these borrowings Victory has £10.0 million of undrawn committed facilities.

Counterparty credit risk

There is no cash on deposit (2015: £1.0 million) shown as current asset investments (included in cash and cash equivalents). Cash holdings in excess of working capital requirements are placed on deposit in line with the treasury policy and require that institutions with which deposits are placed need to have a minimum credit rating. The credit risk relating to tenant arrears is managed by providing support to eligible tenants with their application for Housing Benefit and by closely monitoring the arrears of self-funding tenants. The impact of Welfare Reform is a key risk and we have put in place actions such as assistance to help tenants downsize and the introduction of an enhanced direct debit system to mitigate some of the risk. To date, there has been no materially adverse impact.

Operational treasury risk

Treasury procedures and systems are in place to monitor treasury activity including trades, cash flow and covenants. Covenant compliance is monitored on a monthly basis there have been no breaches of covenants during the year. The External Auditors also certify compliance with the covenants annually.

Going concern

Victory's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review and Strategic Report. Victory has in place long-term debt facilities (including £10.0 million of undrawn facilities at 31 March 2016), which provide adequate resources to finance committed reinvestment and development programmes, along with Victory's day to day operations. Victory also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lender's covenants.

On this basis, the board has a reasonable expectation that Victory has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Housing properties

At 31 March 2016, Victory owned 4,969 housing properties (2015: 4,989). Housing properties are carried at historic cost less depreciation

REPORT OF THE BOARD (CONTINUED)

The board appointed external professional valuers to undertake the annual valuation of Victory's completed housing properties as at 31 March 2016. The value of housing properties on an Existing Use Valuation basis (for social housing purposes) was £159.6m (2015: £159.5m).

Victory's investment in housing properties this year was funded through a mixture of social housing grant, loan finance, property disposal proceeds and working capital where we continue to show a strong current asset balance, an important indicator of liquidity. Details of changes to Victory's fixed assets are shown in notes 12 and 13 to the financial statements.

Employees

The ability to meet our objectives and commitments to residents in an efficient and effective manner depends on employee contribution. Victory shares information on its objectives, progress and activities through regular office briefings and team meetings. The continued training and development of employees is a high priority as is investment in employee's studying for professional qualifications.

We are committed to equal opportunities and in particular, we support the employment of disabled people, both at recruitment and in the retention of employees who become disabled whilst in the employment of Victory.

Accounting policies

Victory's principal accounting policies are set out on pages 30 to 35 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and their components, development administration costs, housing property depreciation and treatment of shared ownership properties. The treatment of capital grant has changed under FRS 102 and is no longer deducted from the cost of assets but is shown in creditors.

Health and safety

The board is aware of its responsibilities on all matters relating to health and safety and receive an update on key performance indicators bi-annually. Victory has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Resident involvement

Victory's approach to co-regulation and service delivery is to positively engage with residents and formally incorporate residents' views into the business planning and service delivery process. We actively encourage residents' involvement in decision-making and service improvement by promoting resident involvement in a range of ways. During the year a new co-regulation framework to engage and involve residents was established.

Post balance sheet events

We consider that there have been no events since the year-end that have had a significant effect on Victory's financial position.

We note the outcome of the EU Referendum announced on 24 June 2016 is for Britain to leave the European Union. Whilst this brings uncertainty this risk has been assessed as part of our stress testing and based on the assumptions adopted we believe we can withstand the potential shocks. We do not believe this affects our going concern.

REPORT OF THE BOARD (CONTINUED)

Internal controls assurance

The Board acknowledges that it has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

This system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by Victory is on-going and has been in place throughout the period commencing 1 April 2015 up to the date of approval of the financial statements. The key elements of the internal control framework are:

- Board approved terms of reference and delegated authorities for the Audit Committee, Board Remuneration Committee and the Remuneration and Nomination Committee.
- An Organisational and Management structure that reflects Victory's Corporate Objectives.
- Delegation Schedules dictating roles and responsibility for the Executive Directors;
- Defined management responsibility for the identification, evaluation and control of significant risks.
- Regular reviews of the Company's risk map by the Executive Team and a standing agenda item at Board meetings.
- Robust strategic business planning processes, with detailed financial budgets and long term forecasts.
- Monthly reporting to senior managers and bi-annually reporting to the Executive Team and Board of key performance indicators to assess progress towards achievement of key business objectives, targets and outcomes.
- Formal authorisation and appraisal procedures for significant new initiatives and commitments.
- Formal recruitment, retention, training and development policies;
- Regular review by the Board of the Company's treasury management strategies, policies, procedures and outcomes including regular monitoring of loan covenants.
- Board approved whistle-blowing policies.
- Board approved anti fraud and corruption policies covering prevention, detection, reporting and asset recovery.
- Detailed policies and procedures covering areas of operation.

A fraud, corruption and money laundering register is maintained and is available for review by the Board at each meeting and approved by the Audit Committee annually. During the year no instances of alleged fraud were identified and the controls operated effectively.

The Board accepts ultimate responsibility for the system of internal control and has delegated authority for the review of the effectiveness of the system of internal control to the Audit Committee. The Board receives regular reports from the Audit Committee together with papers and minutes of the Audit Committee meetings.

The means by which the Audit Committee reviews the effectiveness of the system of internal control include considering internal and external audit reports together with management assurances.

The Audit Committee has received the Executive Team's annual review of the effectiveness of the system of internal control for the Company, together with the annual report of the internal auditor and has reported its findings to the Board. The Board is satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and that those systems were aligned to an ongoing process for the management of significant risks facing the business. No weaknesses were identified that would have resulted in material misstatement or loss requiring disclosure in the financial statements. A number of recommendations have been made to enhance controls in some areas. The Audit Committee continue to monitor the implementation of those agreed recommendations.

REPORT OF THE BOARD (CONTINUED)

STATEMENT OF RESPONSIBILITIES OF THE BOARD

Statement of the responsibilities of the board for the report and financial statements

The board is responsible for preparing the Operating and Financial Review and Strategic Report and the Report of the Board and the financial statements in accordance with applicable law and regulations.

Company law requires the board to prepare financial statements for each financial year. Under that law the board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the surplus or deficit of the company for that period.

In preparing these financial statements, the board is required to:

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Housing SORP 2014 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is appropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records, that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board confirms that:

- so far as each board member is aware, there is no relevant audit information of which the company's auditor are unaware; and
- the directors have taken all steps that they ought to have taken as board members to make themselves aware of the relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Annual general meeting

The annual general meeting will be held on 29 September 2016 at the registered office.

The report of the board was approved by the board and authorised for issue on 4 August 2016 and signed on its behalf by:

P Burton
Chairman

4 August 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICTORY HOUSING TRUST

We have audited the financial statements of Victory Housing Trust for the year ended 31 March 2016 which comprise the statement of comprehensive income, the statement of changes in reserves, the statements of financial position, the statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland..

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor
As explained more fully in the Statement of Board's Responsibilities set out on page 24, the board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Board and the Operating and Financial Review and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Tobias Wilson
Senior Statutory Auditor
for and behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Norwich 31 August 2016

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 £ '000	2015 £ '000
Turnover	3	23,936	23,576
Operating expenditure	3	(15,267)	(17,254)
Operating surplus	3	8,669	6,322
Gain on disposal of fixed assets	6	5,911	4,771
Interest receivable and other income	7	11	13
Interest and financing costs	8	(3,009)	(3,068)
Surplus before taxation		11,582	8,038
Taxation	11	-	-
Surplus for the year		**11,582**	**8,038**
Remeasurements – Actuarial gain/(loss) in respect of pension scheme	21	1,039	(694)
Total comprehensive income for the year		**12,621**	**7,344**

The results above relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

P Burton **Chairman**	**P Baynham** **Board Member**	**S Read** **Secretary**

4 August 2016

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2016

	Income and expenditure reserve £ ’000
Balance as at 1 April 2014	35,164
Surplus for the year	8,038
Other comprehensive income for the year	(694)
Balance at 31 March 2015	42,508
Surplus for the year	11,582
Other comprehensive income for the year	1,039
Balance at 31 March 2016	55,129

The accompanying notes form part of these financial statements**.**

Company number: 05275586

STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Note	2016 £ ’000	2015 £ ’000
Fixed assets			
Housing properties	12	136,263	127,185
Other tangible fixed assets	13	626	680
Intangible fixed assets	13	905	770
Current assets			
Properties held for sale	15	901	484
Trade and other debtors	17	1,754	1,820
Cash and cash equivalents	16	5,043	2,767
		7,698	5,071
Creditors: amounts falling due within one year	18	(2,497)	(2,784)
Net current assets		5,201	2,287
Total assets less current liabilities		142,995	130,922
Creditors: amounts falling due after more than one year	19	(87,306)	(86,946)
Provisions for liabilities			
Pension provision	21	(560)	(1,468)
Total net assets		55,129	42,508
Reserves			
Income and expenditure reserve		55,129	42,508
Total reserves		55,129	42,508

The accompanying notes form part of these financial statements. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The financial statements were approved by the Board and authorised for issue on 4 August 2016 and are signed on its behalf by:

P Burton **Chairman**	**P Baynham** **Board Member**	**S Read** **Secretary**

STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 £ '000	2015 £ '000
Net cash generated from operating activities	28	11,372	7,321
Cash flow from investing activities			
Purchase and construction of housing properties		(13,419)	(12,221)
Purchase of other fixed assets		(406)	(550)
Sales of housing properties		6,864	5,862
Grants received		827	1,521
Interest received		11	13
		(6,123)	(5,375)
Cash flow from financing activities			
Interest paid		(2,973)	(3,031)
Net change in cash and cash equivalents		2,276	(1,085)
Cash and cash equivalents at beginning of year		2,767	3,852
Cash and cash equivalents at the end of the year	30	5,043	2,767

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Victory is registered under the Companies Act 2006, is registered with the Homes & Communities Agency as a Registered Provider, and is a registered charity.

2. Accounting policies

Basis of accounting

The financial statements of Victory are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statements of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

This is the first year that the financial statements have been prepared under FRS 102. Refer to note 31 for an explanation of the transition.

The financial statements are presented in Sterling (£).

Going concern

Victory's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review and Strategic Report. The company has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that Victory has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Basis of consolidation

Victory does not prepare Group financial statements, as the inclusion of its dormant subsidiary is not material for the purpose of giving a true and fair view (section 405, Companies Act 2006).

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made and that have the most effect on the financial statements are set out below.

Significant management judgements

The following are the significant management judgements made in applying the accounting policies that have the most significant effect on the financial statements.

Impairment

From 1 April 2016, Victory has reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016. Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is an indicator of potential impairment.

As a result, we estimated the recoverable amount of its housing properties as follows:

(a) determined the level at which recoverable amount is to be assessed (i.e., the asset level or cash-generating unit (CGU) level). The CGU level was determined to be an individual scheme

(b) estimated the recoverable amount of the cash-generating unit, based on the higher of the EUV-SH (Existing Use Value - Social Housing) value or value in use which is estimated to be depreciated replacement cost (DRC).

(c) Calculated the carrying amount of the cash-generating unit and

(d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each new-build social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, we concluded that no impairment charge was required against Victory's new build social housing properties as the carrying value at historic cost is not materially different to the depreciated replacement cost, being the current development cost of new build property.

Properties that were transferred from the Council are recorded at a historic cost including post transfer improvement spend. The recoverable amount of these properties is significantly higher if based on either their EUV-SH value or their depreciated replacement cost (the cost of constructing a similar asset) and hence no impairment is required for the transferred properties.

Financial instruments
Fixed rate loans and loans linked to a single quoted index are accounted for as basic financial instruments. We are aware the loan facility includes a two-way compensation clause that requires the borrower to pay the lender or the lender to pay the borrower, depending on whether current market interest rates are below or above the agreed fixed or index-linked rate. Whilst this could technically provide a contractual entitlement to receive funds from the lender on an early termination of the loan agreement we do not consider this gives rise to a recognisable asset or liability. This judgement is reached because Victory did not enter into the loans with a speculative intention to make a financial return. The purpose of the loans is to provide long term funding to invest in affordable homes. In the absence of an intention to make a financial return, management have concluded the loans should be accounted for as basic financial instrument.

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2016 was £16,316,000.

Defined benefit obligation (DBO)
Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 21). The liability at 31 March 2016 was £560,000.

Recoverable amount of rent receivable debtors
Management calculates the bad debt provision as an estimate of the proportion of debt outstanding at the year end considered irrecoverable. This is based on history and experience of debtor recovery and takes account of change in external and internal factors that may impact on the recovery rate and assessment of options available to recover the debt. At 31 March 2016 the total rent debtor was £1,002,000 with a provision of £462,000.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Turnover and revenue recognition
Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are recognised when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value added tax
Victory charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by Victory and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable
Interest payable is charged to the income and expenditure account in the year.

Financial instruments
The bank loans are classed as basic under the requirements of FRS102, and are recognised at amortised historical cost.

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment. Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee benefits
Short-term employee benefits and contributions to defined contribution pension plans are recognised as an expense in the period in which they are incurred.

Pensions
Victory participates in two pensions, the Norfolk Pension Fund (NPF) – a multi-employer defined benefit scheme, and a separate defined money purchase scheme.

For the NPF, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Properties for sale

Shared ownership first tranche sales and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Properties approved for disposal by the Board as at 31 March, but that are not sold at the year end, are transferred from fixed asset housing properties to current asset properties for sale at depreciated historic cost.

Donated land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.
Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.
If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure. Upon disposal of the associated property, the group is required to recycle these proceeds and recognise them as a liability.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties

The company separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The company depreciates the major components of its housing properties over the following useful lives:

Component	Years
Structure	100
Roofs	70
Kitchens	20
Bathrooms	30
Windows and doors	30
Central Heating systems	20
Electrical installations	40
Lifts	30

Freehold land is not depreciated. Components are not depreciated in the year of addition and receive a full year’s charge in year of disposal or replacement.
Properties held on leases including components are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. Other assets are depreciated over the following useful lives:

	Years
Leasehold improvements	15
Furniture, fixtures and fittings	7
Computers and office equipment	4
Plant and equipment	5 – 30

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Intangible fixed assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over the estimated useful lives, using the straight line method. The intangible assets are amortised over the following useful economic lives:

	Years
Computer software	5

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases. Victory does not hold any assets under finance leases.
Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The group recognises an accrual for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover, cost of sales, operating costs and operating surplus

2016

	Turnover £ '000	Cost of sales £ '000	Operating expenditure £ '000	Operating surplus £ '000
Social housing lettings	23,535	-	(14,669)	8,866
Other social housing activities				
First tranche shared ownership sales	116	(119)	-	(3)
Other Social Housing Activities	272	-	(311)	(39)
	388	(119)	(311)	(42)
Non-social housing activities				
Community initiatives	-	-	(167)	(167)
Lettings	13	-	(1)	12
	23,936	(119)	(15,148)	8,669

2015

	Turnover £ '000	Cost of sales £ '000	Operating Expenditure £ '000	Operating surplus £ '000
Social housing lettings	23,168	-	(16,031)	7,137
Other social housing activities				
First tranche shared ownership sales	169	(177)	-	(8)
Other Social Housing Activities	231	-	(831)	(600)
	400	(177)	(831)	(608)
Non-social housing activities				
Community initiatives	-	-	(214)	(214)
Lettings	8	-	(1)	7
	23,576	(177)	(17,077)	6,322

Community initiatives were previously shown in other social housing activities but have now been reclassified as non-social housing activities.

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

	2016				2015
	General needs housing	**Housing for older people**	**Shared Ownership**	**Total**	**Total**
Income	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rent receivable net of identifiable service charges	20,599	1,869	140	**22,608**	**22,235**
Service income	483	264	8	**755**	**780**
Amortised government grants	165	-	7	**172**	**153**
Other grants	-	-	-	**-**	**-**
Turnover from social housing lettings	21,247	2,133	155	**23,535**	**23,168**
Management	(3,315)	(346)	(46)	**(3,707)**	**(3,873)**
Service charge costs	(725)	(397)	(12)	**(1,134)**	**(1,105)**
Routine maintenance	(3,393)	(349)	-	**(3,742)**	**(3,987)**
Planned maintenance	(843)	(87)	-	**(930)**	**(1,183)**
Major repairs expenditure	(2,091)	(215)	-	**(2,306)**	**(3,273)**
Bad debts	(84)	(9)	-	**(93)**	**(142)**
Depreciation of housing properties	(2,466)	(257)	(34)	**(2,757)**	**(2,468)**
Operating costs on social housing lettings	**(12,917)**	**(1,660)**	**(92)**	**(14,669)**	**(16,031)**
Operating surplus on social housing lettings	8,330	473	63	**8,866**	**7,137**
Void losses	(302)	(38)	(11)	**(351)**	**(547)**

NOTES TO THE FINANCIAL STATEMENTS

4 Accommodation owned and in management

At the end of the year, accommodation in management for each class of accommodation was as follows:

Social housing	2016 No.	2015 No.
General housing		
- social rent	4,026	4,131
- affordable rent	418	323
Supported housing and housing for older people		
- social rent	436	482
- affordable rent	28	-
Low cost home ownership	61	53
Total owned	4,969	4,989
Accommodation managed for others	-	-
Total managed	4,969	4,989
Accommodation in development at the year end	130	146

5 Operating Surplus

This is arrived at after charging:

	2016 £ '000	2015 £ '000
Depreciation of housing properties	2,757	2,468
Depreciation of other tangible fixed assets	329	202
Operating lease rentals:		
- office equipment and computers	7	6
- land & buildings	162	158
Auditor's remuneration (exclusive of VAT)		
- for audit services	16	18
- for non-audit services (compliance reports and tax services)	4	3

NOTES TO THE FINANCIAL STATEMENTS

6 Gain on disposal of fixed assets

	2016 £ '000	2015 £ '000
Gross disposal proceeds	8,745	6,363
Carrying value of fixed assets and other costs	(2,834)	(1,592)
Surplus on disposal	5,911	4,771

Of the sales proceeds, £1,358,000 (2015: £804,000) is for the benefit of North Norfolk District Council under the terms of the Right-To-Buy sharing agreement. This has been included in other costs.

7 Interest receivable and other income

	2016 £ '000	2015 £ '000
Interest receivable	11	13

8 Interest and financing costs

	2016 £ '000	2015 £ '000
Loans and bank overdrafts	2,959	3,035
Amortisation of loan arrangement fees	2	2
Defined benefit pension scheme charge	48	31
	3,009	3,068

9 Employees

Average monthly number of employees expressed in full time equivalents (calculated on a standard working week of 37 hours):

	2016 No.	2015 No.
Administration	17	15
Development	6	6
Housing operations	54	49
	77	70

NOTES TO THE FINANCIAL STATEMENTS

9 Employees (continued)

The full time equivalent number of staff (including executive directors) who received emoluments and benefits in kind above £60,000 were:

	2016	2015
£60,001 to £70,000	5	4
£90,001 to £100,000	-	1
£100,001 to £110,000	2	1
£110,001 to £120,000	-	-
£120,001 to £130,000	-	1
£130,001 to £140,000	1	-

Employee costs:

	2016 £ '000	2015 £ '000
Wages and salaries	2,705	2,579
Social security costs	269	256
Other pension costs	434	376
	3,408	3,211

Victory employees are either members of the Norfolk Pension Fund or the Scottish Widows Group Personal Pension Plan. Further information on these schemes is included in note 21.

Victory's Scottish Widows Group Personal Pension plan is a defined contribution scheme. The income and expenditure charge for the period represents the employer contribution payable. At the year ended 31 March 2016 £nil (2015: £19,582) of employer pension contributions were outstanding.

10 Key management personnel

Six board members (2015: nine) received remuneration in the period amounting to £26,250 (2015: £28,623). Board expenses of £13,398 (2015: £15,492) were also incurred in the year.

The aggregate amounts payable to executive directors were:

	2016 £ '000	2015 £ '000
Wages and salaries including benefits in kind	337	329
Pension contributions	60	59
	397	388

Aggregate remuneration for key management personnel (Board and Executive Directors) was:

	2016 £ '000	2015 £ '000
Wages and salaries including benefits in kind	363	358
Pension contributions	60	59
	423	417

NOTES TO THE FINANCIAL STATEMENTS

10 Key management personnel (continued)

All three executive directors (2015: three) are ordinary members of the NPF and no enhanced or special terms apply.

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions and benefits in kind, were £130,108 (2015: £127,900). Pension contributions of £23,285 (2015: £22,918) were paid in the year. Victory does not make any contribution to an individual pension arrangement for the Chief Executive.

11 Tax on surplus on ordinary activities

Victory is registered with HM Revenue & Customs as a charity with effect from 2 November 2004. Income and capital gains arising in the course of charitable activities are normally covered by tax exemption. During the period, Victory is not aware of any reason why this might not apply. As a result, no taxable liability is recognised in the period.

12 Fixed assets – housing properties

Housing properties	**Social housing properties held for letting £ '000**	**Housing properties for letting under construction £ '000**	**Completed shared ownership housing properties £ '000**	**Total £ '000**
Cost				
At 1 April 2015	133,046	3,601	2,526	139,173
Additions	-	11,562	-	11,562
Transfer	-	-	-	-
Works to existing properties	2,156	-	-	2,156
Schemes completed	9,725	(10,594)	869	-
Transfer to current assets	(480)	-	(425)	(905)
Disposals	(1,127)	-	-	(1,127)
At 31 March 2016	143,320	4,569	2,970	150,859
Depreciation				
At 1 April 2015	11,902	-	86	11,988
Charged in year	2,742	-	15	2,757
Released on disposal	(101)	-	-	(101)
Transfer to current assets	(48)	-	-	(48)
At 31 March 2016	14,495	-	101	14,596
Net book value				
At 31 March 2016	128,825	4,569	2,869	136,263
At 31 March 2015	121,144	3,601	2,440	127,185

Housing properties comprise freehold land and buildings only. The cost includes non-depreciable land of £22,321,165 (2015: £21,633,363).

NOTES TO THE FINANCIAL STATEMENTS

12. Fixed assets – housing properties (continued)

Expenditure on works to existing properties

	2016 £ '000	2015 £ '000
Improvement works capitalised	2,156	3,663
Amounts charged to income and expenditure account	1,964	3,890
Total	4,120	7,553

Social housing assistance

	2016 £ '000	2015 £ '000
Total accumulated social housing grant received or receivable	14,845	14,305
Capital grant	3,290	3,290
	18,135	17,595

Housing properties book value, net of depreciation

	2016 £ '000	2015 £ '000
Freehold land and buildings	136,263	127,185

Valuation

Victory's housing properties have been valued by professional external valuers, Savills (L&P) Limited, Chartered Surveyors in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Completed housing properties were valued at Existing Use Value for Social Housing (for funding purposes) and shared ownership properties were valued at Market Value Subject to Tenancy. The total value of housing properties at 31 March 2016 was £159,614,000 (2015: £159,494,000).

Impairment

The group considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2014. Following an impairment review, no provision is made as at 31 March 2016 (2015: £nil).

NOTES TO THE FINANCIAL STATEMENTS

13. Fixed assets – other

	Leasehold Office improvements £ '000	Furniture fixtures and fittings £ '000	Computers and office equipment £ '000	Plant and equipment £ '000	Total £ '000	Intangible assets £ '000
Cost						
At 1 April 2015	543	52	400	357	1,352	1,489
Additions	2	5	23	18	48	362
Disposals	-	-	-	-	-	-
At 31 March 2016	545	57	423	375	1,400	1,851
Depreciation						
At 1 April 2015	205	42	338	87	672	719
Charged in year	39	7	27	29	102	227
Disposals	-	-	-	-	-	-
At 31 March 2016	244	49	365	116	774	946
Net book value						
At 31 March 2016	301	8	58	259	626	905
At 31 March 2015	338	10	62	270	680	770

The intangible fixed assets comprise computer software.

14. Investment in subsidiaries

Victory has an investment in a subsidiary – North Norfolk Housing Company Ltd. This subsidiary is dormant and these financial statements do not consolidate the results. Victory has the right to appoint members to the board of the subsidiary and thereby exercises control over it. Victory Housing Trust is the ultimate parent undertaking. At 31 March 2016 and 2015 the subsidiary had net assets of £1.

15. Properties for sale

	2016 £ '000	2015 £ '000
Shared ownership properties	469	160
Housing properties	432	324
	901	484

NOTES TO THE FINANCIAL STATEMENTS

16. Cash and cash equivalents

	2016 £ ’000	2015 £ ’000
Cash	5,043	1,767
Cash equivalents	-	1,000
	5,043	2,767

The prior year £1 million deposit was placed with Lloyds Bank before the year end for a fixed period of three months maturing in June 2015.

17. Debtors

Due within one year	2016 £ ’000	2015 £ ’000
Rent and service charges receivable	1,002	1,013
Less: Provision for bad and doubtful debts	(462)	(390)
	540	623
Other debtors	613	545
Grants receivable	143	429
Prepayments and accrued income	423	186
	1,719	1,783
Due after more than one year		
Other debtors	35	37
	1,754	1,820

18. Creditors: amounts falling due within one year

	2016 £ ’000	2015 £ ’000
Trade creditors	625	217
Rent and service charges received in advance	348	279
Deferred capital grant (note 22)	181	172
Other taxation and social security	74	76
Other creditors	313	373
Accruals and deferred income	956	1,667
	2,497	2,784

Other grants received in advance will be utilised against capital expenditure in 2016/2017.

NOTES TO THE FINANCIAL STATEMENTS

19. Creditors: amounts falling due after more than one year

	2016 £ '000	2015 £ '000
Debt (note 20)	70,000	70,000
Deferred capital grant (note 22)	17,182	16,822
Disposal proceeds fund (note 23)	124	124
	87,306	86,946

20. Debt analysis

Due within one year	2016 £ '000	2015 £ '000
Bank loans	-	-
	-	-

Due after more than one year	2016 £ '000	2015 £ '000
Bank loans	70,000	70,000
	70,000	70,000

	2016 £ '000	2015 £ '000
Within one year or on demand	-	-
One year or more but less than two years	5,000	-
Two years or more but less than five years	10,000	5,000
Five years or more	55,000	65,000
	70,000	70,000

The bank loans are repayable at the end of the term. £55 million of the loans (2015: £55 million) are at fixed rates of interest ranging from 2.6% to 5.2%. £15 million of the loans are at a variable rate of 1.3%-1.6% plus RPI capped at 5.0% with a floor of 0.0%. All of the loans are repayable in the period 2017 to 2034.

The loans above are secured against the property collateral of the housing stock transferred on 13 February 2006. The properties are charged to the Prudential Trustees for the benefit of the lender.

At 31 March 2016, Victory had undrawn loan facilities of £10.0 million (2015: £10.0 million).

NOTES TO THE FINANCIAL STATEMENTS

21. Pensions

Norfolk Pension Fund (NPF)

The NPF is a multi-employer scheme, administered by Norfolk County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent, formal actuarial valuation was completed as at 31 March 2013 by a qualified independent actuary.

The employers' contributions to the NPF for the year ended 31 March 2016 were £154,000 (2015: £162,000) at a contribution rate of 19.7% of pensionable salaries. The contribution rate is 19.7% for the period commencing April 2016 and the estimated employer contribution is £154,000 for this period. The next actuarial valuation is due 2016.

Principal actuarial assumptions

Financial assumptions

	31 March 2016 % per annum	31 March 2015 % per annum
Future salary increases	3.2	3.3
Future pension increases	2.2	2.4
Discount rate	3.5	3.2

Mortality assumptions

The post-retirement life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming current rates of improvement have peaked and will converge to a long-term rate of 1.25% per annum.

The assumed life expectations on retirement at age 65 are:

	2016 No. of years	2015 No. of years
Retiring today:		
Males	22.1	22.1
Females	24.3	24.3
Retiring in 20 years:		
Males	24.5	24.5
Females	26.9	26.9

Amounts recognised in surplus or deficit

	2016 £ '000	2015 £ '000
Current service cost	237	199
Loss on settlements	-	-
Amounts charged to operating costs	237	199

NOTES TO THE FINANCIAL STATEMENTS

21. Pensions (continued)

	2016 £ '000	2015 £ '000
Net interest	48	31
Amounts charged to other finance costs	48	31
	285	230

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2016 £ '000	2015 £ '000
Opening scheme liabilities	9,804	7,977
Current service cost	237	199
Interest cost	316	345
Contributions by members	84	87
Remeasurements	(1,102)	1,373
Benefits paid	(153)	(177)
Closing scheme liabilities	9,186	9,804

Reconciliation of opening and closing balances of the fair value of plan assets

	2016 £ '000	2015 £ '000
Opening fair value of plan assets	8,336	7,271
Interest Income	268	314
Return on plan assets (in excess of interest income)	(63)	679
Contributions by members	84	87
Contributions by employer	154	162
Benefits paid	(153)	(177)
Closing fair value of plan assets	8,626	8,336

	2016 £ '000	2015 £ '000
Actual return on scheme assets	1,039	(694)

Major categories of plan assets as a percentage of total plan assets

	2016 %	2015 %
Equities	58	65
Bonds	27	20
Property	13	12
Cash	2	3

NOTES TO THE FINANCIAL STATEMENTS

21. Pensions (continued)

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approximate % increase to employer liability	Approximate monetary amount £ '000
0.5% decrease in real discount rate	12%	1,070
1 year increase in member life expectancy	3%	276
0.5% increase in the salary increase rate	4%	333
0.5% increase in the pension increase rate	8%	722

22. Deferred capital grant

	2016 £'000	2015 £'000
At 1 April	16,994	15,512
Grant received in the year	541	1,635
Released to income in the year	(172)	(153)
At 31 March	17,363	16,994

23. Disposal proceeds fund

	2016 £'000	2015 £'000
At 1 April	124	-
Net sales proceeds recycled	-	124
Interest accrued	-	-
Withdrawals	-	-
At 31 March	124	124

The fund relates to one Right to Acquire property disposed during the year.

NOTES TO THE FINANCIAL STATEMENTS

24. Share Capital

Victory is limited by guarantee and therefore has no share capital. Each member (see numbers below) has contributed £1.

	2016 No	2015 No
At 1 April	29	32
Joining during the year	-	3
Leaving during the year	(1)	(6)
At 31 March	28	29

25. Financial commitments

Capital expenditure commitments were as follows:

Capital expenditure	**2016** **£ '000**	**2015** **£ '000**
Expenditure contracted for but not provided in the accounts	9,116	11,507
Expenditure authorised by the board, but not contracted	12,394	18,794
	21,510	30,301

Capital expenditure commitments represent the approved development programme net of Social Housing Grant. This is financed through a combination of cash flow generated from operations, property disposal proceeds and bank loans.

Expenditure authorised by the board, but not contracted represents development schemes that are anticipated to be delivered over the next five years.

NOTES TO THE FINANCIAL STATEMENTS

26. Operating leases

The future minimum lease payments of leases are set out below. Leases relate to office accommodation and multifunctional devices.

The association's future minimum operating lease payments are as follows:

	2016 £'000	2015 £'000
Within one year	163	168
Between one and five years	649	650
Over five years	810	972
	1,622	1,790

The office accommodation is on a 15-year lease with a commencement date of 12 January 2009.

27. Contingent liabilities

Victory has provided a bond in favour of North Norfolk District Council for £1.2 million in respect of the risk exposure to the Norfolk Pension Fund arising to the Council in the event of the insolvency, winding up and liquidation of Victory. The value is assessed at the same time as the superannuation Scheme's triennial actuarial valuation. The cost to provide this bond is £24,000 annually.

The company receives capital grant from the Homes and Communities Agency, which is used to fund the acquisition and development of properties and their components. In certain circumstances upon disposal of grant funded properties the company is required to recycle this grant by crediting a Recycled Capital Grant Fund. There were none in the year.

As the timing of any future disposal is uncertain, in accordance with Financial Reporting Standard 102, no provision has been recognised in these financial statements.

There is a charge registered in relation to one development scheme that commenced in 2015 and is scheduled to complete in 2016 that restricts the use and occupation of the properties to affordable housing. The charge is in favour of South Norfolk District Council.

A contractor that has subsequently gone into administration completed a development scheme of 33 properties in 2011. Defects with the flooring have been identified at some of these properties and require remedial works. The extent of the defects and the total cost of remedial works cannot accurately be determined at this time. It is expected that all significant costs will be covered by the National House Building Council (NHBC) insurance and hence no provision has been made.

NOTES TO THE FINANCIAL STATEMENTS

28. Cash flow from operating activities

	2016 £'000	2015 £'000
Surplus for the year	11,582	8,038
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,086	2,670
Pensions operating charge	237	199
Pensions contributions paid	(154)	(162)
Properties for outright sale	116	329
Debtors	190	(277)
Creditors	(772)	(1,760)
Adjustments for investing or financing activities:		
Interest payable	3,009	3,068
Interest receivable	(11)	(13)
Gain on disposal of fixed assets	(5,911)	(4,771)
Net cash generated from operating activities	11,372	7,321

29. Related parties

Two tenants, Keith Dixon and Sasha Gurrey, were board members for the whole period. Both board member's tenancies were on normal commercial terms and they were not able to use their position to their advantage.

30. Post balance sheet events

We consider that there have been no events since the year-end that have had a significant effect on Victory's financial position.

We note the outcome of the EU Referendum announced on 24 June 2016 is for Britain to leave the European Union. Whilst this brings uncertainty this risk has been assessed as part of our stress testing and based on the assumptions adopted we believe we can withstand the potential shocks. We do not believe this affects our going concern.

31. Transition to FRS102

Victory has adopted FRS 102 for the year ended 31 March 2016 and has restated the comparative prior year amounts.

An accrual is now made for entitlement to holiday at the year end which has not been taken by employees. This has been calculated based on payroll records and totalled £39,000 as a liability in opening reserves.

Development grants were previously netted off the cost of the related asset. Under FRS102, government grants must be accounted for using the accruals model or performance model. As the association accounts for its properties at cost, it has adopted the accruals model for government grants, as required by SORP 2014. The grants have been allocated to the related assets and amortised over the useful economic life of those assets, this being the property structure. The unamortised amount is held in creditors, split between due in less than one year and over one year. The grant was previously shown as netted off fixed assets and was apportioned to both land and structure.

NOTES TO THE FINANCIAL STATEMENTS

31. Transition to FRS102 (continued)

The effect of these changes in accounting policy is to increase the surplus for the year ending 31 March 2015 by £29,000. The cumulative effect to the income and expenditure reserve to 31 March 2015 is £37,000.

The cumulative effect on the income and expenditure reserve brought forward at 1 April 2014 is £8,000.

In addition, the pension scheme valuation under FRS102 shows £110k previously shown within net interest cost (£31k) and other finance income receivable (£79k) as an actuarial remeasurement. This change has no impact on the revenue reserve.

	Cumulative prior year adjustment to 31 March 2014	Prior year adjustment for 2014/15	Cumulative prior year adjustment to 31 March 2015
	£ '000	£ '000	£ '000
Restated statement of financial position			
Original reserves	35,156		42,471
Operating costs – holiday pay provision	(48)	9	(39)
Operating costs – government grants*	56	20	76
Restated reserves	35,164	29	42,508

Restated surplus for the year ended 31 March 2015

	£'000
At 31 March as previously stated	8,119
Holiday pay provision	9
Government grants*	20
Pension scheme remeasurement adjustment	(110)
At 31 March as restated	8,038

* The change to government grants above represents the change in reserves resulting from these grants no longer being allocated to both land and buildings. Under the new standard the grants are amortised over the life of the building structure only. The below table shows the amount of grant release previously shown as a depreciation credit and the new grant release which is shown in other income.

NOTES TO THE FINANCIAL STATEMENTS

31. Transition to FRS102 (continued)

	Cumulative prior year adjustment to 31 March 2014		Cumulative prior year adjustment to 31 March 2015
	£ '000		£ '000
Operating costs – depreciation credit removed	(392)	(133)	(525)
Other income – government grant release	448	153	601
At 31 March as restated	56		76