Plymouth Community Homes Ltd

Consolidated Financial Statements
For The Year Ended 31 March 2017

Chief Executive's Introduction

PCH is a high performing, efficient and effective business focussed on providing good quality homes and services for people in Plymouth.

In a year of significant change and progress for PCH, we continue to strive to be a "leading, growing, independent housing association; providing homes and services people want and can afford."

This is the vision our Board developed and agreed this year as part of our new Strategic Business Plan 2017-22. It sets out how PCH will continue to grow from a young business to a mature organisation determined to keep customers at heart, whilst becoming more commercial to develop more homes for those people in need. It does this in the context of a continued high demand for housing of all tenures, economic uncertainty, the impact of welfare reforms and changes to funding for the housing sector.

The Plan is built around a strong vision and three pillars of 'people', 'pounds' and 'place'. It provides the 'golden thread' that links our corporate objectives with plans and targets across all areas of PCH activity and, of course, our Financial Business Plan.

Implementing our long-term vision began by completing internal structural change programmes to ensure we were ready for the challenges ahead and refinancing as part of our treasury strategy to ensure we had sufficient resources to fund our ambitions.

The recent events at Grenfell Tower in London has prompted swift action and further change in the sector and may affect some of our future plans, as PCH owns high rise blocks affected by the issues raised. Residents' safety and welfare is our top priority so we will be diverting resources to implement the latest fire safety guidance issued by Government and working with our Local Authority, Plymouth City Council, and central Government to ensure further resources are available as required.

This year saw our first in-depth assessment from the HCA to check the robustness of our governance and finances. We were pleased to retain our G1 rating for Governance (the highest rating) and V2 for Financial Viability (the 2nd highest rating), a result reflective of the age of our organisation and commitment to invest in homes and services to meet the needs of our existing and future residents.

This year we had our best ever Star Survey results showing improvement in our customer satisfaction levels across all areas of the business. We were delighted to announce our achievements in obtaining Investors in People (IIP) Gold Accreditation and maintaining our BSC 5 Star Health & Safety accreditation, demonstrating world class practice in people management and development.

PCH continuously focuses on delivering great services and building more homes; remaining a strong and influential voice in the city of Plymouth and making a real difference to lives and communities.

Pounds

In the last five years our income has increased with running costs reducing. We use our surpluses to fund our development programme and improve core services. Our operating margin is above the level we set as a short term goal within our July 2015 Golden Rules, and is well on the way to the industry average.

By refinancing PCH has secured an additional £30M in funding at lower interest rates to finance our ambitions of investing and developing in more, much-needed decent homes for people in need.

We completed value for money reviews as part of efficiency drives, whilst ensuring effective delivery of services and financial stability. We achieved overall savings across the whole organisation of over £3m in decreased spend and reduced our general operating costs by £407k.

Place

We are committed to creating thriving places where people want to live and work, and have invested in our properties to ensure that they are safe and appealing.

During 2016/17 we built 60 new affordable homes for rent and shared ownership and began our development plan to build a further 234. We also acquired 92 (126 incl. leasehold properties) homes for rent from Stonewater following their stock rationalisation.

By 2022 our target is to deliver 600 new homes through a mixed tenure development programme to support the housing needs of the city, working in partnership with Plymouth City Council.

People

We know people make our organisation and our neighbourhoods so meeting the needs and aspirations of our residents and employees is paramount to our success.

This year we brought the majority of customer calls into our contact centre, saving nearly £300k. Our financial inclusion team supported residents to stay in their homes through financial advice and support, whilst recouping £187k in arrears. Our award winning learning and development programme continued and we were happy to confirm our TPAS Accreditation for resident involvement.

We created new neighbourhood plans with residents, setting clear objectives for different areas of the city based on needs and promoted independent living with our older residents by installing over 1,500 new lifeline alarms in our bungalows.

We truly value our staff as one of the most important assets we have and this year saw our first ever Beacon Awards ceremony to reward and celebrate excellent individual members of staff and teams. Our care for staff was also acknowledged by external recognition through a Gold IIP Award, BSC 5 Star Health & Safety and Gold E&D status. We also introduced our new Health & Wellbeing Support Programme for staff and published our new ‘Valuing Our People’ strategy.

That’s a brief overview of our year at PCH based on the three pillars that shape our Strategic Business Plan. We will continue to strive to achieve our ambitions so we can make a real difference to the lives and communities of Plymouth.

Legal and Administrative Details

Registered Office: Plumer House, Tailyour Road, Plymouth, PL6 5DH

Legal Status:
Plymouth Community Homes Ltd is a registered society under the Co-operative and Community Benefit Societies Act 2014 (which consolidates the Industrial and Provident Societies Acts) and is registered with the Financial Conduct Authority (registration 30637R) and the Homes and Communities Agency (registration L4543).

At the time of signing these financial statements Plymouth Community Homes Ltd has three wholly owned subsidiaries, Plymouth Community Homes Manufacturing Services Ltd (PCHMS), company number 07001677, Plymouth Community Homes Regeneration Company Ltd (PCHR), company number 7272688 and Plymouth Community Homes Energy Ltd (PCHE), company number 8028170. All three subsidiaries are incorporated under the Companies Act 2006.

Report of the Plymouth Community Homes' Board
Strategic Report

The Board is pleased to present its report and the audited financial statements for the year ended 31 March 2017.

(A) Principal Activities

A Profile of Plymouth Community Homes Ltd

Plymouth Community Homes (the 'Association' or 'PCH') is a leading, growing, independent housing association with a clear social purpose, providing homes and services people want and can afford.

The Association is a Registered Provider (RP) with the Homes and Communities Agency (HCA) and is a registered society under the Co-operative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority and commenced business on 20 November 2009. Significant funding has been secured from the HCA and private funding from the Royal Bank of Scotland (RBS) and European Investment Bank through The Housing Finance Corporation Ltd (THFC). Since the year end a significant refinancing of the RBS loan has taken place which is set out in detail in section (C) Capital Structure and Treasury Policy.

The Association is the parent company of three subsidiary companies, which form the Plymouth Community Homes Group ('the Group'). The Board is ultimately responsible for the control of the Group, which includes approving the overall strategies and policies, and for monitoring performance against targets, within a clearly defined framework of delegation and system of control.

Subsidiary Companies

The three subsidiary companies are registered with Companies House and are 'for profit' organisations. They are not registered with the HCA. Surplus funds generated by these companies are usually Gift Aided to Plymouth Community Homes to support its work.

The PCHMS Board contains a mixture of PCH Board members and members of the Executive Management Team. In June 2015 the decision was taken that the PCHR and PCHE Boards would contain members of the Executive only, due to the operational nature of those Boards' business.

Plymouth Community Homes Manufacturing Services Ltd (PCHMS)

The principal activity is the sale of windows, doors, joinery, signs and metalwork to customers outside the PCH Group.

The key objective of the company is to grow its trading in a sustainable way, maintain product quality and workforce skills, achieve a high level of customer satisfaction and offer a value for money portfolio of products and services.

PCHMS is a company limited by guarantee, and has five Company Directors, consisting of two PCH Board members and three members of the Executive. This Board met six times during the year.

Plymouth Community Homes Regeneration Company Ltd (PCHR)

This subsidiary oversees the design and build work for the regeneration of the North Prospect area of Plymouth and other development projects for PCH. All the properties developed by the company are either for rent or shared ownership. In North Prospect 46 properties were completed in Phase 2.2 with work continuing on the last 7 properties. Work is currently underway on 112 properties in Phase 3. During the year 4 properties, which are part of the North Prospect phase 4 redevelopment, have been let on private sector short term leases. The profits of the company are paid to PCH under gift aid.

PCHR is a company limited by shares, and has four company directors, consisting of the Executive Management Team. This Board met three times during the year.

Plymouth Community Homes Energy Ltd (PCHE)

The principal activity of this subsidiary is to install and manage photovoltaic panels, under a license agreement, on properties owned by PCH Ltd.

Photovoltaic cells have been installed on 2,385 properties to date. The company receives the Feed in Tariff and Export Tariff from these cells and sells electricity generated to PCH, which is then passed on free to tenants during the day.

PCHE is a company limited by shares, and has four Company Directors, consisting of the Executive Management Team. This Board met three times during the year.

The Plymouth Community Homes Ltd Board

The Board members holding office during the period 1 April 2016 to 31 March 2017 are listed in note 36 (Board members, Executive and Advisors). The Board consists of members from a wide variety of backgrounds with a good range of skills and knowledge. There are no members of the Executive on the PCH Board.

The principal obligations of the Board are:

- To determine vision and ensure that its achievement underpins all strategic planning and decision making.
- To ensure that PCH keeps within the law and complies with all necessary regulatory requirements.
- To maintain overall control through:
    - strong governance arrangements
    - clear and appropriate levels of delegated authority and systems of control
    - agreed frameworks for strategic planning, risk management, policy making, performance management and review

Individual Board members are required to exhibit the highest standards of probity and in particular to:

- have no financial interest either personally or through a related party in any contract or transaction of the Association, except as permitted under the Association's Rules

- act only in the interests of the Association (or its subsidiaries) whilst undertaking its business

Committee structure

Reporting to the Board are:

- The Audit and Risk Committee: They convened four times during the year, addressing internal and external audit issues, and ensuring compliance with systems of internal control. It advises the Board on risk management policies and processes. This Committee is also responsible for approving governance policies relating to staff and information management, ensuring that health and safety is delivered and monitored regularly.

- The Customer Focus Committee: They convened four times during the year and are tasked with monitoring compliance with the consumer related standards in the HCA's Regulatory Framework, approving service delivery related policies and monitoring the implementation of customer service related strategies and the implementation of the stock investment programme.

- The Development Committee: They convened six times during the year, and are tasked with overseeing the implementation of the PCH Development Strategy and Programme.

- The Remuneration Panel: They convened twice during the year, and are tasked with reviewing the salaries of the Executive Management Team and ensuring that Board member pay is reviewed in line with the agreed Pay and Performance policy.

- The Financing sub-committee: This has been set up to consider re-financing proposals. They convened ten times during the year. This is a time limited committee, linked to the conclusion of the re-financing work.

Board skills, recruitment and training

The Board is drawn from a wide background and its members are selected to ensure that they bring relevant experience, skills and understanding to the discussions and decision making process of the Board.

The Board's skills matrix is regularly updated and used as a basis for the Board's succession planning process. This resulted in the Board co-opting an individual with specific financial skills to the Financing Sub Committee to further enhance the level of board skills available for this critical piece of work.

Two tenants have been co-opted to the Customer Focus Committee as part of the process of succession planning for the existing tenant board members.

During the year, and with the assistance of an external consultant, the board conducted a board effectiveness review. The Board also annually reviews the effectiveness of governance arrangements within the Association.

Board members are paid for their services, with pay levels confirmed following an independent benchmarking exercise. Board pay is accompanied by clear expectations of individuals and collective board member performance.

The Association has adopted and complies with the National Housing Federation's Code of Governance 2015. The Board are aware that in June 2018, two Board members will have served nine years on the Board. It is anticipated that these two members will remain on the Board until September 2018. Whilst this is compliant with our Rules, it will exceed the maximum length of office permitted by the Code of Governance, thereby creating a non – material breach of the Code in the year to March 2019.

Executive Management Team

The Board is responsible for the overall strategy and policy. The Chief Executive and the Executive Management Team (EMT) of the Association and subsidiaries are responsible for day to day operations, monitoring and reporting performance to the Board and its committees. Details of the directors are given in Note 9: Board members and Executive Directors.

Regulation

The Homes and Communities Agency (HCA), as our Regulator, has assessed compliance with its Governance and Viability Standard. This is expressed as grading G1 to G4 for governance and V1 to V4 for viability.

The latest regulatory judgement for the Association, following an In Depth Assessment, was published in March 2017 and states:

G1: "the Provider meets our governance requirements".

This judgement is unchanged from the previous rating of December 2016.

V2: "The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continues compliance"

After consideration of reports by the Executive and other third party reports the Board certifies that to the best of its knowledge the Association complies with the HCA Governance and Financial Viability Standards in all material respects.

(B) Business and Financial Review

The Management Teams and Board use a variety of management information and performance indicators, both financial and non-financial, some of which are shown in the Value For Money section, to assist with the effective management of the Association's activities.

Following the introduction of Financial Reporting Standard (FRS) 102 PCH opted to use 'deemed cost' from the transition date of April 2014 which meant that the valuation at that date was treated as the 'new cost' for our housing assets and our shops are also now shown at value. The impact was to increase the balance sheet value of assets by over £300 million with a corresponding value in the re-valuation reserve. This means that depreciation has increased and along with the changes in the treatment to grants and the impact of pensions we expect our annual results to fluctuate from year to year. This is borne out by the financial results shown in the following table for income and expenditure over the last five years:

	FRS102			OLD UK GAAP	
	Group	**Group**	**Group**	**Group**	**Group**
	March 2017	**March 2016**	**March 2015**	**March 2014**	**March 2013**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	66,444	66,841	62,904	58,081	54,866
GAP funding	-	-	-	2,010	19,234
Total turnover	66,444	66,841	62,904	60,091	74,100
Costs	(54,039)	(58,099)	(63,482)	(62,485)	(65,411)
Operating surplus	**12,405**	**8,742**	**(578)**	**(2,394)**	**8,689**
(Deficit)/surplus on sales of fixed assets	(1,469)	(1,722)	(1,083)	2,214	727
Net interest payable	(5,240)	(3,366)	(4,639)	(1,869)	(5,377)
Change in value of investment property	(7)	(889)	629	N/A	N/A
Surplus for the year	**5,689**	**2,765**	**(5,671)**	**(2,049)**	**4,039**
Tax	-	32	(41)	(3)	-
Actuarial (loss)/gain on pension scheme	(17,932)	10,478	(10,232)	3,637	2,983
Total (deficit)/surplus after actuarial adjustments	**(12,243)**	**13,275**	**(15,944)**	**1,585**	**7,022**

Statement of Financial Position

The following table summarises elements within the Group Statement of Financial Position and the notes for the last 5 years:

	FRS102				OLD UK GAAP
	Group March 2017 £'000	**Group March 2016 £'000**	**Group March 2015 £'000**	**Group March 2014 £'000**	**Group March 2013 £'000**
Fixed assets - Housing	472,424	468,721	456,306	436,212	92,650
Less: Grants	-	-	-	-	(47,919)
Housing assets less grant	472,424	468,721	456,306	436,212	44,731
Tangible assets - Other	36,315	27,495	28,561	13,868	7,403
Total fixed assets	**508,739**	**496,216**	**484,867**	**450,080**	**52,134**
Cash	12,186	14,467	9,460	10,276	980
Other Current Assets	10,264	10,242	9,614	13,723	49,821
Current Liabilities	(17,110)	(13,800)	(13,399)	(19,065)	(16,794)
Net current assets	**5,340**	**10,909**	**5,675**	**4,934**	**34,007**
Creditors falling due > 1 year					
Of which Bank loans					
Due in five years or more	63,500	67,000	62,000	33,000	20,500
Deferred loan costs	(686)	(851)	(1,014)	(1,173)	(1,027)
THFC Holding Account	(3,335)	(3,269)	-	-	-
Total Housing Loans	59,479	62,880	60,986	31,827	19,473
Grant Funding	24,516	21,323	11,673	127	-
Pension liability	30,890	11,485	19,721	8,846	11,326
Total	**114,885**	**95,688**	**92,380**	**40,800**	**30,799**
Net assets / Reserves	**399,194**	**411,437**	**398,162**	**414,214**	**55,342**
Homes in management	14,183	14,285	14,336	14,579	14,627
Ave Staff employed (full time equivalent)	587	617	641	635	605

Fixed Assets are held at higher than the EUV-SH valuation because existing properties were valued at 31 March 2014 (i.e. before the 1% reduction in rent announcement) and also because new build properties are held at cost (which is higher than the EUV-SH value). We carried out an impairment review and can confirm that based on the value in use there is no impairment to the value of our assets.

Key Financial Ratios arising from the above tables are shown in the following table:

	FRS102			**OLD UK GAAP**	
	Group	**Group**	**Group**	**Group**	**Group**
	March 2017	**March 2016**	**March 2015**	**March 2014**	**March 2013**
% of income from Social Housing Lettings	90%	87%	92%	92%	91%
(Decrease) / growth in turnover (excl Gap funding)	(1%)	6%	5%	6%	10%
Operating cash flow	£28.6m	£24.1m	£12.1m	£0.9m	£8.60m
Operating Margin / turnover	19%	13%	-1%	-4%	12%
Operating Margin - (EBITDA / total turnover)	35.6%	27%	14%	0%	12%
Net debt / turnover	90%	94%	97%	55%	35%
Current ratio -current assets / current liabilities	131%	179%	142%	123%	302%
Net Loans / fixed assets net	12%	13%	13%	7%	37%
Loans / Reserves Group	15%	15%	15%	56%	35%
Growth in reserves Group	(3%)	3%	(4%)	648%	-1%
Debt per unit	£ 4,194	£ 4,402	£ 4,254	£ 2,183	£ 1,331
Debt / EBITDA	2.69	3.67	6.94	0.00	0.00
EBITDA Interest cover	435%	617%	179%	-16%	174%
Interest Cover (EBITDA MRI) Group	294%	289%	(185%)		
Interest Cover (EBITDA MRI) Association	299%	284%	(187%)		

Turnover

PCH continues to be the main provider of social housing with over 70% of Plymouth's social rental market. Turnover for the year to 31 March 2017 decreased by 1% to £66.4m (2016: increase of 5% to £66.8m).

Social Housing lettings share increased slightly from 87% to 90%. Social housing rental income increased to £58.9m (2016: 58.4m) despite the introduction of a 1% rent reduction from 1 April 2016. The increase is due to letting properties at target rent that were previously below target rent and also the growth in affordable rents of 54% to £2.0m (£1.3m in 2016). Affordable rents are used to support new housing development. The number of properties in management has decreased during the year to 14,183 from 14,285. 60 new properties have been developed and 92 properties transferred from Stonewater. These additions have been offset by disposals under Right to Buy and properties demolished at North Prospect as part of the redevelopment programme.

Other income came from Commercial letting of shops at £1.4m (2016: £1.3m), Manufacturing of £1.0m (2016: £1.6m), and Photovoltaic Panels £958k (2016: £885k). Shared Ownership first tranche sales turnover was £1.0m (2016: 1.9m). The level of non-core income remains at a safe level being less than 8% of turnover.

Operating costs

Our operating costs fell by 5% over the year to £52.4m (2016: £55.2m). We carried out a comprehensive review of our spend in 2015/16 and this resulted in a reduction in underlying running costs, with savings achieved immediately across PCH including back office, housing management and repairs. Depreciation of Housing Properties (FRS 102 basis) increased to £11.4m (2016: £10.4m) and the expensed costs of major works decreased by 31% to £8.1m (2016: £11.7m).

Operating Margin

The operating margin has increased to 19% from 13% in 2015/16. The average for the sector, from the 2016 Global Accounts, was 28%. Using the EBITDA measure, £23.6m (2016: £18.3m), the operating margin has increased to 36% from 27%.

Sale of Fixed Assets

There was a net loss on sale of Right to Buy (RTB) of £2.0m (2016: £1.8m). This loss arises due to the payment to Plymouth City Council for their 100% share of the RTB, in accordance with the stock transfer agreement, and also because of the higher valuation of the properties after 31 March 2014 which has to be written out on sale.

Interest costs

Interest costs have increased during the year to £5.2m (2016: £3.4m) due to the buyout of two short term forward fixes in advance of the refinancing which was completed in June 2017. During the year loans decreased to £63.5m at the end of the year from £67m, (£30m with The Housing Finance Corporation (THFC) and £33.5m with Royal Bank of Scotland (RBS)). Borrowings with THFC are on fixed rates and with RBS, on floating rates.

The average cost of debt during the year was 2.62% excluding the cost of buying out the RBS fixes. The average borrowings during the year were £66.5m. The total cost of debt including non-utilisation costs paid during the year was £5.0m, the weighted average cost of debt was 7.5%.

Interest cover

The cash interest paid during the year was £5.4m. The EBITDA of £23.6m was sufficient to cover the interest paid by 4.4 times. The EBITDA MRI interest cover increased during the year to 294%. The average for the sector, from the 2016 Global Accounts, was 170%.

Surplus

For the financial year to 31 March 2017 the operating surplus has increased to £12.4m (2016: £8.7m). This is largely as a result of the increased surplus on social housing activities, with increased rental income combined with lower operating costs.

Including the other comprehensive income, which is the movement on the pension liability, there is a deficit for the year of £12.2m (2016: surplus £13.3m). There have been significant movements in the actuarial valuation over the last few years which have led to volatility in the overall surplus or deficit.

We made surpluses from our subsidiary companies during the year;

	Turnover £'000	Costs £'000	Profit £'000
PCH Manufacturing Services	1,010	(965)	45
PCH Energy	958	(837)	121
PCH Regeneration	18,084	17,197	887

PCH Manufacturing Services is still in transition and moving the focus to securing external contracts. The profit of PCH Regeneration was transferred to PCH Ltd under Gift Aid after the year end.

Information on operational performance is given in the assessment of the business effectiveness against all our objectives (p.18-45).

Housing Properties

PCH continued with its substantial investment in its homes. £28.4m was spent on housing properties. £1.7m was spent on other fixed assets.

Including both capital and revenue expenditure PCH spent £15.8m improving its existing properties. The work carried out is significantly above the legal minimum required giving us choices in the future over the programme of works carried out.

Cash Flows

The operating activities of PCH show a strong cash generation with a cash inflow of £28.6m (2016: £24.1m). After allowing for capital expenditure and financing movements, there was an overall decrease in net cash of £2.3m (2016: increase of £5.0m), During the year £3.5m of loans were repaid (2016: increase £5.0m) Proceeds from RTBs and sundry properties generated £7.1m and we also received government grants of £4.3m which were used towards the building of new properties.

(C) Capital Structure and Treasury Policy

At the year-end PCH had loan facilities with the Royal Bank of Scotland (RBS) of £110m of which £33.5m was drawn, and £30m of fixed rate debt from the European Investment Bank (EIB) through The Housing Finance Corporation (THFC) which has specifically funded an element of the North Prospect Regeneration and is fully drawn.

The facilities with RBS included an embedded forward fix at interest rates of c. 4.8% before margin and a requirement to fully repay these facilities at 2040. This is a typical loan structure for a transfer Association but is inappropriate for the expanding and building organisation which PCH is becoming having successfully fulfilled its promises of transfer within five years.

In May and June 2017 a period of negotiations successfully resulted in this RBS facility being reduced to £45m and shortened to ten years with the embedded hedge fully bought out. A second £35m bank revolving credit facility of five years has been entered into with Barclays and a £60m Private Placement with Barings has been secured and drawn. The £30m EIB / THFC facility remains in place and fully drawn. This gives the Association bank facilities and drawn debt totalling £170m together with the flexibility to obtain additional funding without requiring existing lender approval.

A key measure of our ability to support these loans is the level of security of the housing stock that either is or can be put in charge to secure them. The £170m facility is all secured and there are further 5,000 properties available for charging in the future.

PCH operates a centralised Treasury Management function. Its primary duties are to manage liquidity, funding, investment and financial risk including that from interest rate volatility. Treasury policies are approved by the PCH Board.

Interest Rate Risk Management Strategy

Of the £170m total debt and facilities the £60m Private Placement has been drawn at fixed rates of c. 3.4% and the £30m EIB / THFC at c. 2.9%. These are both all-in rates and take advantage of the current low future rates available by locking these in. The remaining drawings on the bank facilities will be at the current very low floating rates until it is deemed to be advantageous to fix these rates.

Liquidity Risk

Surplus cash is invested according to policies approved by the Board; with the preservation of capital value as the primary objective. The Association's target cash holding is set at three months' expected cash spend although higher cash levels may be held in anticipation of significant capital expenditure or in periods of higher risk in the financial markets.

At the year-end cash holdings were £12.2m (2016: £14.5m). Funds are deposited with a limited list of approved banks, whose ratings are monitored regularly, and may also be invested in approved Money Market Funds. In addition to these holdings a cash balance of £3.3m is held within a sinking fund controlled by THFC as security for the EIB loan. This can be accessed in the future by substituting existing unencumbered housing properties for this cash.

Counterparty Risk

PCH has approved lending and investment counterparties and monitors counterparty risks based upon independent credit intelligence supported by our Treasury Advisors.

D) Other Risks and Uncertainties

As part of the corporate planning processes, the other risks that may prevent the Association achieving its objectives are considered and reviewed 6-weekly by the Executive Management Team (EMT), quarterly by Audit & Risk Committee (ARC), and biannually at scheduled meetings of the Board as well as at the twice- yearly Board Away Day Risk Workshops. The risks are recorded and assessed in terms of their impact and probability with major risks being reported together with action taken to manage the risks, including assessments of key controls, levels of assurance and the outcome of the action.

The major risk to the Association's financial future is from an unforeseen change within the Government's rent policy. Rent settlements have traditionally lasted for long periods in order to allow Associations to make long term plans for their expenditure upon development, property maintenance and improvement, and service provision but the 10 year settlement agreed in 2015/16 of ten years' of rises at the Consumer Price Index (CPI) + 1% was peremptorily overwritten by a July 2015 announcement of a 1% reduction in rents for each of the next four years. This caused an immediate £20m loss of income over the four year period and considerably more than this over the thirty year timescales at which the Organisation plans. If there were to be further rent cuts then this would inevitably mean reductions in new house building, property maintenance and improvement, and service provision; which would be extremely unwelcome as these are the key purposes of a Housing Association.

The largest costs of the Association are the maintenance and improvement of its homes so a rapid rise in these costs would have significant effects. The successful completion of the Association's transfer promises within the first five years' post transfer brought every home up to a decent level of internal furnishing. An investment programme is in place to maintain all homes at this level and in addition there is planned programme of improvements to buildings' external condition and appearance.

The rate of increase of these costs is highly variable and if they rise significantly above expectations they would have a big impact upon the finances. We are continuing to make efficiencies within our internal costs as we are better able to control these; however price rises in repairs and improvements, which are linked to the cost increases of the wider construction industry, would mean that our planned programmes of improvement and replacement would need to be slowed or reduced.

The Association wishes to build more homes to meet the demand for new social housing and to do this requires it to be able to raise additional finance; as noted under the Treasury section we have refinanced from the original transfer structure and are now able to raise new finance without requiring approval from the existing lender. In order to raise this finance the Association must demonstrate strong and improving performance by controlling costs, increasing income, and making best use of its assets.

There is a formal process of stress testing to which the financial plan is subject in order to demonstrate the Association's ability to both withstand and to react to particular adverse risks; both individually and in combination. The risks essentially divide into being either a decrease in income or increase in costs but their incidence can vary between an immediate short term impact and something that steadily worsens over time so are modelled as real world scenarios.

Four main scenarios were tested, both individually and in combination:

- Further rent reductions
- Adverse differential inflation – maintenance and repairs costs rising faster than expected
- The impacts of Welfare Reform
- Interest rate rise and housing market collapse

With two supplementary scenarios:

- Financial shock arising from a subsidiary
- A large exceptional cost of whatever cause

The mitigations available to absorb the costs of these risks have now been limited by the significant internal costs savings already made in order to ameliorate the loss of rental income noted above. The main remaining actions available to reduce the impact of the above scenarios are to reduce the programme of buildings' improvement down to a steady state level, to fix interest rates on short term lending, and to stop or delay development schemes. In summation the Organisation could withstand low impact shocks, mitigate against moderate shocks, but would have to take more severe action for high level of adverse impact.

Further in refinancing from the debt structure at transfer we have moved onto what are known as "corporate covenants". These are long term, up to twenty five year, requirements to meet set performance levels and any breach of these would have serious consequences. So in order to fail a stress test the Organisation would only have to risk breaching a covenant rather than be at any risk of insolvency; this both sets a higher bar for the stress testing and means that in the event of any problem immediate action will be required so that the annual performance does not fail the covenant test.

(E) Future Developments

The refinancing of the Association's debts means that in addition to the existing development programme we have been able to build into the thirty year financial plan a fifteen year programme of future mixed development.

The regeneration of the North Prospect Estate was a transfer promise of the organisation and to date we have built 301 new homes in North Prospect as well as the impressive community facility of the Beacon. We are on site for another 118 homes and have financial provision within the plan for a further 177.

Outside of the North Prospect Regeneration we have completed 34 units on smaller sites and are now on site at Bodmin Road with a 72 home "Passivhaus" (highly energy efficient) scheme, at Southway Campus site with a 67 unit scheme, and will shortly be starting a 95 unit scheme at Southway Primary School site.

All of these homes are being built in Plymouth and will contribute to the aims of Plymouth City Council's "Plan for Homes".

The fifteen year programme now in place within the plan as a result of the new financing currently provides for c. 100 additional homes each year although we would hope to improve upon that figure. Ideally we would be building all of these homes within Plymouth as this means that we continue to have a very efficient maintenance and housing management service; this does though require a ready supply of affordable land which is so limited within Plymouth that the range of possible sites will include the Plymouth travel to work area.

The building of social housing requires a financial subsidy in order to make it viable. The funding for our build programmes consists of a mixture of government grants, subsidy from Plymouth City Council, additional income from temporarily re-letting social rented homes at higher affordable rent levels, internal costs savings made, and a very limited number of disposals of existing homes which are either unpopular with customers , or have very high maintenance costs, or both.

(F) Value for Money Statement

Introduction

We are a leading, growing and independent housing association with a clear social purpose proving homes and services people want and can afford. This report outlines our approach to delivering good value for money in everything we do, whether it's about building more homes or collecting rents and managing our neighbourhoods.

Transparency and Stakeholders

We understand where we are performing well, and where we could do better and it is important that we share this information with anyone who is interested in our organisation.

Throughout the year we publish our quarterly performance reports on our website, and this value for money statement contains a full review of our financial and quality performance for the 2016/17 financial year and targets for 2017/18.

Managing and Monitoring Value for Money

We define value for money as doing the right thing, at the right cost, at the right time.

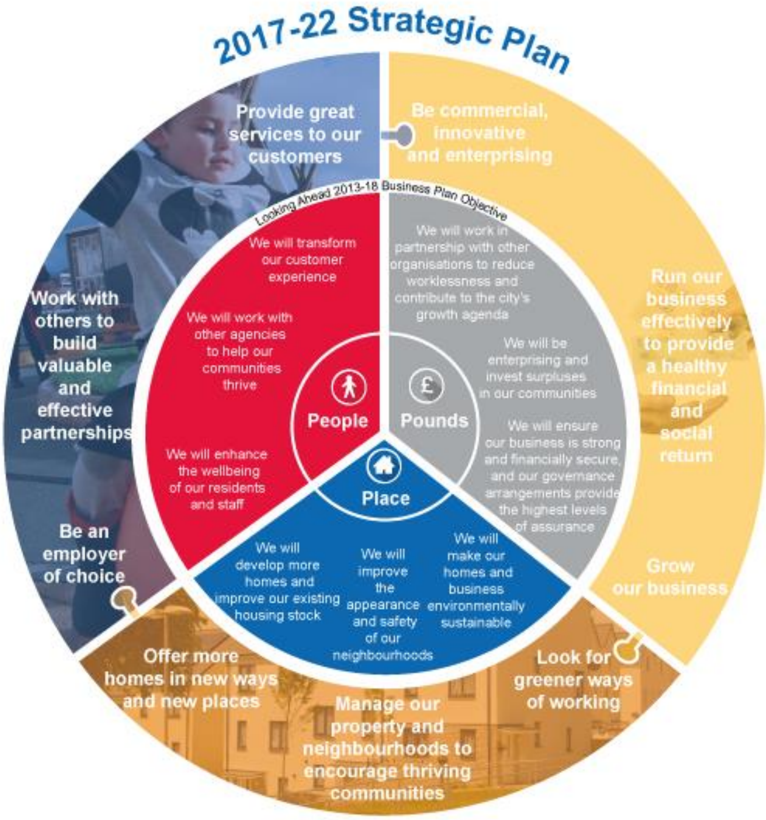
This is led from the top of the organisation at Board level and is embedded down through our staffing structures by the Executive and Senior Management Teams.

On a regular basis our Board reviews reports on the strategic business plan, annual budgets, procurement, benchmarking / peer comparison, internal audits and value for money self-assessments.

Implications on value for money and social return are considered as part of every Board decision.

Another key part of how we assess value for money is to participate in benchmarking exercises in order to understand how we compare to other housing providers with a similar profile. We use HouseMark as a benchmark provider and our peer group consists of other stock transfer organisations with more than 7,500 homes.

Introducing our 2017-2022 Strategic Business Plan



In April 2017, we launched our new strategic business plan which sets out the organisation's objectives up to 2022. Continuing to build on the strong foundations put in place since 2009 we plan to maintain and increase our housing stock, build on financial strength and improve the quality and efficiency of services.

Business growth is a key objective, which means we need to build more homes and offer a range of tenures in order to meet the housing needs of Plymouth and the surrounding areas and increase our operating margins. Our manufacturing business will carry on strengthening its position in the commercial markets so that it provides an additional income stream into the housing association. We also have our non-social housing activities such as shop lettings, solar panels and shared ownership sales which also provide a valuable income to the business.

By achieving the above, this would ensure that we can continue to invest in providing an excellent landlord service for residents and manage our homes in a cost effective way.

You can read more about our plans by clicking here

Assessing our Business Effectiveness

In assessing our business effectiveness, we ask the simple question of:

"Have we achieved what we said we would?"

In real terms this means meeting our core purpose of being a leading, growing and independent housing association with a clear social purpose providing homes and services people want and can afford.

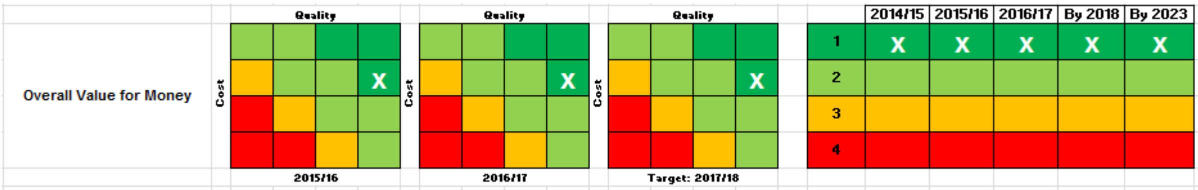
To achieve this we need to meet our strategic objectives, deliver our key activities, manage our assets effectively, work as one organisation and be an effective social business with excellent services for customers.

Resident Scrutiny of Value for Money

Our resident scrutiny team are an important part of PCH's approach to co-regulation. They are a group of trained residents who provide an independent check of the services provided by PCH challenge the organisation's performance and value for money.

This year's review focussed on how PCH prevents and tackles anti-social behaviour on its estates. Following a series of recommendations, housing staff have received further accredited training and some of our procedures have changed.

Overall Value for Money Score



For 2016/17 we believe that we continue to offer a value for money service to our customers.

Our rents are one of the lowest in the country but in spite of this we are able to deliver a high-performing landlord service and develop more homes to further meet the housing needs of people who live in the Plymouth travel to work area. In some areas of our organisation we spend slightly more than other landlords but this is because we invest in providing a high-quality service which our customers demand instead of a cheap budget service.

Our Proudest Moments

Below is a summary of our biggest achievements in 2016/17:

People

- We achieved the Investors in People Gold award following re-assessment by an independent auditor. This demonstrates Plymouth Community Homes' commitment to being a good employer that develops and engages its staff.
- By working closely alongside residents, we achieved our lowest ever rent arrears figure of just 1.28% out of almost £58million of rent due for the year. This means we have supported a number of residents to better manage their finances and pay their rent, which ultimately has kept people in their homes.
-

Pounds

- We received confirmation of our G1, V2 ratings following an in-depth assessment of our governance processes and financial management from the Homes and Communities Agency. These ratings represent the highest level for governance and the second-highest level for financial viability.
- We started the process of securing our first private placement on the bond market in order to secure more funding for new-build development and reduce our borrowing costs. This completed in June 2017 with a £60million borrowing facility from the Barings Investment Company.

Place

- We completed a much-needed block refurbishment programme in the High Street and Waterloo Close area of Stonehouse. Residents saw significant improvements made to look and feel of the common areas of their blocks and better insulation for the individual homes.
- We bought 92 homes for rent plus the estate management responsibility for a further 100 homes from Stonewater. This was our first stock transfer into Plymouth Community Homes and it meets our aims to grow our business and increase the number of homes in and around Plymouth.
-

People

We focus on peoples' needs and aspirations to become the provider of choice. This means that we look after more than just the bricks and mortar – people are at the heart of what we do. This is what makes us a landlord and employer of choice.

We do this by delivering high quality services and support to residents in their homes, and by providing staff with good terms and conditions and investment in their development. We also listen - we actively seek the views of our people so we know what is needed and whether we are meeting their expectations or not.

We have consistently worked within a strategy of *business transformation through people* so that we create highly motivated and highly customer focussed teams across the business who work alongside residents to provide excellent quality services.

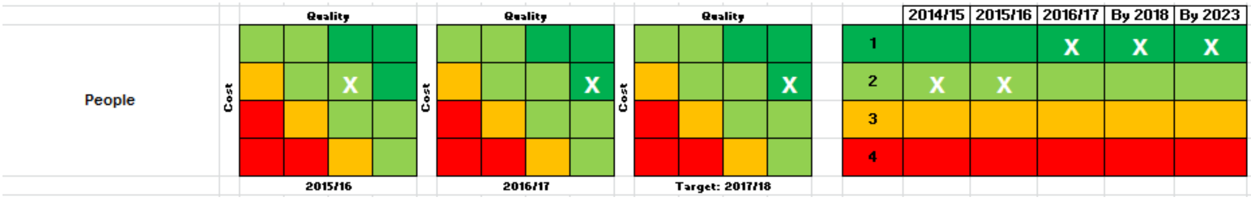
Partnership working is another key part of how we do business. We recognise that we may not always be able to deliver a service so we have established links with organisations such as Plymouth City Council, Livewell SW and Devon & Cornwall Police in order to signpost residents to get the support they need.

Customers judge us based on the services we offer and how we provide them. We are proud that our satisfaction ratings amongst customers are the highest they have ever been – and we want this to remain.

As a result of listening to our customers, we broadened the range of services provided through our contact centre so that residents can have their queries answered straight away. In addition to providing better customer service, there is an anticipated saving in future years.

Income collection is essential and our success at reducing rent arrears relies on how we put the tenant at the heart of how we manage arrears. We achieved the lowest ever arrears figure at the end of 2016/17 and this could only happen because we work alongside tenants to understand their financial circumstances whilst balancing the needs of the business. Evictions for rent arrears are rare because we believe that supporting tenants to remain in their home is the right way to help improve their wellbeing and financial outcomes.

Value for Money Heatmap



We believe that we offer a medium-low cost and high quality service around people. We spend more than our comparators on resident involvement and community development but this is for the mutual benefit of having better quality services. We have received external recognition for the quality of our people-based services, namely the TPAS Landlord Accreditation in Resident Involvement, Investors in People Gold award for how we develop and engage our staff and the British Safety Council Sword of Honour for health and safety best practice.

Qualitative and Quantitative measures

	2016 Result	2017 Result	2017 Target	Benchmark Quartile	2018 Target
Percentage of residents very or fairly satisfied with their landlord (STAR)	90.51%	90.51%	-	2nd	-
Percentage of residents very or fairly satisfied that their rent provides value for money	91.25%	91.25%	-	1st	-
Cost per property of resident involvement activity	£91	-	-	4th	-
Percentage of residents very or fairly satisfied that views are listened to and acted upon	73.73%	73.73%	-	3rd	-
Cost per property of rent arrears and income collection	£138	-	-	3rd	-
Current tenant arrears as a percentage of annual debit	1.47%	1.29%	2%	1st	2%
Percentage of rent collected (excluding arrears brought forward)	101.35%	101.7%	-	1st	-
Cost per property of dealing with anti-social behaviour	£62	-	-	2nd	-
Percentage of residents very or fairly satisfied with anti-social behaviour case handling	93%	93%	-	2nd	-
Percentage of residents very or fairly satisfied with the outcome of their anti-social behaviour complaint	89%	89%	85%	2nd	-
Cost per property of tenancy management	£75	-	-	1st	-
Cost per property of estate services	£193	-	-	3rd	-
Percentage of residents very or fairly satisfied with the neighbourhood as a place to live	89%	89%	-	2nd	-
Percentage of tenancies sustained after 2 years	95.43%	95.87%	95%	-	95%
Percentage of tenancies terminated by PCH due to rent arrears	0.09%	0.13%	-	1st	-
Average number of days sickness per FTE (Annual)	8.44 days	9.38 days	8 days	3rd	8 days
Total annual cost of sickness to PCH (including on-costs)	£666k	£595k	£637k	-	-
Average cost of learning and development per FTE	£582	£451	£451	2nd	-
Percentage of turnover of staff	14.31%	-	15.96%	3rd	-
Number of tenant training places delivered	484	594	500	-	500
Number of individual PCH tenants trained	245	358	-	-	-
Satisfaction with tenant training	84%	99.2%	95%	-	95%
Number of hours of digital learning delivered to tenants	3251	1603	-	-	-
Number of individual PCH tenants attending Digital Training	213	269	-	-	-

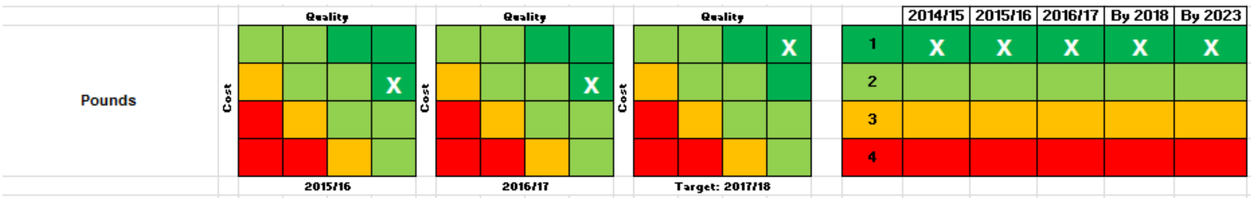
Pounds

We are a strong, open and effective organisation making a difference to people's lives in difficult financial times. With a combination of excellent governance and robust financial structures we continue to deliver high quality services to residents whilst complying with the Regulatory Framework.

Through everything we do we want the highest standards of effectiveness and optimum impact for efficient cost. We are not aiming for a cheap budget value service but firmly believe that quality and high standards bring their own efficiencies. This ethos runs through management of our assets, and income and expenditure. We have achieved a good quality overall service at a reasonable cost and are able to demonstrate how we provide value for money.

We will ensure our business remains robust through strong governance and financial security, to obtain external funding to achieve our objectives. We will continue to benchmark our performance against other housing organisations so we can understand not only what we do well but also where we can improve.

Value for Money Heatmap



Value for money with how we manage our business continues to be medium-low cost and high quality. This is reflected in our G1, V2 ratings from the Homes and Communities Agency confirmed in March 2017 through an In-Depth Assessment and our continued payback of income collection costs through reduced rent arrears and high income collection rates.

Measures

In our last VFM Statement we laid out our strategy to deliver on optimising the financial return on our assets (in balance with our social and environmental objectives), investing in, and sometimes selling assets, by growing income and controlling costs.

Our strategic approach was reviewed in light of the July 2015 budget announcement and the subsequent Welfare Reform and Work Act 2016. We have revisited our business plan as in the short term it will prove harder to 'raise our social rents to the mid-market social rent for Plymouth', as rents on our existing general needs homes were reduced by 1% from April 2016 and will continue to decrease by 1% a year for the next three years. Therefore we need to be more creative in looking at opportunities and the following drivers become even more significant:

1. Raise our average rents to the mid-market social rent for Plymouth
2. Develop new homes to grow the organisation in and around Plymouth
3. Maximise other income (e.g. commercial activities)
4. Set clear targets for our subsidiary companies
5. Improve services to customers which will also lead to efficiencies
6. Control staff and contractual costs
7. Use procurement to enhance value and control costs
8. Invest in IT to improve services
9. Follow our strategic asset management approach to invest in existing assets to a good level and review those that are not performing well

The above approach will help to improve the financial return on our assets so that we can raise additional money in the capital and debt markets to fulfil our aspirations for the development of new homes.

We operate a financial framework to provide an early warning against breach of lending covenants and to assess whether new strategies and activities add financial value to the organisation. As part of our risk management strategy we have established a framework of "Golden Rules".

In doing so, we:

- Carried out significant work on stress testing our financial model (Business Plan) and understanding the steps we need to take to remain viable;
- Put a recovery plan in place for the unlikely event of a cash shortage;
- Created a comprehensive asset and liability register so that we fully understand our financial strengths and obligations.

In-Depth Assessment

During 2016/17 we received our first in-depth assessment from the Homes and Communities Agency which means checking how robust our governance processes are and how financially stable the organisation is. This involved consideration of a large number of Board-approved documents and speaking to the Board and Executive Directors about their understanding of how the organisation is managed.

The result meant that our ratings were unchanged and we have a G1 for Governance (the highest rating) and a V2 for Financial Viability (the 2nd highest rating) which is reflective of the age of our organisation.

Change in Accounting Treatment (Financial Reporting Standard 102)

The Social Housing sector has undertaken a fundamental change in the way the financial statements are presented. This brings us in line with International Accounting Standards. The biggest change for Plymouth Community Homes is that we opted to use 'deemed cost' which means that from the transition date of April 2014 we used the valuation at that date as the 'new cost' for our housing assets and commercial properties. This increased the balance sheet value of assets by over £300m, a one off uplift in cost reflecting the value of our homes continuing to be let on social rents.

Refinancing

During the year the organisation progressed its treasury strategy with the aim of replacing or reducing the term of the RBS facility. In June 2017 the refinancing exercise was completed. The existing RBS facility was reduced to £45m which also involved buying out the forward embedded fix attached to it. A bond for £60m was issued via a private placement. Shorter term loans of £35m on a revolving credit basis and a £45m term loan were also put in place. This has increased PCH's loan facilities to £170m from £140m. The new loan facilities reduce the projected interest rate from above 7% to below 3% on average and will underpin the longer term financial position.

Our Income

In order to meet the challenge presented by the mixture of low rents and the need to invest, our strategy in the past was to raise rents to a level comparable with other housing associations operating in Plymouth. However currently we cannot apply this strategy due to legislation. Thus it has become even more important to review how we spend our money.

The rent and service charges are agreed yearly by the Board. The rent is based on the formula rules applied to the social rent sector and the service charges are based on the services costs.

Our rent levels continue to be amongst the lowest in the country, and are by far the lowest compared to housing associations of a similar size to PCH.

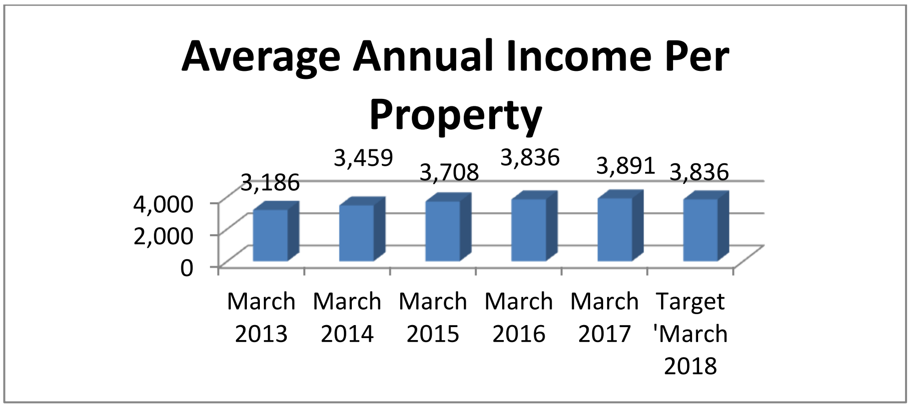
The Housing and Planning Act 2015 contained a provision for partially deregulating the sector, part of which will make it easier for social housing providers to change the tenure of existing stock. In order to achieve optimum financial gain on our assets we are reviewing how we let our homes in future with the aim of balancing social and financial value.

The difference between our rents and those charged by other housing associations and private landlords is shown in the table below.

	Average Monthly PCH Rent (General Needs)	2015/16 Average Monthly Plymouth Social Rent	2015/16 Average Monthly National Social Rent[1]	Average Monthly Plymouth Private Rent[2]	Local Housing Allowance Maximum
One Bedroom	£267	£324	£391	£450	£408
Two Bedroom	£315	£375	£433	£645	£530
Three Bedroom	£349	£412	£464	£805	£630
Four Bedroom	£391	£464	£546	£1,114	£790
Five Bedroom	£475	£493	£611	£1,402	£790

For the average three bedroom house, there is a gap of around £456 per month between PCH and the average private rental charge in Plymouth and £115 per month between our rents and the national average social rent. We see this as our social dividend and a clear example of how housing associations provide value for money to the taxpayer.

The average annual income we achieve per rented property is shown in the following graph:



The table below shows how much rental income was due into PCH:

	March 2013	March 2014	March 2015	March 2016	March 2017	Target March 2018
Housing Income (£000's)	46,602	50,473	53,195	54,797	55,192	54,782
Year on Year Increase	5.7%	8.3%	5.4%	3.0%	0.7%	-0.7%

From April 2016 we have reduced our social rents by 1% each year however the overall rental income has continued to increase due to a programme of converting homes to affordable rent (up to 80% of market rent) to support the development of new homes.

[1] Source: Homes and Communities Agency Statistical Data Release 2016
[2] Source: Zoopla http://www.zoopla.co.uk/market/plymouth/ Accessed May 2017

We aimed to convert 1,423 homes to affordable rent by March 2017 and we achieved 1,620. The main reason for exceeding our target for conversions was a new policy to convert properties generating a premium of £10+ per week above the social rent and prevailing service charge calculation and widening the definition of which types of properties could be converted. This improved the rate of transition and the total income received to date. The forecast is on target against our development funding bids. We let a further 17 (100%) new build homes at affordable rent over the last year and 7 properties at affordable rent transferred to Plymouth Community Homes from Stonewater in December as part of a stock transfer.

Closely linked with rents are the service charges paid by leaseholders and tenants. We have significantly reduced the gap between the cost of services and the charges made by improving the way we charge and by reducing the costs of services. We now have a system where, over time, residents will pay the full cost of the services received. Charges are proportionate to the service received and we can be held to account for the quality of these services.

As examples, we have controlled service costs through long-term energy contracts and introduced an in-house Neighbourhood Ranger service which has not only improved the quality of cleansing and grounds maintenance but significantly reduced costs. Our service charge costs, as per the HCA Global Accounts for 2015/16, are below the median compared to other housing associations.

How we collect rent and protect our income

As with all housing providers, we are vulnerable to a changing economic and political environment and so we adapt our strategies to reflect the changes.

Welfare reform created a business risk as well as a risk to tenants with the introduction of the spare room subsidy and the benefit cap. Overall current tenant arrears as a percentage of rent owed for the year have decreased to 1.28% compared to 1.47% at 31 March 2016. We recognise that our rent collection costs are higher than those of other landlords but we think it is worth this investment because we are supporting residents to sustain their tenancy whilst bringing more income into PCH.

We also have strict controls over how we manage void properties by repairing and re-letting them as quickly as possible in order to reduce loss of income.

Void performance is shown in the following table:

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 Target
Number of void properties at 31 March	114	73	64	71	48	**TBC**
Average number of terminations per week	16	20	17	18	17	18
Average routine void turnaround	37.43	35.61	17.54	16.26	18.12	20

Historically void management has been recognised as an area which needed improvement. As a result of lean processes implemented in 2014/15 our void turnaround times and subsequent void rent loss are significantly lower than the inherited position in 2009. Although re-let times increased slightly in 2016/17 they remain in quartile one compared to other housing providers.

We are reviewing the effectiveness of how we spend money on void repairs so that we meet the needs of new tenants whilst offering a value for money service. This may not significantly reduce costs but it will make sure the money is better spent.

The following table shows the significant improvement in financial and operational performance of Plymouth Community Homes over the past 5 years:

	Actual					Target
	March 2013	March 2014	March 2015	March 2016	March 2017	March 2018
Growth in turnover	10%	6%	5%	6%	-1%	-1%
Operating surplus / total turnover	12%	-4%	-1%	13%	19%	13%
Arrears as a % of annual debit	3%	2%	2%	1%	1%	2%
Loss of income from voids (£'000)	£868k	£800k	£563k	£413k	£227k	£553k
Service charge recovery %	72%	75%	77%	82%	91%	80%
% of tenants very or fairly satisfied that service charges provide good value for money	79%	79%	75%	80%	80%	-
% of tenants very or fairly satisfied that rents provide good value for money	89%	89%	88%	91%	91%	-

We have set income targets for our commercial shops and our subsidiaries PCH Manufacturing and PCH Energy. Our shops generated a surplus of £0.89m (2015/16 £0.93m) and our manufacturing subsidiary made a surplus of £45k (2015/16 £265k). PCH Energy made a surplus of £121k (2015/16 a £123k). Shared ownership sales generated a surplus of £129k (2015/16 £90k).

Expenditure and costs

In addition to growing our income we have worked hard to control costs. A thorough review was undertaken in 2015 to identify savings that could be achieved across the whole of the organisation culminating in Board approval of c£3m a year of efficiency savings, made up of non-pay efficiencies of £1.8m and c£1.2m of employee cost savings.

The group accounts over the past five years show the evidence of our success in the following figures with year on year reductions in spend in all key areas:

	March 2013	March 2014	March 2015	March 2016	March 2017
Running costs – social housing lettings (excl depreciation) (£'000s)	31,939	30,970	29,390	28,919	28,019
Increase / (decrease) in costs	-	-3%	-5%	-2%	-3%
Major repairs (£'000s)	23,131	20,838	18,822	11,474	8,019
Increase / (decrease) in costs	-	-10%	-10%	-39%	-30%
Total running costs and major repairs	55,070	51,808	48,212	40,393	36,038
Increase / (decrease) in costs	-	-6%	-7%	-16%	-11%
Running costs – other social housing (£'000s)	5,060	4,040	3,546	4,163	3,108
Increase / (decrease) in costs	-	-20%	12%	17%	-25%

Between March 2013 and March 2017, income increased by 17%, with running costs reducing by 35%. There has been a reduction in spend on major works now that the Decent Homes investment programme is complete. The movement in other social housing costs is mainly associated with Shared Ownership. Surpluses are used to fund new build development and improvements to core services.

The operating margin at 19% is above the 10% level we set as a short term aim within our Golden Rules in July 2015, and we are aiming towards the industry average of c.30% (HCA Global Accounts 2016).

Analysis of Cost Differences

In June 2016, the HCA published 'Delivering Better Value for Money: Understanding Differences in Unit Costs'. The HCA publish the data from the published accounts each the autumn of each year and the data from 2015/16 and our further analysis are shown below:

2015/16	Headline social housing costs £'000	Housing Mgt £'000	Service charge costs £'000	Maintenance £'000	Major repairs £'000	Other social housing cost £'000
HCA Analysis per unit	4.73	0.56	0.27	1.07	2.53	0.30
Adjusted for British Gas Grant per unit	4.31	0.56	0.27	1.07	2.10	0.30
HCA Quartiles 2015/16						
Median	3.55	1.02	0.37	0.98	0.81	0.26
2016/17 (provisional)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
HCA Analysis per unit	3.36	0.58	0.29	1.05	1.16	0.28
Adjusted for British Gas Grant per unit	3.36	0.58	0.29	1.05	1.16	0.28

Figures in the Major Works category included both capital and revenue spend, including £6.1m of grant-funded work carried out by British Gas at no cost to us through delivery of their Energy Company Obligation insulation programme. This provided external wall insulation to over 3,000 properties with previously poor thermal efficiency.

If we exclude the £6.1m British Gas work, the overall spend per unit for social housing costs goes down from £4.73k to £4.31k.

We know that these costs are higher than in other housing associations and this is because our homes had a significant investment requirement which was the catalyst to initiate the stock transfer in 2009. The large-scale upgrading work came to an end in 2014/15 and this is reflected in the provisional 2015/16 costs shown in the above table. It is important to note that the majority of the cost was met through gap funding provided by Government as a condition of the transfer to Plymouth Community Homes. Using the same basis for calculation as the HCA, we estimate that the 2016/17 overall spend on social housing reduced by £940 per property compared to the previous year.

In future we aim to maintain the homes to a high standard so they remain places where people want to live whilst protecting the value of social assets therefore our spend on major works could continue to be higher than many other landlords in future. For stock transfer organisations it is also true to say that by maintaining the quality of the homes we are protecting the taxpayer’s investment in bringing them up to the Decent Homes Standard.

Further information was provided by the HCA in a technical regression report which helped explain why there might be differences in costs between different housing associations. For example, Large Scale Voluntary Transfers (LSVTs) and any housing associations carrying out Decent Homes investment tend to spend more. From the data published by the HCA for 2015/16 we have calculated that the average major repair cost per unit for 7-12 year LSVT’s is £1,280 compared to £2,530 for PCH. The provisional figure for 2016/17 shows that the major repairs figure has reduced to £1,160 for 2016/17.

Sector Scorecard

There continues to be a focus on housing providers being able to demonstrate their value for money to stakeholders and it is a recurring concern for the Government. Documents such as this Value for Money Statement are one way of presenting how well an organisation is performing in this area. However in the absence of guidance, each provider’s statement is different and uses a range of ways to demonstrate value for money.

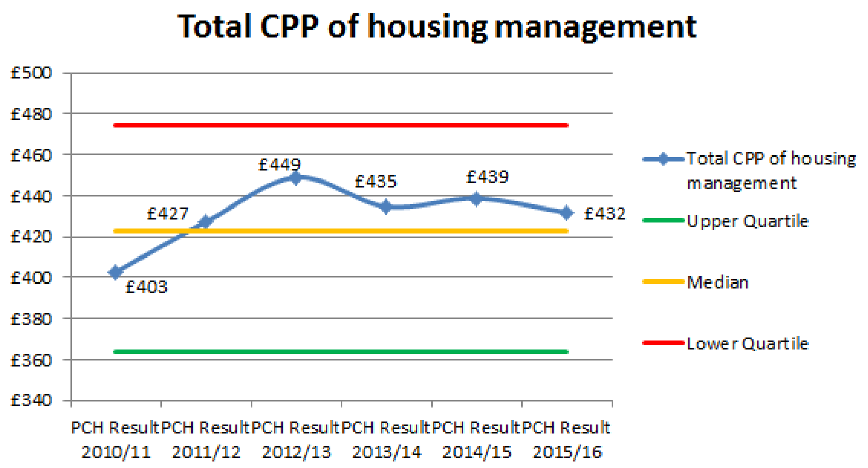
A group of 15 housing providers known as the “Efficiencies Working Group” has defined 15 performance indicators which could be used to benchmark efficiency and value for money across the socially rented housing sector.

These indicators are being collected through HouseMark as part of a pilot for 2016/17, of which Plymouth Community Homes is a participant. We expect to receive the outcome of our data submission at the end of September 2017.

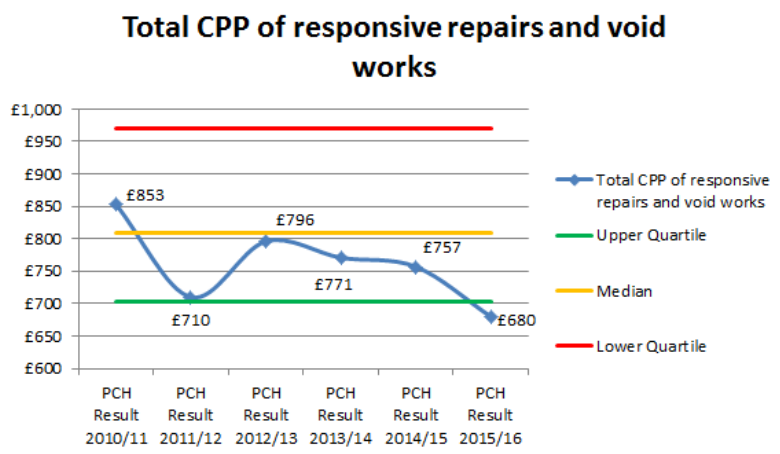
Cost and Performance Benchmarking

We use HouseMark as our benchmarking provider, who provide us with detailed information about how our cost and performance outturn compares with other landlords of a similar profile to PCH (stock transfer organisations with more than 7500 homes).

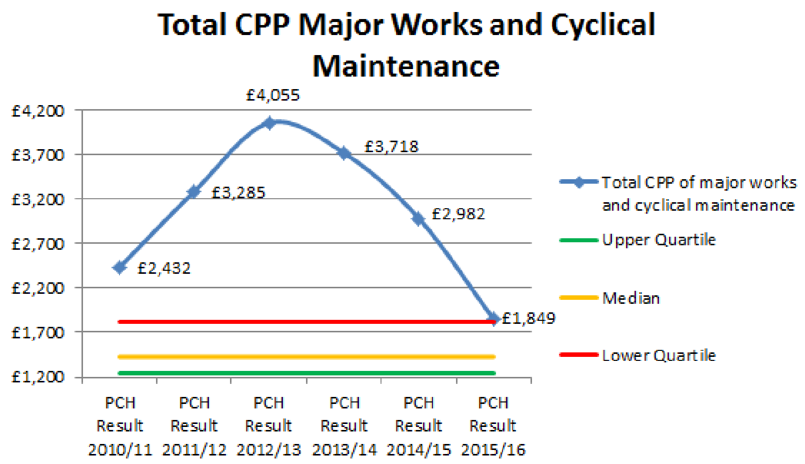
The main indicators we use to show if we are providing value for money on our core services are the total cost per property figures (2015/16 data):



The total cost per property of housing management (which includes tenancy and income management, dealing with anti-social behaviour and resident involvement) reduced by £7 per property but remains in 3rd quartile compared to other landlords. This is because we spend more on income collection than others (but bring in more than we spend) and we invest in community and resident involvement more than other landlords.

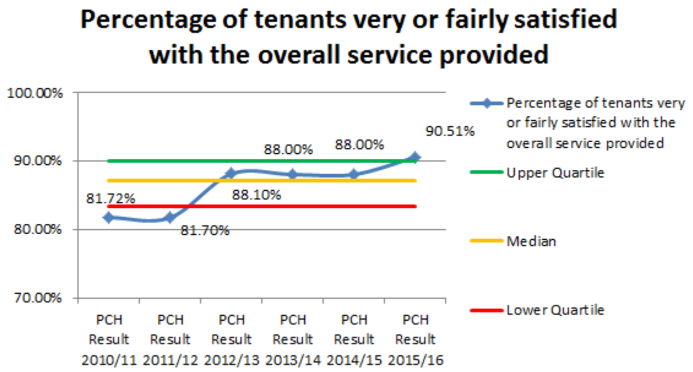


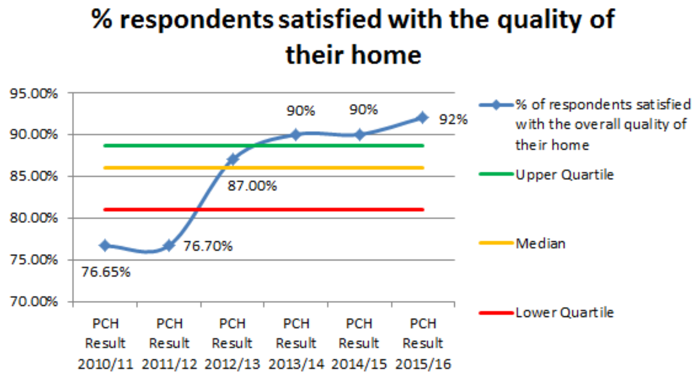
Responsive repair and void costs have reduced by £77 per property as a result of a further value for money review of the service to improve processes whilst removing some of the costs. We are in 1st quartile compared to peers for our cost of delivery whilst continuing to provide a high-quality service.



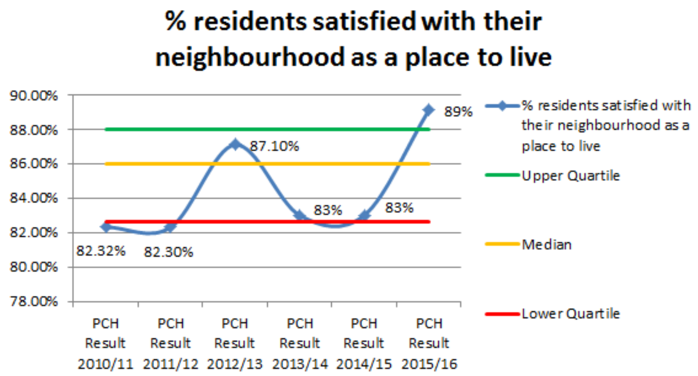
Spend on major works and cyclical maintenance has reduced significantly over the past few years as our Decent Homes investment programme came to an end. During 2017/18 we will publish a new asset management strategy which will set out how we intend to maintain the quality of existing homes whilst freeing up money within the organisation to build more.

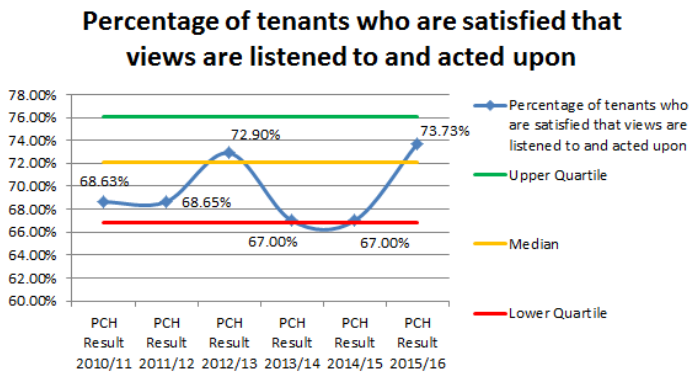
In 2016, we asked our residents for their perceptions on our services, and we compared them against all landlords using HouseMark's STAR benchmarking. A summary of the results relating to our core housing services are below:



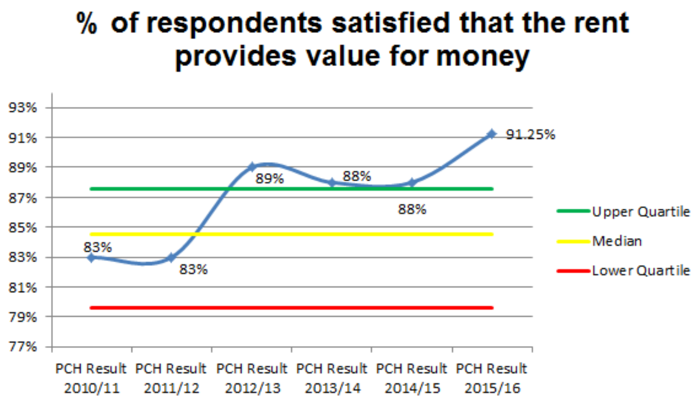


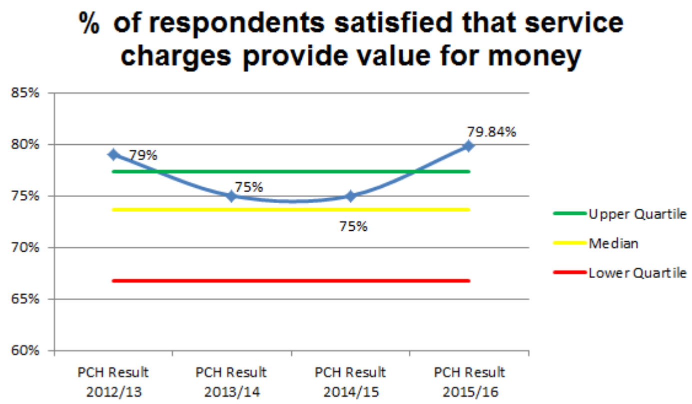
Overall tenant satisfaction improved to 90.51% in our 2016 STAR survey, which took us to top quartile at the time we published the results. As a reflection of the amount of investment made in the homes, 92% of residents are satisfied with the quality of their home, which is also top quartile performance.



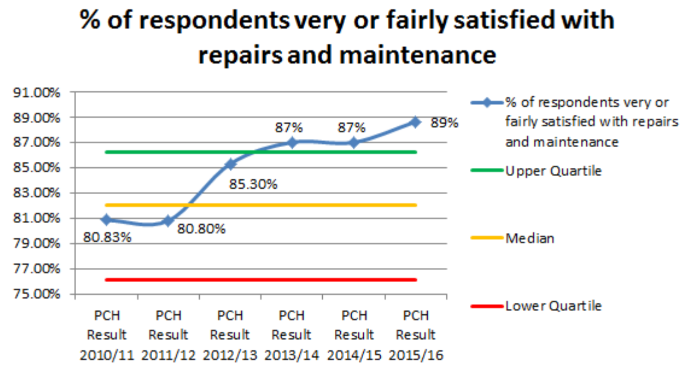


Resident satisfaction with the neighbourhood as a place to live improved significantly since our previous survey in 2014. We have also made improvements on satisfaction that views are listened to and acted upon but as we continue to roll our resident involvement strategy out, we aim to take this performance indicator into the top quartile.





Satisfaction with the value for money of our rents and service charges continues to be high – this is a reflection of the high quality range of service we provide alongside with low rents and fair service charges.



Satisfaction with the repairs and maintenance service remains high and has increased since 2014. This score remains well into the top quartile threshold compared to peers and is reflective of the excellent quality repair service offered by Plymouth Community Homes.

Value for Money Reviews

We have carried out value for money reviews as part of ensuring we are efficient and effective and that the business continues to remain strong and financially secure. Since recording our savings in our value for money statements we have achieved nearly £5m in savings (excluding procurement). As a result of the July 2015 budget, there was a £20m shortfall in our 30 year financial model.

A thorough review was undertaken during 2015 to identify any savings that could be achieved across the whole of the organisation culminating in over £3m in reduced spend, made up of c.£1.2m of employee cost savings and non-pay reductions of c.£1.8m. We are confident these savings can be achieved.

The non-staff efficiencies included in the 2016/17 budget are shown below and the impact this will have in future years, as per the summary below.

	Savings achieved in 2016/17	Savings in 2016/17 Budget	Impact over 30 years
	£'000's	£'000's	£'000's
Pay Efficiencies	**1,979**	**1,280**	**38,550**
Non Pay efficiencies			
General Operating Costs	648	407	12,206
Void repairs	145	145	1,502
Cyclical Repairs – Electrical testing	754	300	500
Additional service charges	261	75	2,250
Operating Costs / Income	**1,807**	**927**	**16,458**
Major Repairs savings	100	861	25,850
Total	**3,786**	**3,068**	**80,858**

General Operating Costs - £407k - This includes a range of back office savings, the largest element being a £100K reduction in staff training.

Void Repairs - The saving of £145k is due to the targeted reduction in the average void cost being achieved sooner than originally planned.

Major & Cyclical works - The block refurbishment contracts assume reduced expenditure per unit whilst maintaining a programme to meet our objectives. The disabled adaptations budget was reduced by £100k per year. These vital works will continue albeit through an external funding stream (Disabled Facilities Grants). There has been a delay in the block refurbishment programme so these savings have been delayed as a result.

In addition to the above we also achieved procurement savings. These included vehicle fleet savings of £87k which will be achieved through changing the replacement cycle of vehicles from 5 to 7 years. This change in policy will save c.£3m over 15 years. Over a 12 month period we also saved over £600k from other gains and cost avoidance which was from getting good rates through our procurement process. Our procurement strategy has also helped to achieve improved levels of service because through our tendering process, contractors are required to adhere to PCH's terms and conditions instead of their own.

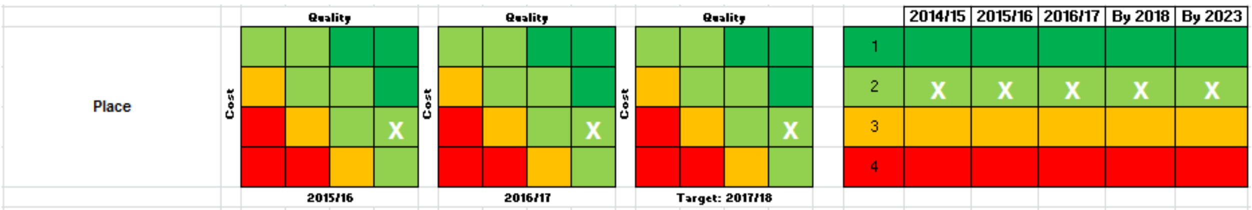
Place

We create thriving places where people want to live and work. This means looking after all of the different buildings we own and the neighbourhoods we work in. To make this happen we make investments in our homes and other property to ensure they are safe and appealing whilst protecting the value of the assets.

We also need to build more homes to meet the need for affordable, high quality places to live in Plymouth and the wider area. It's important that we not only maintain the number of social homes we have for rent but we increase that number too so that more people can benefit from being one of our residents through a range of tenures including shared ownership.

On top of this, we want to do our bit for the environment which means finding greener ways of running our business and maintaining our homes in a way that helps residents to reduce their energy bills and environmental impact too.

Value for Money Heatmap



We believe that the costs associated with managing our assets are medium-high compared to our peers, this is because we are continuing to invest in improving and maintaining the homes. The quality of our homes and neighbourhoods is high and can be demonstrated by our continued compliance with the Decent Homes Standard and resident satisfaction with the quality of the home and their neighbourhood as a place to live.

Managing Our Assets

The breakdown of our assets and their valuation is in the table below:

Asset	Number of Units	Valuation
Socially rented homes	14,086	EUV-SH - £342m / OMV £1.23bn
Shared ownership homes	97	EUV-SH - £3.2m / OMV £13.0m
Land awaiting development	-	Existing use - £0.7m / OMV £3.8m
Plumer House (PCH HQ)	1	£3.8m
Shops	173	£13.6m
Garages and parking spaces	2,762	£6.3m

Understanding our Housing Assets

We measure the financial return on capital employed (ROCE) in terms of income return (rental yield) and capital return. This can vary because the value of our housing assets can be measured in a variety of ways but we use the following for the purposes of this report:

1. Existing Use Value of Social Housing (EUV-SH) which assumes that voids are re-let. This valuation is based on the homes continuing to be let as social housing and is based on the value of future rent minus running costs at today's prices.
2. Open Market Value (OMV) which is the value of the properties if they were being sold to any buyer – this is what a private homeowner would consider to be the value of their asset.

Rental Yield: Net income / housing asset value	March 2013	March 2014	March 2015	March 2016	March 2017	March 2018 Forecast
Existing Use Value	5.72%	-0.60%	-0.14%	2.37%	3.52%	2.45%
Open Market Value	0.70%	-0.19%	-0.05%	0.70%	0.99%	0.68%

Return on Capital Employed	March 2015	March 2016	March 2017	March 2018 Forecast
	-0.12%	1.72%	2.41%	1.54%

Stock Valuation	March 2013 £'000s	March 2014 £'000s	March 2015 £'000s	March 2016 £'000s	March 2017 £'000s	March 2018 Forecast £'000s
Existing Use Value	151,876	396,695	405,270	369,053	352,326	348,803
Open Market Value	1,241,857	1,251,123	1,253,867	1,246,442	1,257,705	1,257,705
Capital Investment	75,179	402,000	455,926	470,543	480,160	519,528

Managing our Housing Assets

The homes are PCH's biggest asset and our purpose is around managing and maintaining these assets so that we can provide high quality affordable homes for rent and shared-ownership. In order to protect the value of the homes and ensure they are places that people want to live, we have delivered a major programme of improvements since November 2009.

To verify that our housing stock remains viable and delivers a good return we assess each home to ensure that:

- there is sufficient demand for the type of property and location;
- the 30-year investment costs do not outstrip the rental yield;
- the energy efficiency rating is sufficient

We have developed an asset evaluation tool which we use to assess stock performance annually. This tool allows us to understand the performance of our homes to ensure they continue to offer good value for money. Using a simple scoring mechanism, we can easily identify underperforming stock and this information is then used to support decision-making around retention and potential disposal.

Housing Asset Evaluation 2016/17

In appraising our assets, we consider three key areas:

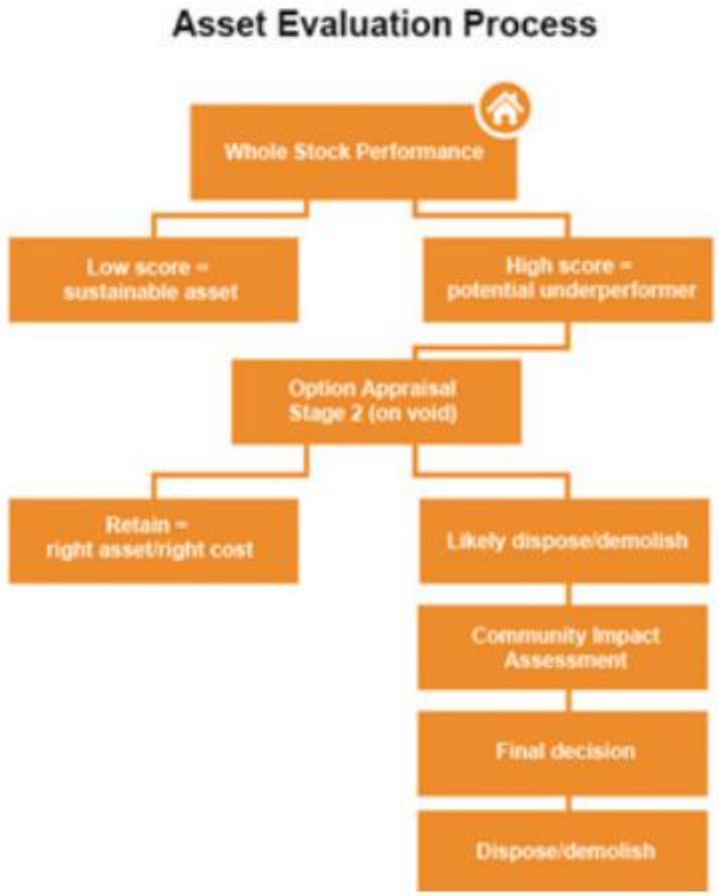
Asset Profile	Housing Management	Maintenance Requirements
Age of construction	Demand	Average spend on repairs (3years)
Construction type	Levels of ASB and crime	Average void costs (7 years)
ROCE	Tenancy churn	Major works requirement in next 5 years
SAP rating	Housing Officer perception	Net Present Value (NPV)

When the tenancy ends on underperforming assets, we carry out an in-depth options appraisal and community impact assessment. This considers properties in terms of social, economic and environmental performance and includes wider factors such as accessibility and local infrastructure.

Each property is given a score against each factor which is then totalled to give an overall score. Once the assessment is complete, there could be one of two outcomes:

- Retain with investment
- Dispose and reinvest capital in developing new homes or improving core services

This process is illustrated below:



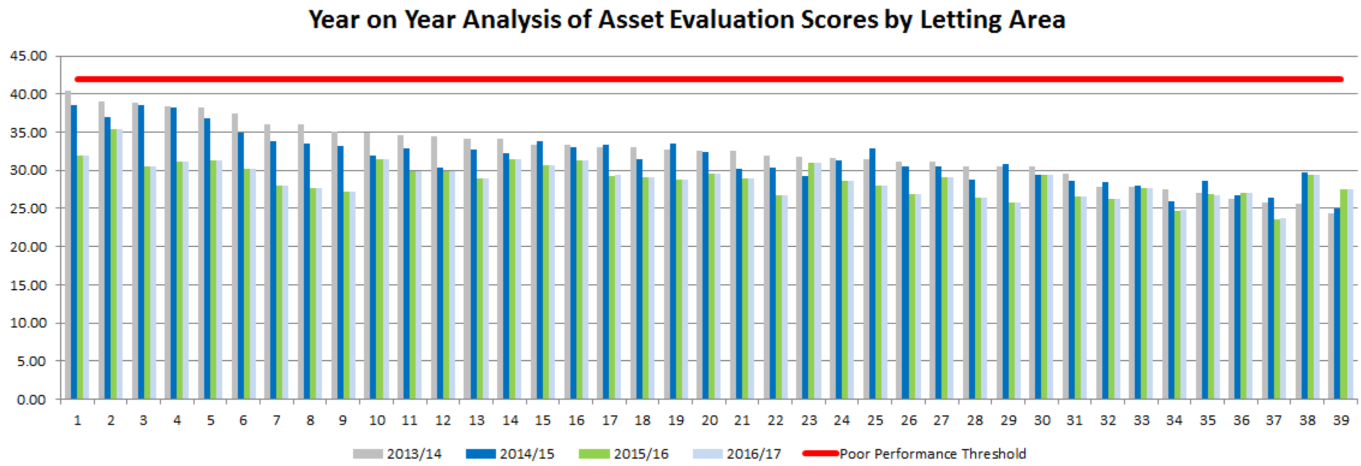
We have sold 14 homes on the open market at a value of £1.1m.

We also sold 96 units under the Right to Buy scheme and all of the capital receipt for these sales was paid in full to Plymouth City Council as part of the transfer agreement. A further 5 units were sold under the Right to Acquire scheme.

There are 352 new homes for affordable rent and shared ownership currently in development over four separate sites.

Asset Evaluation Results

During 2016/17 we evaluated our assets using the criteria set out above and a summary of the results for our 39 lettings areas is shown below:

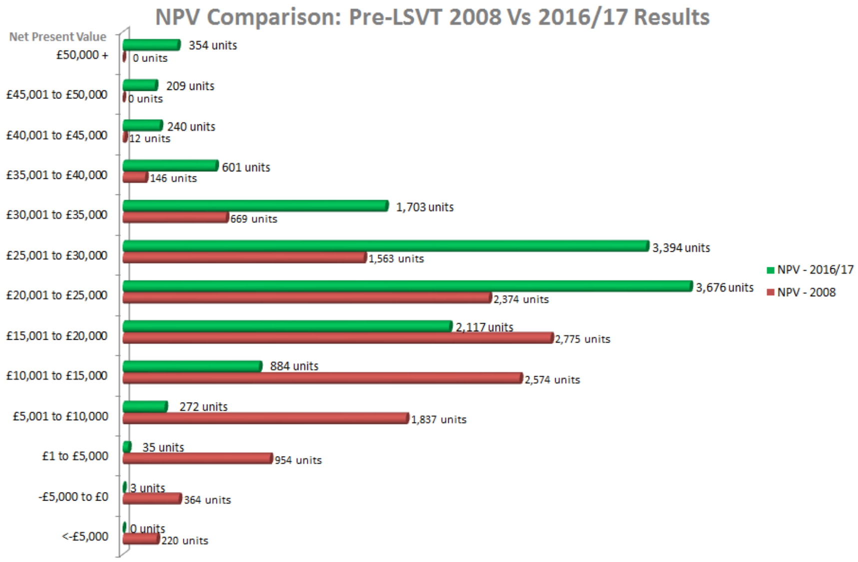


The threshold we use to indicate potentially underperforming units is a score of 42+ out of 60 and this graph shows that none of our neighbourhoods fall into the poor performance category when considered against all criteria. The graph shows that most of the scores across our lettings areas have improved over time with only a small number showing a decline in performance.

In addition to the annual appraisal, properties that become vacant during the year and require void repairs with an estimated cost of more than £10,000 are re-evaluated as potential underperformers and a decision is made whether we should retain or dispose of the asset.

Net Present Value Analysis

Our asset evaluation tool allows us to analyse the net present value (NPV) of our stock at individual property level. The graph below depicts the change in net present value since stock transfer in 2009.



In 2008, over 6000 homes had an NPV of less than £15,000 and by the end of 2016/17 this had reduced to 1,194 units.

To ensure the homes remain in a good condition and that the value of the asset is protected, we have a 30-year investment plan in place. This also protects the taxpayer-funded grants we received as part of our stock transfer from the local authority.

Our aim is to continue maintaining our homes to a level above the minimum Decent Homes Standard because we believe our residents should have excellent quality accommodation to live in.

In June 2017, following the tragic fire at Grenfell Tower in London, we took the decision to remove the cladding from three of our tower blocks in Mount Wise which are of a similar material to those installed at Grenfell Tower. This inevitably will have a knock-on effect on the major works programme for at least 2017/18 and as such, we have ceased all non-essential works until we have a clearer picture of how much the works at the tower blocks will cost and whether this will have to be met from PCH budgets or from a Government funding programme. At the time of writing, we are awaiting further guidance / instruction from the Department for Communities and Local Government before commencing works.

Business Assets

We own our headquarters building and the shop where our city centre office is based. We also purchase our fleet of vehicles and IT equipment outright. We have an additional three leased premises - Prince Rock Depot used by Manufacturing and Environmental Services plus two small industrial units, one of which is used for our repair stores and the other which is a PCH recycling centre used by our Environmental Services team.

The main business asset is the headquarters building (Plumer House) which was purchased in 2012. Plymouth Community Homes occupies part of this building and runs its main business activity from this site. Recognising that the building has more space than is required for PCH, we use the asset to generate an additional income for the business by leasing office space to other external organisations. We continue to review our accommodation strategy as our business evolves and embraces more digital technology.

Social-Commercial Assets

These are our shops, solar panels and manufacturing equipment and we describe them as socio-commercial assets because they are used to bring income into PCH which is then used to deliver services for residents and build more homes.

Our shops not only bring us an income - many of them are home to vital community services such as post offices and grocery stores. We are proud to host a library in The Beacon in North Prospect which is a much valued and well used community resource.

The manufacturing equipment is owned by PCH and is used as a vertical supply chain to provide windows, doors, fences, railings and much more across our homes and neighbourhoods. The equipment is also used by the trading arm PCH Manufacturing to make windows, doors, railings and other products for sale to external clients. All surpluses are gift aided back to Plymouth Community Homes.

We have invested £9.9million in installing solar panels to some of our homes which over their lifecycle are projected to deliver a surplus to PCH of £2.34million through a feed-in-tariff. The additional benefit of solar panels is that the resident can use the electricity generated free of charge and reduce their household costs. Over their lifecycle, the solar panels provide an overall positive NPV and bring in a financial return.

The table below shows the indicative benefits of the solar panel programme:

	At 31/03/2017	Scheme Target Over 20 Years	Previously Reported Scheme Target Over 20 Years
Financial Investment	**£9.9m**	**£9.9m**	**£14.4m**
Cumulative Profit	**£220k**	**£2.34m**	**£4.5m**
Cumulative Carbon Saving	**4,742 tonnes**	**56k tonnes**	**75k tonnes**
Average Estimated Household Saving	**£180**	**£3.6k**	**£4.2k**

The panels performed as expected this year, producing a net surplus of £120k although this is £36k less than budgeted. This is explained by a reduction in sets of panels because many homebuyers decide to have the panels removed as they go through the Right to Buy (RTB) process.

Efforts are being made to positively reinforce the benefits of keeping the system when purchasing through the RTB process. Alternative options for the removed panels, other than selling them back to the contractor, are being trialled.

The cash balances within PCH Energy were at a level where the company has paid £600k to start to reduce its share capital.

(G) Valuation of Property Assets

Both EUV-SH are based on the valuation of social housing - completed housing properties were valued as at 31 March 2017 by Bruton Knowles Ltd. Valuation Basis 1 assumes that the properties will be re-let as social housing and the figure is £352.3m (£369.1m in 2016). The reason for the decline is partly due to the rent reduction and the reduction in properties through RTBs and demolitions. The properties were valued on 31 May 2017 as part of the refinancing exercise with a value of £372.6m.

Valuation Basis 2 assumes that a number of voids would be sold on the open market with vacant possession as they arise. The resultant figures for the housing stock were: £657.6m (£625.6m in 2016).

(H) Share Capital

During the year, 1 share was issued and 3 were cancelled leaving a balance in the share capital of the company of £44 (2016: £46).

(I) The Board

Membership of the Board, including subsidiaries, is detailed on Note 36.

(J) Statement of Compliance

In preparing this Operating and Financial Review and Board report, the Board has followed the principles set out in the 2014 Statement of Recommended Practice: Accounting by Registered Social Housing Providers (SORP).

Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards including FRS 102. The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

The Board's Report on Internal Controls Assurance

The Board is responsible for the Group's systems of internal control and for reviewing their effectiveness. The Group's systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements or loss.

A robust process for managing, evaluating, mapping and monitoring the significant risks faced by the Group is in place. This is continually being developed and is regularly reviewed by both the Audit and Risk Committee and the Board.

We have robust financial planning and monitoring systems and have established financial indicators which we use as a means to evaluate the risk to our business as we continue to change the way we work. This helps us to make good investment decisions and continue to keep within our financial covenants with the lenders as the business moves forward.

There is an Anti- Fraud, bribery and Corruption policy covering prevention, detection and reporting and the recovery of assets. This is also supported by a whistle blowing policy. We have registered with the Financial Conduct Authority in compliance with the Anti-Money Laundering regulations 2007.

The Audit and Risk Committee has reviewed the Fraud Register and can advise that there were no material incidents of fraud recorded during the year to 31 March 2017 and up to the date of signing these financial statements.

The Board exercises internal control through a framework, which comprises:

- Board overview of plans, finances and key policies
- Operational reports on key business drivers
- Performance information
- Risk management strategy and policy
- Assurance framework
- Compliance with quality management systems
- The Executive's management assurance and Members' review
- Internal audit
- External audit
- Health and Safety audits
- Reports to regulators and funders.

The Audit and Risk Committee reviews reports received from management and from internal and external auditors and will make regular reports to the Board on the extent to which internal controls continue to take account of the major risks facing the Group. A formal process exists for the reporting and correction of significant control weaknesses.

The Board has received the Executive's annual report and has conducted its annual review of the effectiveness of the system of internal control. Account has been taken of any changes needed to develop and maintain the effectiveness of the risk management and control process. The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the Annual Report.

Internal Audit Annual Report

Mazars LLP completed 13 planned reviews during the year, including two compliance reviews and one follow up review. These identified 0 high, 4 medium and 14 low risk findings to improve controls.

In their report Mazars stated: "*In our opinion, Plymouth Community Homes has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the Association.*

In respect of the areas of activity which we reviewed, and subject to the weaknesses identified and reported in our internal audit reports, Plymouth Community Homes has an effective and reliable framework of internal control and effective risk management and governance processes which provides reasonable assurance regarding the effective and efficient achievement of the association's objectives.

No instances of actual or suspected fraud have been encountered during our audit work".

Disclosure of information to auditor

The Members of the Board who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Member of the Board has taken all the steps that he/she ought to have taken as a Member of the Board to make himself/ herself aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Auditor

Following a competitive tendering exercise, KPMG LLP was reappointed as external auditor of the Association at the Annual General Meeting in September 2014.

The appointment was for a term of five years - for the years ending March 2015 to 2019.

By order of the Board

Elaine Pellow, Chair Date : 01 August 2017

Plymouth Community Homes is registered with the Financial Conduct Authority (registration 30637R) and the Homes and Communities Agency (registration L4543)

Independent auditor's report to the members of Plymouth Community Homes Ltd

We have audited the financial statements of Plymouth Community Homes Ltd for the year ended 31st March 2017 set out on pages 51 to 103. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102. The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

This report is made solely to the Association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's 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 association and the association'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 auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 46 the Association's Board is responsible for the preparation of 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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and the Association as at 31st March 2017 and the surplus of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Plym House
3 Longbridge Road
Plymouth
PL6 8LT

14 August 2017

Statement of Comprehensive Income for the year ending 31 March

Continuing Activities	notes	Group 2017 £000's	Restated Group 2016 £000's	Association 2017 £000's	Restated Association 2016 £000's
Turnover	3	66,444	66,841	64,685	64,585
Cost of sales	3	(1,623)	(2,922)	(991)	(1,927)
Operating costs	3	(52,416)	(55,177)	(51,476)	(54,293)
Operating surplus	**3**	**12,405**	**8,742**	**12,218**	**8,365**
(Loss)/Gain on sale of :					
Properties	10	(1,515)	(1,782)	(1,515)	(1,782)
Fixed assets		46	60	78	60
Interest receivable	11	74	37	71	32
Interest payable and similar charges	12	(5,314)	(3,403)	(5,314)	(3,403)
Change in value of investment property	15	(7)	(889)	(7)	(889)
Gift aid receivable		-	-	931	668
Surplus before taxation		**5,689**	**2,765**	**6,462**	**3,051**
Tax	13	-	32	-	31
Surplus for the year		**5,689**	**2,797**	**6,462**	**3,082**
Other Comprehensive Income					
Movement of the net defined pension benefit liability	25	(17,932)	10,478	(17,932)	10,478
Total (Deficit)/surplus recognised for the year		(12,243)	**13,275**	**(11,470)**	**13,560**

Statement of Financial Position at 31 March 2017

	Note	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Fixed Assets					
Tangible assets					
Housing Properties	14	472,424	459,563	475,381	461,628
Other tangible assets	14	22,674	23,025	14,043	13,867
Investments in subsidiary	15	-	-	9,300	9,900
Investments in Plym Energy	15	60	40	60	40
Commercial Property	15	13,581	13,588	13,581	13,588
		508,739	**496,216**	**512,365**	**499,023**
Assets *: amounts receivable after more than one year*					
Development debtor	19	**11,043**	**12,592**	**11,043**	**12,592**
Current assets					
Shared ownership completed properties		203	-	203	-
Shared ownership properties in progress		3,067	813	3,067	813
Stock	18	801	726	801	726
Debtors	19	6,193	8,703	6,877	8,880
Cash at bank and short term deposits	20	12,186	14,467	9,315	12,453
		22,450	**24,709**	**20,263**	**22,872**
Creditors : amounts falling due within one year	21	(17,110)	(14,418)	(15,852)	(13,463)
Net current assets		**5,340**	**10,291**	**4,411**	**9,409**
Creditors : amounts falling due after more than one year					
Loans	22	(59,479)	(62,880)	(59,479)	(62,879)
Grant funding	22	(24,043)	(20,705)	(24,043)	(20,705)
Development creditor	19	(11,043)	(12,592)	(11,043)	(12,592)
Disposal proceeds fund	23	(429)	-	(429)	-
RCGF		(44)	-	(44)	-
Pension liability	25	(30,890)	(11,485)	(30,890)	(11,485)
		(125,928)	**(107,662)**	**(125,928)**	**(107,661)**
Net assets		**399,194**	**411,437**	**401,891**	**413,363**

	Note	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Capital and reserves					
Share capital		-	-	-	-
Restricted reserves		-	39	-	39
Designated reserves		34	798	34	798
Revenue reserve		143,568	128,321	146,265	130,247
Revaluation reserve		286,482	293,764	286,482	293,764
Pension fund reserve	25	(30,890)	(11,485)	(30,890)	(11,485)
Total Funds		**399,194**	**411,437**	**401,891**	**413,363**

The financial statements and related notes on pages 51 to 103 were approved by the Board on 1 August 2017 and were signed on its behalf by:

Chair:

Elaine Pellow 1 August 2017

Vice Chair:

Nigel Pitt 1 August 2017

Secretary:

Belinda Pascoe 1 August 2017

Consolidated Statement of Changes In Equity

Association	Restricted Reserve	Designated Reserve	Revaluation Reserve *Housing*	Revaluation Reserve *Commercial*	**Property Related Reserves**	Revenue Reserve	Pension Fund Reserve	**Total Equity**
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Balance at 1 April 2016	39	798	280,175	13,588	**294,600**	130,246	(11,485)	**413,361**
Total comprehensive income for the period					-	7,935	(1,473)	**6,462**
Reserves transfer	(39)	(764)			(803)	803		**-**
Reserves transfer	-		(7,274)	(7)	(7,281)	7,281		**-**
Actuarial Losses	-	-	-	-	-	-	(17,932)	**(17,932)**
Balance at 31 March 2017	**-**	**34**	**272,901**	**13,581**	**286,516**	**146,265**	**(30,890)**	**401,891**

Group	Restricted Reserve	Designated Reserve	Revaluation Reserve	Revaluation Reserve	**Property Related Reserves**	Revenue Reserve	Pension Fund Reserve	**Total Equity**
			Housing	Commercial				
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Balance at 1 April 2016	39	798	280,175	13,588	**294,600**	128,322	(11,485)	**411,437**
Total comprehensive income for the period	-	-	-	-	-	7,162	(1,473)	**5,689**
Reserves transfer	(39)	(764)	-	-	(803)	803	-	**-**
Reserves transfer	-	-	(7,274)	(7)	(7,281)	7,281	-	**-**
Actuarial Losses	-	-	-	-	-	-	(17,932)	**(17,932)**
Balance at 31 March 2017	**-**	**34**	**272,901**	**13,581**	**286,516**	**143,596**	**(30,890)**	**399,194**

For the year ended 31 March 2017

	2,017	2,016
	£'000	£'000
Cashflows from operating activities		
Profit for the year	5 689	2 797
Depreciation	13 377	11 718
Interest receivable	(74)	(37)
Interest payable	5 314	3 403
Profit on sale of PPE	1 515	1 782
Profit on sale of other FA	(46)	(60)
Change in FV of investment properties	7	889
(Increase) / Decrease /in stock	(2 532)	1 301
Decrease / (Increase) in debtors	2 682	(2 274)
Increase in creditors	2 300	2 962
Difference between pension charge and cash contributions	1 056	1 606
Grant amortised	(640)	(37)
Net cash from operating activities	**28 648**	**24 050**
Cashflows from investing activities		
Grants Received and land proceeds	4 267	9 810
Acquisitions of housing properties	(28 860)	(37 710)
Sale of housing properties	7 072	13 187
Acquisitions of other fixed assets	(1 712)	(1 691)
Sale of other fixed assets	106	132
Payment to PCC	(2 865)	(1 576)
Net cash from investing activities	**(21 992)**	**(17 848)**
Cash flows from financing activities		
Interest received	74	37
Interest paid	(5 425)	(2 963)
Loans (Repaid) / Received	(3 500)	5 000
Purchase of investments	(86)	(3 269)
Net cash from financing activities	**(8 937)**	**(1 195)**
Net (decrease)/increase in cash and cash equivalents	**(2 281)**	**5 007**
Cash at beginning of year	14,467	9,460
Net (decrease)/increase	(2 281)	5,007
Cash at end of year	**12 186**	**14 467**

Association Cash Flow Statement
For the year ended 31 March 2017

	2017	2016
	£'000	£'000
Cashflows from operating activities		
Profit for the year	6 462	3 082
Depreciation	12 891	11 274
Interest receivable	(71)	(32)
Interest payable	5 314	3 403
Profit on sale of PPE	1 515	1 782
Profit on sale of other FA	(78)	(60)
Change in FV of investment properties	7	889
Gift Aid	(931)	(668)
(Increase) / Decrease in stock	(2 532)	1 301
Decrease / (increase) in debtors	2 439	(2 025)
Increase in creditors	1 996	(215)
Difference between pension charge and cash contributions	1 056	1 606
Grant amortised	(640)	(395)
Net cash from operating activities	**27 428**	**19 942**
Cashflows from investing activities		
Grants Received and land proceeds	4 022	10 168
Acquisitions of housing properties	(28 623)	(33 149)
Sale of housing properties	6 187	13 184
Acquisitions of other fixed assets	(1 712)	(1 580)
Sale of other fixed assets	97	135
Payment to PCC	(2 865)	(1 576)
Net cash from investing activities	**(22 894)**	**(12 818)**
Cash flows from financing activities		
Interest received	71	32
Interest paid	(5 425)	(2 964)
Loans (Repaid) / Received	(3 500)	5 000
Repaid / (Purchase) of investments	514	(5 269)
Gift Aid received	668	548
Net cash from financing activities	**(7 672)**	**(2 653)**
Net (decrease)/increase in cash and cash equivalents	**(3 138)**	**4 471**
Cash at beginning of year	12,453	7,982
Net (decrease)/increase	(3 138)	4,471
Cash at end of year	**9 315**	**12 453**

Notes to Financial Statements

1. Principal Accounting Policies

The financial statements of the Group and Association are prepared in accordance with Financial Reporting Standard 102, the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102), and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Association (Plymouth Community Homes Ltd) and its subsidiary undertakings, Plymouth Community Homes Manufacturing Services Ltd, Plymouth Community Homes Regeneration Company Ltd and Plymouth Community Homes Energy Ltd.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- Key Management Personnel compensation has not been included a second time.
- Fair value or revaluation as deemed cost – The fair value at 1 April 2014 has been used as deemed cost for housing assets (as explained overleaf).
- For leases commenced before 1 April 2014 the Association continued to account for lease incentives under previous UK GAAP.

1. Principal Accounting Policies (continued)

Key Estimates and Judgements

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 34.

FRS 102

In accordance with Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments of FRS 102 that deal with recognising, de-recognising, measuring and disclosing financial instruments, the Group has chosen to apply the requirements of FRS 102 Sections 11 and 12 and the presentation requirements, as appropriate, of 11.38A or 12.25B as permitted by paragraph 11.2(b) and 12.2(b).

Measurement convention

The financial statements are prepared on the historical cost basis except that investment properties are stated at their fair value as are pensions and non-basic financial instruments.

Going concern

The Association and Group have sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Board believes that the Association and Group are well placed to manage their business risks successfully. The Board has a reasonable expectation that the Association and Group have adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing these financial statements.

1. Principal Accounting Policies (continued)

Basic financial instruments

Tenant Arrears, Trade and other debtors

Tenant Arrears, Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Bank loans classified as basic financial instruments

Bank loans are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Tangible fixed assets

Tangible fixed assets, excluding Housing Properties are stated at cost less accumulated depreciation and accumulated impairment losses. Housing properties, except new build, were revalued to fair value on the 1 April 2014 and this value treated as deemed cost thereafter. New build housing properties have been shown at cost.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Association assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

1. Principal Accounting Policies (continued)

Housing Properties

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses, or cost (for new build properties and components added since 1 April 2014). Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties. Shared ownership properties are included in housing properties at cost related to the percentage of equity retained, less any provisions needed for impairment or depreciation.

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each component part of housing properties. Land is not depreciated. The estimated useful lives are as follows:

Category	**Years**
Structure of Building	80
Kitchens	20
Bathrooms	30
Heating Systems	15
Windows	30
Cladding	25
Roofs:	15-80
Flat roofs – felt	15
Pitched roofs - Concrete	55
Pitched roofs – Slate	80
Lifts	25
Alarm Systems	3
Photovoltaic Panels	20-25
Flooring	10

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Association expects to consume an asset's future economic benefits.

Non component works to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the income and expenditure account in the period in which it is incurred.

1. Principal Accounting Policies (continued)

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31st March 2017, interest has been capitalised at an average rate of 1.86% (2016: 2.67%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments

Other fixed assets

Other tangible assets include those assets with an individual value in excess of £1,000.

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. The principal annual rates used for other assets are:

Category	Years
Plant & Machinery	5
Motor Vehicles	5 - 7
Office and estate equipment and furniture	5
Computer equipment	5
Freehold Office Properties	50

Intangible assets

Software is held at cost less any accumulated depreciation.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful life of the asset which is assumed to be 5 years.

Grants

Social Housing Grant

Social Housing Grant (SHG) is initially recognised as a long term liability, specifically as deferred grant income and released through the income and expenditure as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On transition to FRS 102, an election was taken to treat fair value as deemed cost for housing properties. As a result the performance method for accounting for grant has been applied as the fair value application to deemed cost is treated as a revaluation at the transition date and SHG in respect of those items has been taken to revenue reserves. An amount equivalent to SHG taken to revenue reserves is disclosed as contingent liability reflecting the potential future obligation to repay SHG where properties are disposed.

1. Principal Accounting Policies (continued)

On disposal of properties, all associated SHG is transferred to either the Recycled capital grant fund (RCGF) or the Disposal Proceeds Fund (DPF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Other Government Grants

Other Government grant is initially recognised as a long term liability, and released through the income and expenditure over the life of the structure of housing properties. This is the accrual method applicable to social landlords accounting for housing properties at cost.

On transition to FRS 102, an election was taken to treat fair value as deemed cost for housing properties. As a result the performance method for accounting for grant was applied. At 1 April 2014 the government grant in respect of those items was therefore taken to revenue reserves.

Non-Government Grants

Non-government grants are recognised through income and expenditure in the year in which the terms of the grant are met.

Investment property

Investment properties are the commercial properties (shops) which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

i. shops are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

ii. no depreciation is provided in respect of investment properties applying the fair value model.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in the turnover policy.

Properties held for sale and work in progress

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

1. Principal Accounting Policies (continued)

Impairment excluding investment properties

Financial assets (including trade and other debtors)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Association's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Association pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees. The Group participates in the SHPS defined contribution scheme.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 102 - 'Retirement Benefits'.

1. Principal Accounting Policies (continued)

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income/charges. Actuarial gains and losses are recognised in the consolidated statement of total recognised surpluses and deficits. The pension scheme's surpluses to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The Group participates in 2 defined benefit plans as set out below:

Devon County Council Local Government Pension Scheme

The LGPS scheme is administered by Devon County Council and is independent of the Group's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the scheme to meet the benefits accruing in respect of current and future service.

Social Housing Pension Scheme

The Social Housing Pension Scheme (SHPS) provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. The Group is unable to obtain sufficient information to use defined benefit accounting for this multi-employer plan, and accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. To the extent that payment plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan and results in a charge to the income and expenditure account. Where these payments are not expected to be settled within 12 months the liability is measured at the present value of the contributions payable.

Provisions

A provision is recognised in the balance sheet when the Association has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date. The value of provisions is re-assessed each year in light of estimated future income and costs as appropriate.

Turnover

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership and from properties developed for open market sales, and amortisation of Social Housing Grant (SHG) under the accrual model. Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided.

1. Principal Accounting Policies (continued)

Expenses

Cost of sales

Cost of sales represents the costs including capitalised interest and direct overheads incurred in the development of the properties, and marketing, and other incidental costs incurred in the sale of the properties.

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of Housing Properties that take a substantial time to be prepared for use are capitalised as part of the cost of that asset.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Stock and Work in Progress

Stock and work In progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Taxation

The subsidiary companies are liable for Corporation Tax. The charge for taxation is based on the profit/loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting.

2. Social Housing- lettings
Group & Association

	2017				2016
	General Needs £'000	**Supported Housing £'000**	**Shared Ownership £'000**	**Total £'000**	**Total £'000**
Rents	48,378	6,528	286	55,192	54,797
Service Charges	3,017	764	25	3,806	3,571
Net Rents receivable	**51,395**	**7,292**	**311**	**58,998**	**58,368**
Gap Funding Capital Release	-				-
British Gas Funding Release	514	75	0	589	358
Total Income from Lettings	**51,909**	**7,367**	**311**	**59,587**	**58,726**
Expenditure on lettings					
Management	(7,323)	(846)	(14)	(8,183)	(8,025)
Services	(3,304)	(839)	(25)	(4,168)	(4,505)
Response Repairs	(8,701)	(915)	-	(9,616)	(9,955)
Cyclical & Planned Maintenance	(5,055)	(171)	-	(5,226)	(5,326)
Major Repairs	(7,896)	(224)	-	(8,120)	(11,711)
VAT Recovered	104	15	-	119	237
Bad debts	(215)	(33)		(248)	(84)
Depreciation Housing Properties	(9,923)	(1,451)	-	(11,374)	(10,446)
Depreciation Other	(1,324)	(193)	-	(1,517)	(615)
Pension charges	(921)	(135)	-	(1,056)	(1,606)
Office moves transitional costs				-	(4)
Total Expenditure on lettings	**(44,558)**	**(4,792)**	**(39)**	**(49,389)**	**(52,040)**
Operating Surplus on lettings	**7,351**	**2,575**	**272**	**10,198**	**6,686**
Void loss	**(195)**	**(27)**	**-**	**(222)**	**(227)**

3. Social Housing

Group	**2017 Turnover**	**2017 Cost of Sales**	**2017 Operating Costs**	**2017 Operating (Deficit) / Surplus**	**2016 Turnover**	**2016 Cost of Sales**	**2016 Operating Costs**	**2016 Operating (Deficit) / Surplus**
Social Housing Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Needs	51,909	-	(44,558)	7,351	51,439	-	(47,435)	4,004
Supported Housing	7,367		(4,792)	2,575	7,142	-	(4,598)	2,544
Low Cost Home Ownership	311		(39)	272	145	-	(7)	138
	59,587	**-**	**(49,389)**	**10,198**	**58,726**	**-**	**(52,040)**	**6,686**
Other Social Housing Activities								
Shared Ownership Sales	1,023	(894)	-	129	1,927	(1,838)	-	90
Development not Capitalised	-	-	(613)	(613)	-	-	(723)	(723)
Community Involvement	-	-	(714)	(714)	-	-	(772)	(772)
Garage Lettings	1,364	-	(253)	1,111	1,334	-	(216)	1,118
Social Housing Grant release	51	-	-	51	37	-	-	37
Proceeds from Land Sales	1,082	-	-	1,082	1,090	-	-	1,090
Other	74	-	-	74	71	-	(28)	43
	3,594	**(894)**	**(1,580)**	**1,120**	**4,459**	**(1,838)**	**(1,739)**	**882**
Non-Social Housing Activities								
Commercial Properties	1,397		(507)	890	1,300	-	(513)	787
External Sales	1,866	(729)	(940)	197	2,356	(1,084)	(886)	386
	3,263	**(729)**	**(1,447)**	**1,087**	**3,656**	**(1,084)**	**(1,398)**	**1,173**
Total Year ended 31 March 2017	**66,444**	**(1,623)**	**(52,416)**	**12,405**	**66,841**	**(2,922)**	**(55,177)**	**8,742**

3. Social Housing Association	2017 Turnover	2017 Cost of Sales	2017 Operating Costs	2017 Operating (Deficit) / Surplus	2016 Turnover	2016 Cost of Sales	2016 Operating Costs	2016 Operating (Deficit) / Surplus
Social Housing Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Needs	51,909	-	(44,558)	7,351	51,439	-	(47,435)	4,004
Supported Housing	7,367	-	(4,792)	2,575	7,142	-	(4,598)	2,544
Low cost home ownership	311	-	(39)	272	145	-	(7)	138
	59,587	**-**	**(49,389)**	**10,198**	**58,726**	**-**	**(52,040)**	**6,686**
Other Social Housing activities								
Shared Ownership Sales	1,023	(894)	-	129	1,927	(1,838)	-	89
Development not Capitalised	-	-	(613)	(613)	-	-	(723)	(723)
Community Investment	-	-	(714)	(714)	-	-	(772)	(772)
Garage Lettings	1,364	-	(253)	1,111	1,334	-	(216)	1,118
Social Housing Grant release	51	-	-	51	37	-	-	37
Land Grant Release	1,082	-	-	1,082	1,090	-	-	1,090
Other	74	-	-	74	71	-	(28)	43
	3,594	**(894)**	**(1,580)**	**1,120**	**4,459**	**(1,838)**	**(1,739)**	**882**
Non-Social Housing Activities								
Commercial Properties	1,397	-	(507)	890	1,300	-	(513)	787
External Sales	107	(97)	-	10	101	(89)	(2)	10
	1,504	**(97)**	**(507)**	**900**	**1,401**	**(89)**	**(515)**	**797**
Total Year ended 31 March 2017	**64,685**	**(991)**	**(51,476)**	**12,218**	**64,585**	**(1,927)**	**(54,293)**	**8,365**

4. Housing Stock

	Group 2017 No.	Group 2016 No.	Association 2017 No.	Association 2016 No.
Under development at end of period:				
Housing accommodation	233	179	276	179
Shared ownership	119	72	134	72
	352	**251**	**410**	**251**
Under management at end of period:				
Housing accommodation	12,194	12,196	12,194	12,196
Supported housing	1,785	1,775	1,785	1,775
Shared ownership	97	85	97	85
Unavailable for letting	107	221	107	221
	14,183	14,277	14,183	14,277
Long leaseholders	1,596	1,541	1,596	1,541
	15,779	**15,818**	**15,779**	**15,818**
Managed but not owned:				
Supported housing (Brock Trust)	0	8	0	8
	15,779	**15,826**	**15,779**	**15,826**

5. Expenses and Auditor's remuneration

	Group 2017 £'000	Group 2016 £'000
Depreciation on housing properties	11,374	9,922
Depreciation on other fixed assets	2,003	1,796
Restructuring costs expensed as included in administrative expenses	296	166
Loss on sale of housing properties	1,515	1,782
Surplus on sale of other fixed assets	46	60
Change in fair value of investments	7	889
Operating lease charges	490	475
External Auditors Remuneration (exclusive of VAT)		
Audit of these financial statements	29	40
Audit of financial statements of subsidiaries	12	8
Tax compliance	5	8
Other tax advisory services	2	4
Other assurance services	4	9
	52	**69**
Internal Audit related assurance services	**27**	**40**

6. Staff and employee costs

(Group & Association)

	2017 No.	2016 No.
The average number of persons employed during the period (full time equivalents of 37 hours) was:	**587**	**617**

	2017	2016
Full Time Equivalents at 31 March	**No.**	**No.**
Corporate & Manufacturing Services	114	115
Homes, Neighbourhoods & Regeneration	385	410
Business Services & Development	69	77
	568	602

7. Staff Costs

	2017 £'000	2016 £'000
Wages and salaries	16,018	17,082
Social security costs	1,564	1,347
Other pension costs	1,805	2,180
Restructure costs	296	166
TOTAL	**19,683**	**20,775**

8. Full Time Equivalent Staff

The full time equivalent number of staff who received remuneration of £60,000 and above:

	2017 No.	2016 No.
£60,001 to £70,000	5	5
£70,001 to £80,000	7	8
£80,001 to £90,000	2	1
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	-	-
£130,001 to £140,000	2	2
£140,001 to £150,000	1	-
£150,001 to £160,000	-	1
£160,001 to £170,000	-	-
£170,001 to £180,000	-	-
£180,001 to £190,000	1	1

Remuneration in this instance is defined as basic salary, car allowance, benefits in kind and employers pension contributions.

9. Board members and Executive directors

The emoluments of the Board members were as follows :

Non Executive Directors	2017	2016
	£	£
Elaine Pellow (Chair)	15,000	15,000
Nigel Pitt (Vice Chair)	7,500	5,828
Simon Ashby	7,500	7,500
Susan Dann	5,500	5,500
Maureen Alderson	5,500	6,667
Jack Thompson	N/A	6,028
Graham Stirling	7,500	6,750
Katie McBride	7,500	6,333
Nigel Churchill	5,500	5,500
Tina Tuohy	5,500	5,500
Alan Clifford	N/A	2,628
Graham Clayton	5,500	2,887
Anthony MacGregor	4,583	N/A
Debbie Roche	5,500	1,612
John Bowhay	N/A	779

The emoluments of the Executive Management Team were as follows:

	2017	2017	2017	2016
	Basic Salary & Car Allowance	**Employer Pension Contributions**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
John Clark (Chief Executive)	169	14	183	43
Clive Turner (Chief Executive until 26 Feb 2016)	-	-	-	181
Nicholas Jackson	139	11	150	155
Gillian Martin	122	15	137	137
Susan Shaw	122	10	132	136

The Chief Executive, John Clark, is a member of SHPS and there are no additional pension arrangements in place.

The aggregate emoluments paid to or receivable by Executive Directors:

	2017	2016
(Group & Association)	**£'000**	**£'000**
Basic Salary	552	582
Employers Pension	50	70
	602	652
Compensation for loss of office	-	28
TOTAL	602	680

10. Surplus / (deficit) on disposal housing properties

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Right to Buy sales	4,640	3,682	4,640	3,682
Right to Acquire	592	-	592	-
Asset Management sales	1,088	781	1,088	781
Shared Ownership Staircasing	48	41	48	41
Cost of Sales	(141)	(141)	(141)	(141)
Net Book Value of Components removed on Disposal	(3,626)	(3,265)	(3,626)	(3,265)
PCC Share under the clawback	(3,521)	(2,865)	(3,521)	(2,865)
Transfer to RGCF	(44)	-	(44)	-
Transfer to Disposals Proceeds Fund	(551)	-	(551)	-
Components written out on disposal of demolished properties	-	(15)	-	(15)
TOTAL	**(1,515)**	**(1,782)**	**(1,515)**	**(1,782)**

11. Other interest receivable and similar income

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Bank interest receivable	74	37	71	32
Total Interest Received and similar income	**74**	**37**	**71**	**32**

12. Interest Payable and Similar Charges

	Group 2017 £'000	Restated Group 2016 £'000	Association 2017 £'000	Restated Association 2016 £'000
Interest	4,260	1,879	4,260	1,879
Non utilisation fee	716	724	716	724
Amortisation of arrangement fees	164	164	164	164
Interest capitalised on Development	(257)	(124)	(257)	(124)
Legal, Professional & Bank Fees	14	91	14	91
Net interest expense on net defined pension benefit liabilities	417	669	417	669
Total other interest payable and similar charges	**5,314**	**3,403**	**5,314**	**3,403**

13. Tax on Surplus on Ordinary Activities for the Period

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Current Tax				
Current tax on income for the period	-	(32)	-	(31)
Adjustment in respect of prior periods	-	-	-	-
Total current tax	-	(32)	-	(31)
Deferred Tax				
Origination and reversal of timing differences	-	-	-	-
Change in tax rate	-	-	-	-
Total deferred tax	-	-	-	-
Total tax	-	(32)	-	(31)

Tax on Surplus on ordinary activities (continued)

Group		**2017**			**2016**	
Tax	**£'000 Current**	**£'000 Deferred**	**£'000 Total**	**£'000 Current**	**£'000 Deferred**	**£'000 Total**
Recognised in P & L account	-	-	-	(32)	-	(32)
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total group tax	-	-	-	(32)	-	(32)

Association		**2017**			**2016**	
Tax	**£'000 Current**	**£'000 Deferred**	**£'000 Total**	**£'000 Current**	**£'000 Deferred**	**£'000 Total**
Recognised in P & L account	-	-	-	(31)	-	(31)
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total group tax	-	-	-	(31)	-	(31)

Reconciliation of effective tax rate	**2017 Group £'000**	**2016 Group £'000**	**2017 Association £'000**	**2016 Association £'000**
Surplus for the year	**5,689**	**2,797**	**6,462**	**3,082**
Less tax credit	**-**	**32**	**-**	**31**
Profit excluding taxation	**5,689**	**2,765**	**6,462**	**3,051**
Tax using the UK corporation tax rate of 20% (2016: 20%)	1,138	553	1,292	610
Effect of capital allowances	-	(25)	-	-
Tax exempt revenues	(1,138)	(560)	(1,292)	(641)
Losses carried forward	-	-	-	-
Total tax expense included in profit and loss	-	(32)	-	(31)

The main rate of corporation tax was reduced to 20% from 1 April 2015. Further reductions to 19% from 1 April 2017 and to 17% from 1 April 2020 were substantively enacted on 16 October 2015 and 6 September October 2016 respectively. This will reduce any future current tax charge accordingly.

14. Housing Fixed Assets: Association

	Housing Property General Needs	Completed Leasehold Shared Ownership Property	Development Property Under Construction	Shared Ownership Property Under Construction	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000
Cost 01 April 2016	**460,623**	**6,433**	**19,240**	**1,045**	**487,341**
Additions	7,683	-	14,169	7,404	29,257
Acquisitions	4,023	-	-	-	4,023
Disposal Proceeds Fund Utilised	-	-	(245)	-	(245)
Redisclosed components on completed properties	2,801	907	(2,801)	(907)	-
Shared Ownership Cost of Sales	-	-	(883)	-	(883)
Disposals	(4,627)	-	-	-	(4,627)
Redisclose Forecast First Tranche Sales as Current Asset	-	-	-	(3,270)	(3,270)
Cost 31 March 2017	**470,503**	**7,340**	**29,481**	**4,272**	**511,596**
Depreciation					
Depreciation 01 April 2016	**(25,715)**	-	-	-	**(25,715)**
Charge for period	(11,374)	-	-	-	(11,374)
Disposals	874	-	-	-	874
Depreciation 31 March 2017	**(36,215)**	**-**	**-**	**-**	**(36,215)**
Net Book Value at 1 April 2017	**434,288**	**7,340**	**29,481**	**4,272**	**475,381**
Net Book Value at 1 April 2016	**434,908**	**6,433**	**19,240**	**1,045**	**461,626**

14. Housing Fixed Assets: Association	Total Housing Properties	Freehold Offices	Vehicles	Equipment & Furniture	Computers & Software	Investment in Plymouth Community Homes Energy Ltd	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost 01 April 2016	**487,341**	**11,553**	**2,699**	**2,190**	**4,134**	**9,900**	**517,817**
Additions	29,257	409	241	55	1,006	-	30,968
Acquisitions	4,023	-	-	-	-	-	4,023
Disposal Proceeds Fund Utilised	(245)	-	-	-	-	-	(245)
Redisclosed components on completed properties	-	-	-	-	-	-	-
Shared Ownership Cost of Sales	(883)	-	-	-	-	-	(883)
Disposals	(4,627)	(2)	(188)	1	(3)	(600)	(5,419)
Redisclose Forecast First Tranche Sales as Current Asset	(3,270)	-	-	-	-	-	(3,270)
Cost 31 March 2017	**511,596**	**11,960**	**2,752**	**2,246**	**5,137**	**9,300**	**542,991**
Depreciation							
Depreciation 01 April 2016	**(25,715)**	**(496)**	**(1,830)**	**(1,246)**	**(3,134)**	**-**	**(32,421)**
Charge for period	(11,374)	(225)	(396)	(384)	(512)	-	(12,891)
Disposals	874	-	171	-	-	-	1,045
Depreciation 31 March 2017	**(36,215)**	**(721)**	**(2,055)**	**(1,630)**	**(3,646)**	**-**	**(44,267)**
	475,381	**11,239**	**697**	**616**	**1,491**	**9,300**	**498,724**
Net Book Value at 1 April 2016	**461,626**	**11,057**	**869**	**944**	**1,000**	**9,900**	**485,396**

14. Housing Fixed Assets: Group

	Housing Property General Needs	Leasehold Shared Ownership	Development Property Under Construction	Ownership Property Under Construction	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000
Cost 01 April 2016	**460,623**	**6,197**	**17,606**	**851**	**485,277**
Additions	7,683	-	13,276	7,404	28,364
Acquisitions	4,023	-	-	-	4,023
Disposal Proceeds Fund Utilised	-	-	(245)	-	(245)
Redisclosed components on completed properties	2,801	907	(2,801)	(907)	-
Shared Ownership Cost of Sales	-	-	(883)	-	(883)
Disposals	(4,627)	-	-	-	(4,627)
Redisclose Forecast First Tranche Sales as Current Asset	-	-	-	(3,270)	(3,270)
Cost 31 March 2017	**470,503**	**7,104**	**26,954**	**4,078**	**508,639**
Depreciation					
Depreciation 01 April 2016	**(25,714)**	-	-	-	**(25,714)**
Charge for period	(11,374)	-	**-**	-	**(11,374)**
Disposals	873	-	**-**	-	**873**
Depreciation 31 March 2017	**(36,215)**	**-**	**0**	**-**	**(36,215)**
Net book value at 31 March 2017	**434,288**	**7,104**	**26,954**	**4,078**	**472,424**
Net Book Value at 1 April 2016	**434,909**	**6,197**	**17,606**	**851**	**459,563**

14. Housing Fixed Assets: Group

	Total Housing Properties	Freehold Offices	Vehicles	Equipment & Furniture	Computers & Software	Photovoltaic Panels	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost 01 April 2016	**485,277**	**11,551**	**2,699**	**2,190**	**4,134**	**9,920**	**515,771**
Additions	28,364	410	241	55	1,006	-	30,076
Acquisitions	4,023	-	-	-	-	-	4,023
Disposal Proceeds Fund Utilised	(245)	-	-	-	-	-	(245)
Redisclosed components on completed properties	-	-	-	-	-	-	-
Shared Ownership Cost of Sales	(883)	-	-	-	-	-	(883)
Disposals	(4,627)	(2)	(188)	1	(3)	(46)	(4,865)
Redisclose Completed Shared Ownership properties	-	-	-	-	-	-	-
Redisclose Forecast First Tranche Sales as Current Asset	(3,270)	-	-	-	-	-	(3,270)
Cost 31 March 2017	**508,639**	**11,959**	**2,752**	**2,246**	**5,137**	**9,874**	**540,607**
Depreciation							
Depreciation 01 April 2016	**(25,714)**	**(496)**	**(1,830)**	**(1,246)**	**(3,134)**	(762)	**(33,182)**
Charge for period	(11,374)	(225)	(396)	(384)	(512)	(486)	(13,377)
Disposals	873	-	172	-	-	5	1,050
Depreciation 31 March 2017	**(36,215)**	**(721)**	**(2,054)**	**(1,630)**	**(3,646)**	**(1,243)**	**(45,509)**
Net Book Value at 1 April 2017	**472,424**	**11,238**	**698**	**616**	**1,491**	**8,631**	**495,098**
Net Book Value at 1 April 2016	**459,563**	**11,055**	**869**	**944**	**1,000**	**9,158**	**482,589**

The total expenditure on works to existing housing properties during the year to 31 March 2016 for the Group and Association was as follows:

	2017	2016
	£'000	£'000
Revenue	8,120	11,711
Capital	7,683	24,373
Total	15,803	36,084

The capitalised work consists of;

	2017
	£'000
Works to existing properties	7,213
North Prospect refurbishment Phase 4	-
External Wall Insulation (EWI)	470
Works funded by 3rd party	-
Total	7,683

Interest of £257,350 (2016: £123,575) was capitalised (both Group and Association). Interest is capitalised at the rate of 1.86% (2016: 2.67%) during the development period. Cumulative interest of £625,970 (2016: £358,620) has been capitalised to 31 March 2016. This was incurred on new build housing developments.

15. Fixed asset investments

	Group				**Association**			
	Shares in group undertakings	Investment in Commercial Property	Other investments	Total	Shares in group undertakings	Investment in Commercial Property	Other investments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost (or valuation)								
At beginning of year (restated)	-	13,588	40	13,628	9,900	13,588	40	23,528
Additions	-	-	20	20		-	20	20
Disposals	-	-	-	-	(600)	-	-	(600)
Revaluation	-	(7)	-	(7)	-	(7)	-	(7)
At end of year	**-**	**13,581**	**60**	**13,641**	**9,300**	**13,581**	**60**	**22,941**
Net book value								
At 31 March 2017	-	13,581	60	13,641	9,300	13,581	60	22,941
At 31 March 2016	**-**	**13,588**	**40**	**13,628**	**9,900**	**13,588**	**40**	**23,528**

During the year Plymouth Community Homes Energy Ltd cancelled and extinguished 600,000 shares of £1, by repaying in cash the paid up share capital to Plymouth Community Homes. The total shareholding is now £9,300,000, being 100% of that company's share capital.

Plymouth Energy Community ('Plym Energy') is an independent 'not-for-profit' co-operative. Its work focuses on 3 goals for Plymouth residents: reducing energy bills and fuel poverty, improving energy efficiency and generating green energy. PCH has invested £60,000 in the co-operative as many of the beneficiaries are PCH tenants.

16. Investments in Subsidiaries

The company has the following investments in subsidiaries, associates and jointly controlled entities:

	Cost of Investment	Aggregate of capital and reserves	Profit or loss for the year	Country of Incorporation	Class of shares held	Ownership 2017	Ownership 2016
	£'000	£'000	£'000			%	%
PCH Manufacturing Services Limited	-	50	45	UK	Ltd By Guarantee	100	100
PCH Regeneration Limited	-	-	887	UK	Ordinary	100	100
PCH Energy Limited	9,300	9,511	121	UK	Ordinary	100	100

All investments in subsidieries are held at fair value.

Net book value of property assets by tenure:

All property assets are freehold. The housing and commercial properties were transferred at nil value on 20 November 2009 and were disclosed at deemed cost with effect from 1st April 2014 on transition to FRS 102. New additions since April 2014 are disclosed at cost. Office premises are included at cost.

Valuation as at 31 March 2017 for security purposes:

Completed housing properties were valued as at 31 March 2017 by Bruton Knowles, Chartered Surveyors, on Basis 1: the Existing Use Value – Social Housing (‘EUV-SH’) assuming homes are re-let at a social rent and under the loan agreement, and Basis 2 which is a valuation calculated on Existing Use Value for Social Housing (EV-SH, Voids Sold) assuming an element of void properties being sold on the open market. The valuations were carried out in accordance with the RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended).

The valuation of Plymouth Community Homes properties as at 31 March 2017 on the basis of these independent professional valuations was as follows:

Valuation Basis 1 - the Existing Use Value – Social Housing of the housing stock for loan security, as at 31 March 2017, is: £354,972,000 (2016: £369,052,860). The properties were revalued at 31 May as part of the refinancing exercise with a value of £372,642,000.

Valuation Basis 2 - Assuming that a number of voids would be sold on the open market with vacant possession as they arise. The resultant figure for the housing stock is £661,072,000 (2016: £625,672,138).

The commercial properties were valued at £13,581,000 at 31 March 2017 (31 March 2016: £13,588,000).

17. Properties held for sale

	Group 2017 000's	Group 2016 000's	Association 2017 000's	Association 2016 000's
Low cost home ownership				
- Completed	203	-	203	-
- In the course of construction	3,067	813	3,067	813
	3,270	**813**	**3,270**	**813**

18. Stock

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Raw materials	715	652	715	652
Work in progress	86	74	86	74
	801	**726**	**801**	**726**

19. Debtors

Amounts falling due after one year	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Development debtor (VAT Shelter)	11,043	12,592	11,043	12,592
	11,043	**12,592**	**11,043**	**12,592**

Amounts falling due within one year	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Trade debtors	531	385	116	61
Current tenant rent arrears	1,448	1,711	1,448	1,711
Current tenant non rent arrears	570	538	570	538
Less provision for doubtful debts	(756)	(723)	(756)	(715)
Former tenant rent arrears	912	900	912	900
Former tenant non rent arrears	526	419	526	419
Less provision for doubtful debts	(1,438)	(1,319)	(1,438)	(1,319)
Prepayments and accrued income	2,547	4,603	2,547	4,603
Intercompany debtors	-	-	1,271	698
VAT	136	178	111	151
Other debtors	168	199	21	21
Development debtor	1,549	1,812	1,549	1,812
	6,193	**8,703**	**6,877**	**8,880**

Amounts due from Group undertakings are trading balances repayable on demand and are non-interest bearing.

20. Cash, cash at bank and short term deposits

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Cash at bank and in hand	12,186	14,467	9,315	12,453
Bank overdrafts	-	-	-	-
Cash and cash equivalents per cash flow statements	**12,186**	**14,467**	**9,315**	**12,453**

21. Creditors : Amounts falling due within one year

	2017 Group £'000	2016 Group £'000	2017 Association £'000	2016 Association £'000
Trade creditors	2,716	3,072	1,248	2,069
Amounts owed to group undertakings	-	-	33	850
Taxation and social security	398	377	398	377
Pension contributions	188	226	188	226
Rent received in advance	2,452	1,961	2,452	1,961
Other creditors	456	407	446	402
Accruals and deferred income	8,733	5,822	8,920	5,025
Development creditor	1,549	1,812	1,549	1,812
Grant funding	618	618	618	618
Disposal proceeds fund	-	123	-	123
	17,110	**14,418**	**15,852**	**13,463**

Amounts owed to Group undertakings are trading balances repayable on demand and are non-interest bearing.

22. Creditors: amounts falling after more than one year

	2017 Group £'000	2016 Group £'000	2017 Association £'000	2016 Association £'000
Bank loans				
- Due in five years or more	63,500	67,000	63,500	67,000
- Deferred loan costs	(686)	(851)	(686)	(852)
- THFC Holding account	(3,335)	(3,269)	(3,335)	(3,269)
Total housing loans	**59,479**	**62,880**	**59,479**	**62,879**
Disposal Proceeds Fund	429	-	429	-
Grant Funding	24,043	20,705	24,043	20,705
	83,951	**83,585**	**83,951**	**83,584**

There was an embedded fix in place at 31 March 2017 with a fair value of £38.3m (2016: 37.0m). This fix was bought out in June 2017 when the loan was refinanced.

Housing loans from the Royal Bank of Scotland are secured by fixed charges upon the housing properties and carry interest rates at LIBOR plus 1.95%. The loan was refinanced in June 2017 as set out on page 14.

The Association also has a fully drawn down loan of £30m with The Housing Finance Corporation. This loan is fixed at 2.9% interest rate and repays on a fixed profile over the years 2025 to 2045.

At 31 March 2017 the Group had undrawn loan facilities of £76.5m (2016: £73m) plus an additional £0.5m overdraft facility (2016: £0.5m) to finance future operating cash flows and investments

23. Disposal proceeds fund

	2017 Group £'000	2016 Group £'000	2017 Association £'000	2016 Association £'000
At beginning of the year	123	123	123	123
Allocated to development	(245)	-	(245)	-
Transfer in	551	-	551	-
At end of the year	429	123	429	123
Disclosed as				
Creditor < 1 year	-	123	-	123
Creditor > 1 year	429	-	429	-
	429	123	429	123

24. Interest-bearing loans and borrowings

Loans and borrowings are measured at amortised cost, including the RBS loan which has an embedded derivative financial instrument deemed to be closely related to the host contract.

The loans are secured by way of a first fixed charge over housing properties and include an asset cover test based on the ratio on the value of properties reduced to the carrying value of the loan. The loans have other revenue and net debt covenant requirements.

Creditors falling due more than one year	**2017 £'000**	**2016 £'000**
Secured bank loans		
- Due in five years or more	63,500	67,000
- Deferred loan costs	(686)	(851)
- THFC holding account	(3,335)	(3,269)
	59,479	62,880

25. Devon County Council Pension Scheme

Devon County Council is the Administering Authority to the Devon County Council Pension Fund ("the Fund"). The Local Government Pension Scheme ("the LGPS") provides pension benefits to employees of Plymouth Community Homes Ltd ("the employer"). The staff working for Plymouth Community Homes Manufacturing Services Ltd, Plymouth Community Homes Regeneration Company Ltd and Plymouth Community Homes Energy Ltd are employed by Plymouth Community Homes Ltd (or on dual contracts) and their costs of employment are recharged to those companies. All pension costs are therefore included in these notes.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

Group and Association net pension liability:

	31 March 2017 £'000	**31 March 2016 £'000**
Present value of funded defined benefit obligations	(100,701)	(72,072)
Fair value of plan assets	69,811	60,587
Net Pension Liability	(30,890)	(11,485)

Reconciliation of opening & closing balances of the present value of the defined benefit obligation

	31 March 2017 £'000	**31 March 2016 £'000**
Defined benefit obligation at 1 April	72,072	79,524
Current service cost	2,031	2,638
Interest cost	2,719	2,769
Actuarial (gains)/losses	24,946	(12,106)
Estimated benefits paid net of transfers in	(1,634)	(1,620)
Past service costs, including curtailments	49	260
Contributions by scheme participants	518	607
Defined benefit obligation at 31 March	100,701	72,072

Reconciliation of opening & closing balances of the fair value of fund assets

	31 March 2017 £'000	31 March 2016 £'000
Fair value of scheme assets at 1 April	60,587	59,836
Interest on assets	2,302	2,100
Return on assets less interest	8,187	(1,628)
Other actuarial gains	(1,173)	0
Administration expenses	(38)	(24)
Contributions by employer (including unfunded)	1,062	1,316
Contributions by scheme participants	518	607
Estimated benefits paid net of transfers in (including unfunded)	(1,634)	(1,620)
Settlement prices received / (paid)	-	-
Fair value of scheme assets at 31 March	**69,811**	**60,587**

The total return on the fund assets for the year to 31 March 2017 is £10,489,000.

Expense recognised in the profit and loss account

	31 March 2017 £'000	Restated 31 March 2016 £'000
Current service cost	2,080	2,898
Employer Contributions	417	669
Other finance costs	38	24
Total	**2,535**	**3,591**

The expense is recognised in the following line items in the profit and loss account

	31 March 2017 £'000	Restated 31 March 2016 £'000
Distribution expenses	-	-
Administrative expenses	2,118	2,922
Other interest receivable and similar income	-	-
Interest payable and similar charges	417	669
	2,535	**3,591**

The total loss recognised in the consolidated statement of total recognised gains and losses in respect of actuarial loss is £17,932,000 *(2016: gain £10,478,000)*.

The estimated asset allocation for Plymouth Community Homes as at 31 March 2016 is as follows:

Employer Asset Share – Bid Value	**Assets at 31 March 2017 £'000**	**Assets at 31 March 2016 £'000**
Equities	16,817	14,568
Gilts	2,060	1,989
Overseas Equities	24,292	19,674
Property	6,234	6,699
Infrastructure	2,803	2,524
Cash	1,677	1,124
Target Return Portfolio	10,341	8,778
Other Bonds	1,800	1,741
Alternative assets	3,787	3,490
Total	**69,811**	**60,587**

Expected return on assets

For accounting years beginning on or after 1 April 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

Assumptions as at	31 March 2017 % p.a.	31 March 2017 Real	31 March 2016 % p.a.	31 March 2016 Real
RPI Increases	3.6%	-	3.4%	-
CPI Increases	2.7%	-0.9%	2.5%	-0.9%
Salary Increases	4.2%	0.6%	4.3%	0.9%
Pension Increases	2.7%	-0.9%	2.5%	-0.9%
Discount rate	2.8%	-0.8%	3.8%	0.4%

These assumptions are set with reference to market conditions at 31 March 2017.

Our estimate of the duration of the Employer's liabilities is 23 years.

The discount rate is the annualised yield at the 23 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of FRS 102 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

As required under FRS 102 we have used the projected unit method of valuation to calculate the service cost.

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 100% for males and 90% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

· Current pensioner aged 65: 23.4 years (male), 25.5 years (female).

· Future retiree upon reaching 65: 25.6 years (male), 27.8 years (female).

We have also assumed that:

· Members will exchange half of their commutable pension for cash at retirement;

· Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and

· It is assumed that members opted-in to the 50:50 section at the previous valuation date will continue in this section.

Financial assumptions

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet as at	31 March 2017	31 March 2016	31 March 2015
	£'000	£'000	£'000
Present value of scheme liabilities	(100,701)	(72,072)	(79,524)
Fair value of scheme assets	69,811	60,587	59,836
Deficit	**(30,890)**	**(11,485)**	**(19,688)**

Remeasurement of the net assets / (defined liability)	31 March 2017	31 March 2016	31 March 2015
	£'000	£'000	£'000
Return on Fund assets in excess of interest	8,187	(1,628)	3,253
Other actuarial gains/(losses) on assets	(1,173)	0	
Change in financial assumptions	(24,368)	12,106	(12,760)
Change in demographic assumptions	(573)	0	0
Experience gain/(loss) on defined benefit obligation	(5)	0	0
Changes in effect of asset ceiling		0	0
Remeasurement of the net assets / (defined liability)	(17,932)	10,478	(9,507)

The Group expects to contribute approximately £1.2 million to the LGPS defined benefit plan in the next financial year.

Prior year restatement:

The interest payable and similar charges figure has been restated for 2016 due to the return on fund assets in excess of interest being incorrectly classified as interest payable in the prior year, where it should have been included in the movement of the net defined pension benefit liability. £1,628k has been reclassified from interest payable to other comprehensive income. There is no impact on the total comprehensive income for the year.

26. Social Housing Pension Scheme

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions	
Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	31 March 2017 (£s)	31 March 2016 (£s)	31 March 2015 (£s)
Present value of provision	-	-	33,212

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2017 (£s)	**Period Ending** 31 March 2016 (£s)
Provision at start of period	-	33,212
Unwinding of the discount factor (interest expense)	-	(1,247)
Deficit contribution paid	-	(197,266)
Remeasurements - impact of any change in assumptions	-	-
Remeasurements - amendments to the contribution schedule	-	165,301
Provision at end of period	-	-

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2017 (£s)	**Period Ending** 31 March 2016 (£s)
Interest expense	-	(1,247)
Remeasurements – impact of any change in assumptions	-	-
Remeasurements – amendments to the contribution schedule	-	165,301
Contributions paid in respect of future service*	1,805	2,180
Costs recognised in income and expenditure account	1,805	2,180

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

ASSUMPTIONS

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.33	2.06	1.92

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

27. Share Capital

Ordinary shares of £1 each. Allotted, called up and fully paid.	**2017 No.**	**2016 No.**
At 1 April	46	43
Issued during the year	1	8
Cancelled during the year	(3)	(5)
At 31 March	44	46

28. Operating Leases

	2017		**2016**	
	Land and Buildings £'000	**Other £'000**	**Land and Buildings £'000**	**Other £'000**
Less than one year	-	239	-	225
Between one and five years	601	121	23	84
More than five years	190	-	942	-
	791	**360**	**965**	**309**

29. Leases as Lessor

	2017 £'000	**2016 £'000**
Less than one year	153	240
Between one and five years	2,756	1,375
More than five years	2,479	3,162
TOTAL	**5,388**	**4,777**

Leases relate to the length of commercial tenancies for shops

30. Commitments

	2016 Group £'000	2015 Group £'000	2016 Association £'000	2015 Association £'000
The Company contractual commitments to purchase tangible fixed assets at the year-end were	39,103	21,461	39,103	21,461
The Company has expenditure authorised by the Board but has not yet been contracted for of	13,435	27,354	13,435	27,354
TOTAL	**52,538**	**48,815**	**52,538**	**48,815**

These commitments are financed by grant and loan finance.

31. Contingencies

Social Housing Grant of £11,326,870 (2016: £7,166,720) has been received. Should the related properties be sold and the grant not reinvested in new properties this amount could be repayable to the Homes & Communities Agency.

32. Related Party Transactions

The Board members who served during the period that are also tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefit as other tenants.

Two Board members are nominees of Plymouth City Council (PCC), both serving councillors. A further Board member was elected to serve as a Councillor in the 2015 May elections. All transactions with PCC during the year were conducted at arm's length and on normal commercial terms.

All trading transactions between Plymouth Community Homes and its non-regulated subsidiaries are charged at the cost of providing the service between the subsidiaries. Recharges are determined by an appropriate allocation depending on the nature of the cost, such as headcount, floor space and services.

The value of transactions between PCH Ltd and its subsidiaries was as follows:

PCH Manufacturing Services Ltd: costs incurred by PCH Manufacturing: £942,968 (2016: £1,295,000).

PCH Regeneration Company Ltd: service charge from PCH Ltd to PCH Regeneration: £316,550 (2016: £309,197); lease of properties from PCH Ltd to PCH Regeneration: £13,527 (2016: £nil); design & build work invoiced from PCH Regeneration to PCH Ltd: £18,076,418 (2016: £7,540,805).

PCH Energy Ltd: service charge from PCH Ltd to PCH Energy : £19,545 (2016: £58,313); charge from PCH Ltd to PCH Energy for lease of roofs : £107,325 (2016: £99,731). Charge from PCH Energy to PCH Ltd for electricity: £92,892 (2016: £85,372)

The intercompany debtor and creditor balances as at 31 March are disclosed in Note 19 and Note 21.

33. Subsequent Events

PCH refinanced its loan with RBS on 15 June and secured additional loan facilities. The existing RBS loan was repaid which also involved buying out the hedge attached to it. A bond for £60m was issued via a private placement. Shorter term loans of £35m on a revolving credit basis and a £45m term loan were also put in place. This has increased PCH's loan facilities to £170m from £140m. The new loan facilities reduce the projected interest rate from above 7% to below 3% on average and will underpin the longer term financial position.

Following the fire at Grenfell Towers tests on the cladding at the tower blocks (Lynher, Tamar and Tavy) were conducted. The cladding failed the initial tests and on this basis a non-contractual commitment is in place to remove the panels. There was an immediate need to provide additional security at all three blocks and the cost of this can be met from existing budgets. The Board continue to be kept informed.

34. Accounting estimates and judgements

Key sources of estimation uncertainty
The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets so these are re-assessed annually and amended when necessary to reflect current estimates. See Note 14 for the carrying amount of the property plant and equipment, and Note 1 for the useful economic lives for each class of assets.

Impairment of debtors
The company makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including, the current credit rating of the debtor, the ageing profile of debtors and historical experience. See Note 19 for the net carrying amount of the debtors and associated impairment provision.

Pensions
FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined

benefit plans. These are mainly actuarial assumptions such as expected inflation rates, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the company's retirement benefit obligation and pension assets.

Valuation of housing properties
The company tests annually whether there are any impairment triggers that would require the company to undertake a full impairment review of housing properties under FRS 102. No such triggers have been identified in the year.

Critical accounting judgements in applying the Company's accounting policies
There are no such judgements in either the current or prior year.

35. Status

Registered Office
Plumer House, Tailyour Road, Plymouth PL6 5DH.

Plymouth Community Homes Group

At the time of signing these financial statements Plymouth Community Homes has three wholly owned subsidiaries - Plymouth Community Homes Manufacturing Services Ltd (company number 07001677), Plymouth Community Homes Regeneration Company Ltd (company number 7272688) and Plymouth Community Homes Energy Ltd (company number 8028170). All three subsidiaries are incorporated under the Companies Act 2006.

Plymouth Community Homes Manufacturing Services Ltd sells manufactured goods to third parties. Plymouth Community Homes Regeneration Company Ltd oversees the design and build work for redevelopment projects. Plymouth Community Homes Energy Ltd oversees the installation of photovoltaic panels on properties owned by Plymouth Community Homes Ltd.

36. Board members, Executives and Advisors

Members of the Board

Elaine Pellow	Chair of Plymouth Community Homes Ltd	
Nigel Pitt	Vice Chair of Plymouth Community Homes Ltd and Chair of Development Committee	
Simon Ashby	Chair of Audit and Risk Committee	
Graham Stirling	Chair of Plymouth Community Homes Manufacturing Services Board	
Katie Pratt	Chair of Customer Focus Committee	
Maureen Alderson		
Susan Dann		
Tina Tuohy		
Graham Clayton		
Nigel Churchill		
Debbie Roche		
Nick Lewis	Chair Designate	Appointed 1 August 2017

Directors of Plymouth Community Homes Manufacturing Services Ltd:

Graham Stirling	Chair
Nigel Churchill	Vice Chair from 2 August 2016
Nicholas Jackson	
Susan Shaw	
Simon Ashby	Co-optee

Directors of Plymouth Community Homes Regeneration Company Ltd:

John Clark	Chair
Susan Shaw	
Gillian Martin	
Nick Jackson	

Directors of Plymouth Community Homes Energy Ltd

John Clark	Chair
Susan Shaw	
Gillian Martin	
Nick Jackson	

Audit and Risk Committee

Simon Ashby	Chair
Maureen Alderson	Vice Chair from 2 August 2016
Katie Pratt	
Graham Clayton	
Susan Dann	

Customer Focus Committee:

Katie Pratt	Chair
Elaine Pellow	
Tina Tuohy	
Debbie Roche	
Sue Dann	Appointed 2 August 2016, Vice Chair from same date
Jane Filby	Co-optee
Mel Leonis	Co-optee from 4 May 2017
Lavinia Porfir	Co-optee from 4 May 2017

Development Committee:

Nigel Pitt	Chair
Graham Stirling	Vice Chair from 2 August 2016
Elaine Pellow	
Nigel Churchill	
Debbie Roche	Appointed 2 August 2016

Remuneration Panel

Nigel Pitt	Chair
Susan Dann	
Elaine Pellow	

Financing Sub-Committee

Simon Ashby	Chair
Elaine Pellow	
Nigel Pitt	
Graham Clayton	
Nigel Churchill	Appointed 10 May 2016
Anthony McGregor	Independent co-optee from 1 June 2016 to 9 May 2017

Resident Scrutiny Team

Joanne Bowden	
Susan Drury	
Patrick Gillespie	
Bridget Bimha	
Chris Matthews	
Mel Gallagher	Leave of absence agreed
Ron Gilley	Leave of absence agreed
Diana Hill	Resigned 10 January 2017
Mel Leonis	Resigned 5 April 2017
Eleanor Whitehead	Resigned 27 June 2016

Executive Management Team:

John Clark	Chief Executive
Nicholas Jackson	Director of Business Services and Development
Gillian Martin	Director of Corporate and Manufacturing Services
Susan Shaw	Director of Homes, Neighbourhoods and Regeneration
Belinda Pascoe	Company Secretary

External Auditor:	KPMG LLP 3 Longbridge Road Plymouth PL6 8LT
Internal Auditor:	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Tax Advisor:	KPMG LLP 1 Forest Gate Brighton Road Crawley RH11 9PT
Principal Bankers:	National Westminster Bank Plc 14 Old Town Street Plymouth PL1 1DG
Funders:	The Royal Bank of Scotland Plc Housing Finance 7th Floor 135 Bishopsgate London EC2M 4UR The Housing Finance Corporation Ltd 4th Floor 107 Cannon Street London EC4N 5AF

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