

Chair's Annual Report

to the 2016
Annual General Meeting



I am pleased to report that 2016 saw the organisation moving forward on all fronts. To introduce only a few highlights here:

- We completed the first major review of our Co-Ownership scheme for several years with our sponsoring department (Social Development, now the Department for Communities or DfC) and with government support are now developing an enhanced strategic offering through our Route Review project
- It was the first of a new 4-year funding arrangement with government, based on Financial Transactions Capital rather than traditional housing association grant
- Our first new affordable home ownership scheme to complement Co-Ownership, Rent to Own, went live
- We strengthened and evidenced our social purpose in our corporate responsibility work.

Performance Highlights

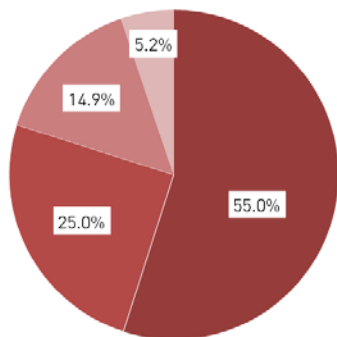
Properties

There were 1,309 applications for Co-Ownership assistance during the year - a similar level to the previous 12 month period. During this same period there were 728 properties purchases on behalf of Co-Ownership clients, to a total value of £86.1m.

Thanks to the continued support of the Department for Social Development (now Department for Communities) and our private funders Bank of Ireland and Barclays, we dealt with every application received and closed the year with a substantial pipeline of commitments.

204 out of the 728 properties purchased had not yet completed on 31 March 2016. This meant a closing stock of 8,014 properties [2015: 7,559] with an annual rent roll topping £10m for the first time.

In year ending 31 March 2016 the average purchase price overall had risen to £118,212 [2015: £114,179]. This breaks down further to an average of £128,967 for new build properties and £112,020 for existing properties [2015: £122,274 and £108,643 respectively].



■ Semi ■ Terrace ■ Detached ■ Apartment

Chart 1: Property Purchases by Type 2016

Chart 1 illustrates the distribution of property purchases by type.



The Kirton family from Ballymoney (Lemond, Caroline and son Joshua), one of the 728 households we helped to buy a home this year, sharing their Co-Ownership experience with the team recently

Following in-year review with DfC and reference to Land and Property Services' data, we agreed upon a new regional property value limit for Co-Ownership of £150,000. This is to be introduced for one year with effect from 1st April 2016. We will continue to keep a close watch on property price movements and any impact on the availability of suitable properties on the operation of the scheme, contributing our data and recommendations to the annual property value limit review process in due course.

37% of properties purchased during 2015/16 were new build [2015: 41%] and some 10% were at a purchase price above the new £150,000 value limit.

People

Most of this year's purchasers (94%) were, as to be expected, first time buyers. Half of purchasers were new household formations with people setting up home together for the first time. 3 out of 5 were renting accommodation before joining Co-Ownership, while the remainder were typically still resident in the parental (owner occupied) home.

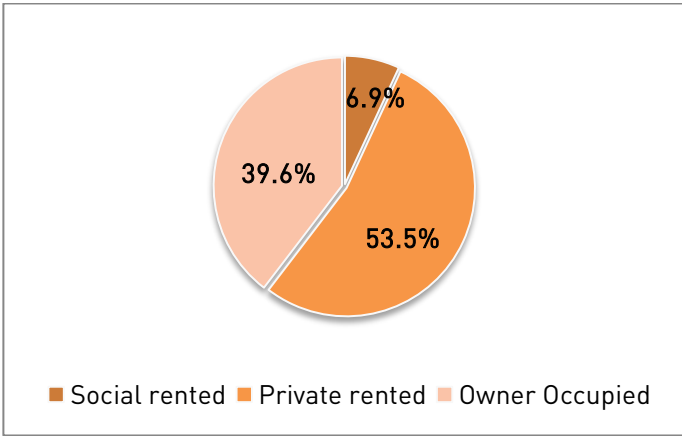


Chart 2: Previous tenure of purchasers 2016

96% of purchasers were in employment (4% self-employed). The average total household income was £27,676, which reduced to £25,507 when only earned income from employment was taken into consideration. Other forms of income generally came from tax credits and child-related benefits.

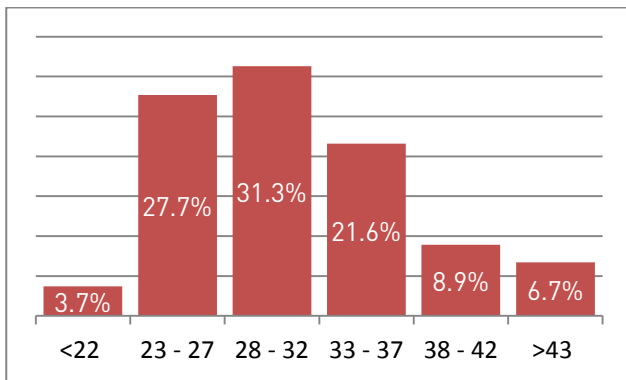


Chart 3: Average age in years of head of household 2016 at time of purchase

Reflecting the general trend for later entry into home ownership, the average age of heads of household purchasing this year was 30 years.

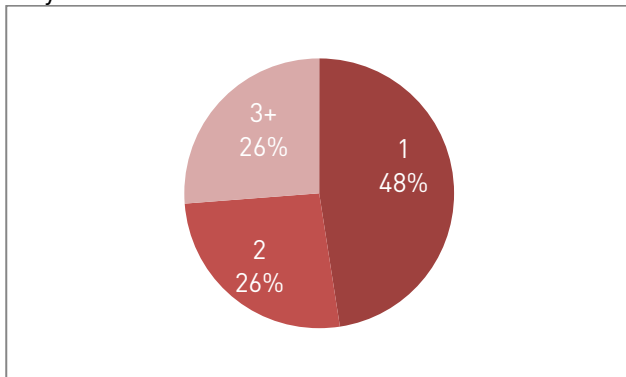


Chart 4: Household size, purchasers 2016

Overall, the average Co-Ownership household size for new purchasers is 1.88.

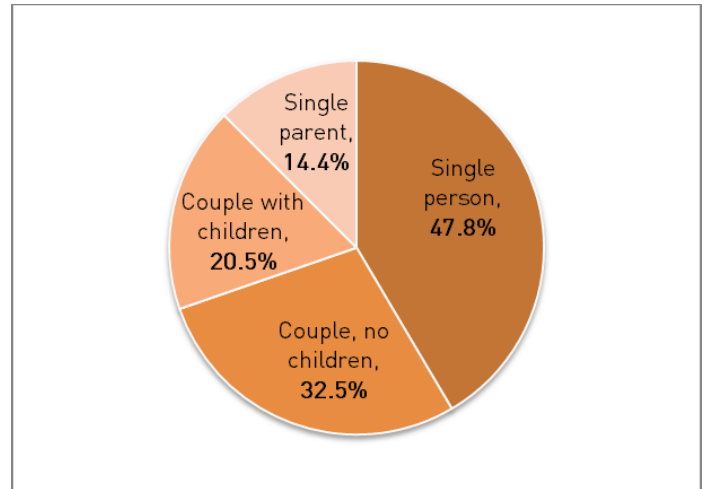


Chart 5: Household composition, purchasers 2016

Notwithstanding household size, Co-Ownership remains a real option for single parents looking for a stable family home on a tight budget.

Funding

This year represents the first in a 4-year funding arrangement with the Department for Communities (DfC) based on Financial Transactions Capital (FTC) rather than Housing Association Grant (HAG). Some £100m has been allocated in FTC over that 4-year period, and in 2016 we benefited also from an £8.05m allocation of HAG.

Grant monies are allocated on individual properties and then repaid in full upon disposal of the property. Historically, the grant element has fulfilled two purposes: it served to lever in private funding and to support the purchase of properties through the Co-Ownership scheme (on a percentage basis per property). These underlying principles remain valid now that we have moved to FTC funding; however the surety of funds over a longer period of time enables us to operate as strategically as possible in terms of committing our resources in the medium term.

The flow of funds to and from our sponsoring Department can be seen in the two tables which follow.

Table 1: Government Funding Allocated Towards Co-Ownership Property Purchases

<i>Financial Year</i>	<i>Properties Purchased</i>	<i>Government Contribution</i>
2016	728	£29.75m
2015	1,140	£50m
2014	1,223	£51.5m
2013	957	£38m
2012	625	£28.25m

Table 2: Grant Monies Repaid to Government from Property Disposals Proceeds

<i>Number of Property Disposals by Year</i>	<i>Total Proceeds due from these Property Disposals</i>	<i>Grant Funded Element of Proceeds: Repayable to Government</i>	
2016	393	£18,903,994	£12,911,827
2015	297	£12,152,610	£9,374,485
2014	193	£ 7,352,208	£4,988,543
2013	155	£ 5,784,834	£3,293,571
2012	159	£ 5,703,783	£3,249.661

In addition to these 393 property disposals (which are no longer part of the Co-Ownership scheme) there were a further 159 cases where the Co-Owners increased their equity share during the year while still remaining part of the scheme. Staircasing activity is at its highest since the credit crunch in 2008 and continues to rise, demonstrating the recovery taking place in the Northern Ireland property market.

We continue to perform well against all banking covenants associated with our current loan facility of £50m which is due to expire in October 2016. £44m of the facility had been drawn down by 31 March, at which point we were engaged in negotiating a new and larger facility in the amount of £65m over the next 4 years to support our future growth plans. I am now pleased to be able to advise that we will be putting a new facility in

place for £65m on highly competitive terms with the Bank of Ireland.

This year's annual rent increase was 2.3% [2015: 2.6%], reflecting RPI and applied from April 2015. We collected over £10.2m this year in rents [2015: rental income £9.4m] representing 100.26% [2015: 99.7%] of the total rent charge of £10,229,005 [2015: £9,401,661] against a target of ≥98%. Due largely to increasing stock levels, our rent roll continues to grow.

Table 3: Strategic Summary at 31 March 2016

Strategic Summary	31 March 2016	
Property Purchases	848	
Disposals - Staircasing	315	
Disposals - Repossessions	78	393
Housing Stock	8,114	
Turnover	£10,225,190	
Operating Costs (inc Pension Adj)	-£3,466,059	
Operating Surplus	£6,759,131	
Deficit on Property Disposals	-£4,969,708	
Finance Costs	-£1,552,910	
Exceptional items	-£18,078	
Surplus for Period	£218,435	
Total Investment in Housing Stock	£819,552,766	
Participants Investment	-£453,155,128	
HAG	-£237,478,002	
Net Investment in Housing Stock	£128,919,636	
Loan Drawn Down	£44m	
Net Worth (Excludes Pension Liability)	£87.3m	

The property purchases and housing stock figures reported in this summary reflect in-year completions rather than claims. Both are equally valid measures; figures in the summary reflect the timelagged figures in the audited accounts. Our operating surplus increased once again this year to £6.8m [2015: £6.2m] and our generated an overall surplus of £218,435.

Operating costs held steady at -£3.5m while the deficit from property disposals reduced substantially from almost -£6.7m in 2015 to -£5m this year. Our net worth increased to £87.3m from £86.9m.

Governance, People Management and Community Engagement

The Board was pleased to accept the report of the DSD Housing Inspection Team, which gave the organisation an overall rating of substantial assurance.

Once again we received a clean audit from our external auditors, PricewaterhouseCoopers and a substantial assurance rating from our internal auditors, KPMG, following a comprehensive review programme.

We also held a strong focus in-year on working with external accreditations as business improvement tools and to evidence the strength of our commitment to walking our talk in terms of social purpose.



Our Investors in People accreditation was renewed in-year, and both Board and staff very much welcomed the positive feedback received during the process.



I am delighted to announce that Co-Ownership Housing has just received accreditation by Business in the Community under CORE – the standard for responsible business and Northern Ireland’s only Corporate Responsibility

Standard. We are proud to be one of only 23 organisations in Northern Ireland so far to achieve CORE - the first in our housing association sector and the first not-for-profit organisation.

The foundations for our ongoing relationships with IIP and BITC were laid by my predecessor as Chair, Dan Corr, whose strong and sustained vision of embedding corporate values and social purpose into business principles is the foundation we continue to build upon. I am mindful also that both accreditations reflect the commitment of our staff and their willingness to make a difference.

We now look forward to achieving the CIPFA Governance Mark of Excellence, having commenced the accreditation process at the start of 2016/17.

Rent to Own

The first of several possible complementary affordable home ownership schemes to be developed and delivered by this organisation, Our Rent to Own initiative is operated through OwnCo Homes, Co-Ownership Housing’s private subsidiary. Rent to Own is there to help renters who cannot access home ownership, even through the Co-Ownership scheme, to turn around their fortunes within a fixed term tenancy period of 3 years. Rent to Owners choose the property they hope to own one day and pay a market rent for it, receiving a 25% rebate of rent paid at the end of the tenancy. This rebate, coupled with their down payment of £2,500, can then serve as a property deposit and help them access a mortgage in due course.

The initiative has attracted a lot of interest. In its first 3 months of operation we have already seen some 1,000 enquiries, with one in 10 taking the next step and applying to be considered for a Rent to Own tenancy.

Properties must be new build and are potentially available across Northern

Ireland. We look forward to our first Rent to Own tenants moving into their new homes before the end of the summer.



Housing Minister Lord Morrow visits prospective Rent to Own homes recently with Sid McDowell and Mark Graham

Scheme Review and Route Review

The Scheme Review was a high level policy review, looking at the strategic direction, value for money and fitness for purpose of the Co-Ownership scheme and Co-Ownership Housing as its delivery vehicle.

Carried out with the Department, it was very much a wide-ranging and collaborative piece of work over several months, supported by a series of research papers and culminating in a full report to the Assembly's Social Development Committee in November 2015.

Arising from this report we have populated an action plan over the next 3 years to explore the potential to contribute further to government affordable home ownership strategy – either as extensions to the Co-Ownership scheme or in addition to it. Our actions will be supported by further research and financial modelling – these elements collectively make up our Route Review project which will commence during the 2017 financial year.

Operational Excellence

Not content with introducing a new scheme in Rent to Own and taking forward a medium term R&D project in the Route Review, we have also committed to an immediate and major program in support of the Board's strategic objective that Co-Ownership will be the leader in the UK housing sector in providing innovative opportunities to allow more people to move into home ownership.

We are calling this program Operational Excellence, and it is focused on the following key outputs:

1. to deliver a responsive, streamlined and efficient service that our customers need and expect at a time that suits them, and
2. to deliver the service through professional and motivated staff and business partners using innovative technology, revised business processes and new housing delivery schemes.

Consequently we have begun an external engagement process with partners in digital services development, and an internal engagement process with our staff to shape and refine the services our customers need.

Staff

The Board is, as always, very appreciative of the staff's hard work and support throughout the year, working to successfully deliver challenging operational targets. This year in particular we wish to recognise that our staff have gone the extra mile over a sustained period to ensure a successful operational launch of Rent to Own while maintaining business as usual for the Co-Ownership scheme.

Executive Management Team

We have in recent times seen significant change in terms of our senior management structure. At the close of the year our Chief Executive Alan Crowe confirmed that he would be stepping down after 13 years of service. Alan leaves behind an organisation well able to manage the many challenges and opportunities facing it in the years ahead; we very much recognise the contribution he has made and wish him well with his future plans. Another key member of our team, Carol Shields, Executive Director Corporate Services, is due to retire at the end of May. We hope that she enjoys her retirement to the fullest.

Mark Graham, our Executive Director Property and Development, has agreed to serve as Acting Chief Executive during this transitional period. We look forward to continuing our close and productive working relationship with Mark.

Board of Management

The Board met on 25 occasions this year, including the work of its standing committees (there were 12 committee meetings). In addition the Board held strategy sessions to plan for the year ahead. The Board worked closely with the Executive Management Team, who in turn engaged with staff, to develop our Corporate Plan for 2016-19, which included a refreshed statement of our mission, vision and values.

The individual members invested a significant level of their time and resource in contributing to the business of the Board. Out of a potential 185 separate attendances at these Board and Committee meetings I am very pleased to report that 169 were achieved, giving an impressive average attendance rate of 91%.

Our two standing committees on Audit, Risk and Governance and on Finance, HR and Corporate Services both dealt with challenging and complex workstreams this year.

All service by Board members is on a voluntary basis, with time and expertise freely donated to the work of the organisation. Although travelling expenses for attendance at meetings, briefings and conferences may be reimbursed, none were claimed during the year.

It is with regret we record the departure of two of our longer serving members, Deirdre Devlin and Norman Trotter, from the Board. We are indebted to them both for their commitment, insight and professionalism over the years.

Looking ahead, the Board is currently engaged in a recruitment process to renew and extend its membership. There has been a gratifying level of interest and we are confident of an excellent starting line-up for your 2016/17 team.

For my own part, I must thank all of my colleagues on the Board for their confidence and support in what has been another remarkable year. Teamwork remains very much our watchword at Board level and we retain our shared vision going forward - continuing the process of organisational change, and being the innovative leader in helping people afford their dream of owning their own home.



Sidney McDowell CBE
Chair