Plymouth Community Homes Ltd

Consolidated Financial Statements
For The Year Ended 31 March 2015

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
Operating and Financial Review

The Board is pleased to present its report and the audited financial statements for the year ended 31 March 2015.

(A) Principal Activities

A Profile of Plymouth Community Homes Ltd

Plymouth Community Homes' (the 'Association' or 'PCH') purpose is to be a leading housing provider, through the provision of affordable homes and associated services. The Association manages nearly 16,000 homes and provides a range of key customer services across Plymouth.

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).

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 gift aided to Plymouth Community Homes to support its work.

The subsidiary company boards contain a mixture of Plymouth Community Homes Board members and members of the Executive Management Team. In January 2014 the decision was taken to run co-terminus PCHR and PCHE Board meetings, to increase efficiency in decision making.

Plymouth Community Homes Manufacturing Services Ltd (PCHMS)

The principal activity is the sale of windows, doors, joinery, signs and metalwork to customers outside the Plymouth Community Homes 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 four Company Directors, consisting of two PCH Board members and two 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 regeneration and other development projects. The company has successfully overseen work on Phase 1 of the redevelopment of North Prospect and work continues on Phase 2 and other subsequent phases.

PCHR is a company limited by shares, and has six Company Directors, consisting of four PCH Board members and two members of the Executive. This Board met six 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 Plymouth Community Homes Ltd.

Photovoltaic cells have been installed on 1,917 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.

Following the success of the first phases, a further 1,418 installations are planned for the year to March 2016.

PCHE is a company limited by shares, and had six Company Directors during the year, consisting of four PCH Board members and two members of the Executive. This Board met six times during the year.

The Board

The Board members holding office during the period 1 April 2014 to 31 March 2015 are listed in note 27 (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 Plymouth Community Homes Board.

The principal obligations of the Board are:

- To determine vision and ensure that its achievement underpins all strategic planning and decision making ensuring long-term success.
- To ensure that PCH keeps within the law and its Rules, 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: This met 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. The Committee is also responsible for approving governance policies relating to staff and information management, ensuring that health and safety is delivered and monitored regularly, and for ensuring there are appropriate procedures for Board payment.
- The Customer Focus Committee: This met four times during the year and is 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.
- The new Development and Regeneration Committee: This has co-terminus meetings with the PCHR and PCHE Boards, and met six times during the year. It is tasked with overseeing the implementation of the PCH Development Strategy, Asset Management Strategy and Development Programme.

Governance Review

After an independent review, payments to Board members commenced on 1 April 2014. A number of performance measures have been set for Board members as part of this agreement.

The Board undertakes an annual appraisal of its performance and an annual appraisal of individual Board members. In 2014 a skills audit and board effectiveness review was undertaken. The skills audit is used as a basis for the Board's succession planning process. The effectiveness review is being used to make further enhancements to the Association's governance arrangements.

The Association has adopted and complies with the National Housing Federation's Code of Governance 2015.

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 the day to day operation, monitoring and reporting performance to the Board and its committees. As a result of a restructure that took place in February 2015 PCH reduced the number of Executive Directors to four. Details of directors are given in note 27.

Regulation

The 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 published on 26 February 2014 states

G1: "the Provider meets the requirements on governance set out in the Governance and Financial Viability standard".

This judgement is unchanged from the previous rating of January 2013.

V2: "The provider meets the requirements on viability set out in the Governance and Financial Viability standard but needs to manage material financial exposures to support continued compliance"**.**

This judgement is also unchanged from the grading of the previous Viability Report published in January 2013 and confirmed in March 2015.

(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.

This table summarises the financial results over the four years:

	Group	Group	Group	Group	Group
	March 2015	**March 2014**	**March 2013**	**March 2012**	**March 2011**
INCOME & EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Turnover before GAP funding	61,377	58,081	54,866	49,935	48,325
GAP funding	2,010	2,010	19,234	32,129	25,992
Total turnover	**63,387**	**60,091**	**74,100**	**82,064**	**74,317**
Costs	(60,528)	(62,485)	(65,411)	(54,839)	(43,650)
Operating Surplus/(loss)	**2,859**	**(2,394)**	**8,689**	**27,225**	**30,667**
Surplus on sale of fixed assets	2,055	2,214	727	762	1,081
Net interest payable	(4,639)	(1,869)	(5,377)	(850)	(1,490)
Surplus/(loss) for the year before tax	**275**	**(2,049)**	**4,039**	**27,137**	**30,258**
Corporation tax	(41)	(3)	-	-	-
Actuarial (loss)/gain on pension scheme	(10,232)	3,637	2,983	(10,209)	(4,442)
Total (loss)/surplus after actuarial adjustments	**(9,998)**	**1,585**	**7,022**	**16,928**	**25,816**

Key Financial Ratios are:

	March 2015	**March 2014**	**March 2013**	**March 2012**	**March 2011**
% of income from Social Housing Lettings	91%	92%	91%	93%	92%
Growth in turnover (after gap funding)	6%	6%	10%	3%	88%
Operating cash flow (£m)	£9.3m	£2.7m	£8.6m	£28.9m	£0.6m
Operating surplus / (loss) to total turnover	5%	(4%)	12%	33%	41%
Net debt / turnover	0.86	0.39	0.36	-	0.3
Current ratio -current assets / current liabilities	1.45	1.3	3	2.1	3.4
Loans / fixed assets before grant	0.33	0.2	0.2	-	-
Loans / fixed assets net	0.50	0.3	0.4	-	-
Loans / reserves	1.3	0.6	0.4	-	-
Growth in reserves	(17%)	2%	15%	54%	463%
Growth in property valuation	2%	161%	65%	12%	41%
Debt per unit	3,665	1,558	1,402	-	981.12

Turnover

Turnover for the year to 31 March 2015 increased by 5.5% to £63.4m (2014: £60m).

Social Housing rental income remains dominant at 84% but showed a slight reduction to £53.2m (£53.4m 2014). This was due to a change to the timing of the March 2014 rent free week which meant rental income was inflated by one week's worth of income (c£1m) in last year's accounts. Underlying rent increased in line with the Government's target rent formula resulting in increases of 3.7% (RPI 3.2% + 0.5%) + up to £2 movement to target. There was also growth in affordable rental income of 35% to £925k (£687k in 2014) supporting new housing development. This was offset by a net reduction in property numbers of 390 homes from 14,579 to 14,189 in the year mainly due to 386 properties in North Prospect and Devonport either demolished or awaiting regeneration and 78 Right to Buy sales (RTBs) partly offset by new homes completed to replace those demolished in North Prospect.

Gap funding, supporting people income, garage lettings and shared ownership first tranche sales count towards the overall turnover from social housing.

Other income came from commercial letting of shops, at £1.2m (2014: £1.2m), manufacturing of £960k (2014: £763k), and Photovoltaic Panels £453k (2014: £129k).

Operating costs

Operating costs including cost of sales reduced by 3% over the year to £60.5m (2014: £62.4m). Underlying running costs of housing management and repairs decreased marginally to £24.5m (2014: £25.3m) mainly due to a reduction in repairs costs. Depreciation increased by 31% to £7.1m (2014: £5.4m) and the expensed costs of major works decreased by 10% to £19.1m (2014: £21.9m). This reflects the completion in November 2014 of the decent homes improvements programme. The surplus on sales of fixed assets of £2m was the same as last year. At the year-end all 125 stock transfer promises were achieved.

Interest costs

Interest costs increased by 263% to £5m (2014: £1.9m). This was a product of the Organisation's debt increasing from £32m at the start of the year to £61m at the end of the year and the additional cost of buying out the forward fix for the following year.

Operating margin and interest cover

The operating margin is positive at 4.5%, up from a negative 4.0% in 2014. Interest cover is 98% up from a negative 10% in 2014.

Surplus

For the financial year to 31 March 2015 the reported loss after actuarial losses on pension funds is £10m (2014 surplus: £1.6m). There was a surplus on ordinary activities of £2.9m (2014: £2.4m loss).

Surpluses from our subsidiary companies were negligible during the year. PCH Manufacturing Services made a surplus of £109,000 which was an improvement on the previous year but it is still in transition moving the focus to securing external contracts. PCH Energy made a small loss of £12,000 as the majority of this year's installations were between January and March with lower light levels which in turn affected the level of feed-in tariff income.

Information on operational performance is given in the assessment of the business effectiveness against all our objectives (pages 19-65).

Balance Sheet
The following table summarises elements within the group balance sheet and the notes for the last four years:

	March 2015	**March 2014**	**March 2013**	**March 2012**	**March 2011**
	£'000	£'000	£'000	£'000	£'000
Fixed assets - housing	169,557	133,881	92,650	54,217	24,264
Less: grants	(61,819)	(50,799)	(47,919)	(46,844)	(20,867)
Housing assets less grant	**107,738**	**83,082**	**44,731**	**7,373**	**3,397**
Tangible assets - other	**14,044**	**9,393**	**7,403**	**6,593**	**2,799**
Total fixed assets	**121,782**	**92,475**	**52,134**	**13,966**	**6,196**
Assets > 1 Year	16,312	25,852	37,412	61,672	80,694
Current assets	19,103	24,040	50,801	43,015	48,635
Current liabilities	(13,203)	(18,844)	(16,794)	(20,363)	(14,408)
Net current assets	**5,900**	**5,195**	**34,006**	**22,652**	**34,227**
Loans (outstanding) / prepaid	(60,986)	(31,827)	(19,473)	1,181	-
Reserves	(46,925)	(56,923)	(55,341)	(48,321)	(31,393)
Homes in management	14,336	14,579	14,627	14,644	14,779
Valuation of housing stock EUVSH Basis 1 (voids relet)	405,270	396,695	151,876	92,297	82,460
Ave Staff employed (full time equivalent)	641	635	605	569	530

Housing Properties

PCH continued with its substantial investment in its homes to reach decent homes standards. £49m was spent on housing properties, giving a total cost of housing properties at 31 March 2015 of £183m. £2m was spent on other fixed assets, including £1m to complete Plumer House.

Cash funding included £3m Social Housing Grant, £10m land sales and £3.5m from the sale of properties.

Cash Flows

The operating activities of Plymouth Community Homes generated a cash inflow of £10.6m (2014: 2.7m). After allowing for capital expenditure and financing movements, there was an overall decrease in net cash of £0.8m (2014: increase of £9.3m)

(C) Capital Structure and Treasury Policy

Plymouth Community Homes has loan facilities with the Royal Bank of Scotland (RBS) totalling £110m, of which £32m was drawn at 31 March 2014. The undrawn balance of £78m will be required to meet future major works and the development programme. Within the year we have also drawn £30m under an agreement with The Housing Finance Corporation Ltd (THFC) backed by the European Investment Bank (EIB) which has funded an element of the North Prospect development.

Based upon the latest Board-approved 30 year financial model, borrowings will reach £129m at the end of five years (March 2020) and will peak at £132m in 2021; providing £8m headroom against the organisation's loan facilities of £140m. The Plan demonstrates that we can pay back all RBS loans by 31 March 2040, and repayment of THFC funding on the due dates, meeting the conditions set by lenders. Following the budget on 8 July 2015 we carried out risk analysis which confirmed that these repayment dates are still achievable.

A key measure is the security of the stock against these loans. The security valuation at 31 March 2015 was £654m (voids sold) compared with £682m in March 2014. During the year 2,606 properties were taken out of charge with RBS to support the THFC loan, of these 1,770 have been charged to THFC and 836 remain unencumbered.

PCH operates a centralised Treasury Management function. Its primary function is to manage liquidity, funding, investment and financial risk, including risk from volatility in interest rates. Treasury Policies are approved by Plymouth Community Homes Ltd Board.

Interest Rate Risk Management Strategy

As part of the treasury management strategy, PCH has implemented an interest rate risk management (hedging) strategy to protect a proportion of our funding against the potential of rising interest rates.

This hedge provides protection against future interest rate rises, however with current rates at their lowest for 350 years we evaluated that it would be beneficial to buy out the early years and move to 100% floating. The start of the fix is now 20 May 2016, and therefore we have the flexibility to maintain 100% of our RBS borrowings on a variable rate until May 2016.

The hedge peaks at £70.8m in 2020 covering 64% of RBS facility. The value of the hedge as at 31 March 2015 is a deficit of £32m.

We have drawn the £30m loan from THFC on a fixed rate, at 2.9% over 30 years.

Liquidity Risk

Surplus cash is invested according to policies approved by the Board, with the preservation of capital value as the primary objective. The organisation'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 £9,460k (2014: £10,276k). Funds are deposited with a limited list of approved banks, whose ratings are monitored continually, and may also be invested in approved Money Market Funds.

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

Other risks that may prevent the organisation achieving its objectives are considered and reviewed annually by the Executive Management Team and Board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks are reported to the Board quarterly together with action taken to manage the risks, including assessments of key controls, and the outcome of the action.

We have identified the key financial risk to the achievement of our future business objectives as the inability to raise finance to meet our future development aspirations. This is dependent on strengthening our operating performance through raising income and controlling costs as well as making sure we properly understand the quality of our assets and the capacity of our staff.

The main risk to costs stems from the potential inflationary impact on major works as fixed term contracts come to an end.

We have undertaken significant sensitivity testing looking at the following set of medium to long term scenarios:

- The effects of Welfare Reform: increased rent arrears, increased property voids and rental bad debts
- A rise in interest rates combined with a housing market collapse which would reduce and delay the proceeds from first tranche shared ownership sales and other sales
- An adverse differential movement in rent inflation to cost inflation
- A prolonged period of low general inflation
- A combined "perfect storm" scenario of all of the above with the exception of low general inflation which was found to have minimal impact

These were tested at low / medium / high levels to identify the Association's limit of tolerance of these adverse effects by identifying tipping points at which point mitigations of cost or capital cost saving would need to be applied.

The Budget on 8 July 2015 introduced a much lower rent settlement thus creating the adverse differential movement in rent inflation to cost inflation identified as a significant risk to the Association. We have identified key mitigating strategies, including the review of major works spend, reviewing maintenance levels whilst maintaining Decent Homes standards and reviewing the timing and extent of development projects.

In addition to these the following set of short-term scenarios were modelled, including:

- The loss of income from PhotoVoltaic panels
- An increase in the level of homes lost to Right to Buy
- A combined scenario of loss of new home completion grant income, interest rate rise, housing market collapse, welfare reform and adverse differential cost and income inflation

These were tested against existing lending covenants to show what the effects would be and what necessary corrective actions could be taken to prevent breach of these covenants.

In terms of 'knowing our assets', we are undertaking a detailed exercise to check our legal titles and covenants and we use our strategic asset management tool to actively manage our homes and other assets. We have also taken to the Board a detailed recovery plan.

Should these risks occur then we will review where we can make savings and also whether we would reduce our development plans. The key mitigating steps we could take are:

- review operating costs to seek cost savings
- review discretionary major works and environmental spending
- stop non-contractual development.
- Use unencumbered assets to raise additional finance

(E) Future Developments

Sound financial planning continues to be crucial for Plymouth Community Homes. Over the last year we have again met our operational performance targets and have outperformed our financial targets, ending the year with considerable headroom against the covenant limits set by our funders.

Our financial plans are designed so that we can meet our promises to residents, fulfil our regulatory requirements and demonstrate long term viability. We regularly review our financial planning and confirm our funders' commitments to providing the money we need.

Our key strategy remains to move our rent to be comparable to other housing associations in Plymouth which are roughly £10 per week above our 2014 rents, and to continue to control our running costs.

During the year we reviewed our planned major repairs and maintenance programme with a view to obtaining independent, up to date information and adjusting the investment programme timing to provide a smoother profile for operational and financial planning. This has the benefit of, as far as possible, reducing the variation in future operating margins and interest cover.

Our 30 year model includes the planned regeneration of the North Prospect estate and we have received grant approval from the Homes and Communities Agency (HCA) for Phase 3 of this regeneration during the year.

Outside of the North Prospect programme we are already on-site building 20 new homes, have HCA grant-approved bids a further 153 homes, and are bidding this year for grant to build a further 99 homes. All of these schemes are fully provided for within the Business Plan and are located in Plymouth.

In order to support these new developments we will need to continue our programme of letting a proportion of our void properties at an affordable rent (being 80% of market value) to raise additional funding of £8.3m as well as to dispose of an estimated 47 homes over the next seven years though our asset management strategy to raise £3.5m.

Our current loan facilities do not provide sufficient capacity to meet our development ambitions. We need to raise significant long term funding to achieve 750 new homes in addition to the North Prospect regeneration and we are actively working towards obtaining this funding. Our medium term aim is to move to a continuing programme of new home building.

(F) Value for Money Statement

Value for money is embedded throughout our organisation and integral to the delivery of our business effectiveness model.

It is a regulatory requirement of the Homes and Communities Agency (HCA) that Registered Providers *publish a robust and transparent annual self-assessment setting out how they are achieving value for money in delivering their purposes and objectives*. The Accounting Direction for Registered Providers of Social Housing in England April 2012 then requires a statement to be included in the Board report or Operating and Financial Review (OFR).

This OFR incorporates our assessment of value for money including all the information required by the HCA.

As part of the assessment we use the following benchmarking services:

Benchmarking service	**Last date of benchmarks**
Housemark – core and repairs service	31 March 2014 financial and 31 March 2015 performance
STAR satisfaction surveys	February 2014
Baker Tilly Back Office Benchmarking	31 March 2014
HCA rent comparison data	Year to 31 March 2014

The main benchmarks used throughout the report are Housemark using the LSVT (over 7,500 properties) group, unless otherwise stated. The assessments are based on quartiles with the score ranging from the bottom (4th) quartile as red to top (1st) quartile as green.

Key: 

Quartile: 1st 2nd Median 3rd 4th

Further information on how we approach value for money is available within our interactive Annual Report designed for our residents and other stakeholders at http://www.plymouthcommunityhomes.co.uk/annualreport.

Stakeholders

The aim of the Board Report and Financial Statements is to provide anyone who has involvement or is affected by what we do with an understanding and confidence in the business delivery of our objectives.

Key stakeholders

- Residents and customers (main stakeholders)
- Employees and volunteers (main stakeholders)
- Current funders, specifically Royal Bank of Scotland (RBS) and The Housing Finance Corporation (THFC)
- Central and local government, specifically the HCA both as investor and regulator, and Plymouth City Council

- Suppliers and partners
- Other public bodies such as health authorities specifically Plymouth Community Healthcare and the police
- The general public who ultimately pay taxes to support the government funding provided to housing associations.

How we manage and monitor value for money

Our Board regularly reviews and approves the value for money (VFM) strategy and has responsibility for ensuring the delivery of business effectiveness.

Our Executive Management Team is responsible for the implementation of the strategy and integrating value for money into organisational culture and processes. One of its members sponsors VFM ensuring that it has the necessary profile within PCH.

Our Senior Management Team is responsible for implementation - assessing how we have performed overall against objectives and front line staff ensure the integration of VFM into day to day work.

The key areas of managing and monitoring our business effectiveness are set out in our VFM strategy and wider strategic framework including:

- Procurement strategy
- Treasury Management strategy
- IT strategy
- Brand strategy
- Risk Management strategy
- Asset Management strategy
- Regeneration and Development strategy
- Employee Engagement strategy
- Resident Involvement Strategy
- Environment strategy
- Co-regulation strategy
- Subsidiary Company business plans, including, in particular, the Plymouth Community Homes Manufacturing Services business plans.

Alongside these strategies, reports are submitted and reviewed by the Board throughout the year:

- The annual cycle of Board engagement of business plan objectives and performance target setting against the objectives.

- The approval of an annual budget and 30 year financial model and allocation of resources and money to achieve our key aims. This includes the approval of the rents and service charges strategies and any annual increases. The budget process is key to ensuring expenditure is allocated in the right places to deliver our objectives. Each year the process includes scrutiny of business cases for additional resources and areas where there may be potential savings. There are also review meetings where Directors and Heads of Service are challenged on their cost assumptions.
- VFM is embedded in the culture of the organisation and all Board reports are required to provide value for money and social return under decision making implications.
- There is a clear process for managing and monitoring contractors within the procurement strategy.
- Management accounts are presented monthly to the Executive Management Team with quarterly monitoring reports to the Board on finance, performance, treasury and procurement.
- Internal Audits and Service Reviews are reported to the Audit and Risk Committee and to the Board.
- An annual report incorporating the results of benchmarking exercises from Housemark on core social housing activities and repairs, Baker Tilly for back office costs and an analysis of rents and services charges using national data available from the HCA.
- Annual self-assessments on value for money are carried out by a lead senior manager on our objectives and the service lead on key services. Heat maps are used to demonstrate the relative quality and cost. Savings achieved in-year and planned are captured. This is an extensive exercise and includes benchmark information. The self-assessments are reviewed and challenged - the summary results are presented to the Board and reflected within this statement and the Annual Report.

How our residents scrutinise value for money

In 2014 we worked with the existing Customer Assurance Panel (CAP) to review resident scrutiny arrangements, with a view to developing them to meet Quality Assured scrutiny criteria. This will assist in ensuring that scrutiny is truly resident led, and can recommend clear improvements to the quality, value for money, and accessibility to our services as a result of their activities. Following recruitment, the new ‘Resident Scrutiny Team’ (RST) has been working through an induction and training programme with an independent mentor, including a scrutiny review of Anti -Social Behaviour. It is anticipated that they will generally undertake at least two scrutiny reviews a year.

As an organisation, we are working towards obtaining resident involvement accreditation with Tenant Participation Advisory Service (TPAS). Part of this process has involved developing a new Resident Involvement strategy, which includes some changes and additions to our involvement structures, including, for example, an enhanced approach to tenants being able to monitor performance.

In addition, the existing 'Continuous improvement groups' –soon to be called 'Customer Interest Teams' will continue, as project teams of residents and staff, to review services, including value for money.

Our Purpose

To be a leading housing provider

During 2012/13, we asked residents and other stakeholders for their views on what PCH's priorities and activities should be over the next five years, as we come to the end of delivering on our transfer promises.

Using these priorities, the Board agreed one purpose, three desired outcomes and nine strategic objectives. Our objectives are supported by a series of activities, which combine to deliver our overall purpose of being a leading housing provider.

Our five-year plan, which can be seen below at-a-glance, will ensure we deliver for our residents and our city in what will continue to be a tough economic and social environment.

Our agenda, in summary over the five years is about:

- Transforming the experience of the way our customers engage with us and we engage with them
- Building new affordable homes for Plymouth

- Improving the energy efficiency and kerb appeal of the stock
- Working with partners to improve the general health and well-being of our residents
- Ensuring we have a strong financial base to achieve our ambitions.

An assessment of our business effectiveness against our objectives.

Business effectiveness is about delivering our purpose of being a leading housing provider, whilst making best use of our assets in a cost effective, environmentally friendly, customer focused and efficient way. It is integral to all that we do. The following model, reproduced here from our 2013-18 BusinessPlan demonstrates how we deliver business effectiveness.

We also have three overarching strands which are kept in balance, these are:

Financial - Seeking to optimise the financial return on our assets both in terms of income and capital gains by growing income, controlling costs and investing in and sometimes selling our assets.

Social - We are concerned with the wider context of value for money in terms of social value and community impact. That is how we can have a positive impact on all residents of Plymouth and how we can play a role in supporting local businesses. Our key measure is residents' customer satisfaction and how well we are achieving our social objectives.

Environmental - Our approach to value for money will also consider our effect on the environment. This is not only about the way we make our organisation environmentally sustainable but also the important role we have in helping our residents to reduce their environmental impact and therefore the cost of running their homes. We measure this using SAP ratings on our homes and energy and carbon savings.

Our proudest moments of 2014/15

We've picked out just a handful of achievements from last year to show our best value for money work. There are lots more examples in each of the following sections, but if you read nothing else, these are our highlights.

Making the best use of our assets and added environmental value:

- We have achieved 100% compliance with Decent Homes Standards in November ahead of our planned completion date of March 2015.
- Our average energy efficiency (SAP) has improved from 69 to 71 through the decent homes work, installing photo voltaic panels on 13% of our homes, and installing external wall insulation on 3,408 of our homes.
- We have increased the net present value of our assets by over 1.5 times since transfer with 637 properties being taken out of negative net present value.

Achieving added social value:

- We invested £0.8m into 64 projects to improve our neighbourhoods by providing, for example, a community facility, a roof garden, improved security or tree planting.
- 88% of our customers said they were satisfied with services overall, this places us in the middle/upper quartile of our peer group.
- 82% of our customers were satisfied with the outcome of their Anti-Social behaviour complaint, an improvement on the previous year.
- We provided Learn for Free training places including budgeting, IT, certified courses such as first aid, food hygiene, customer service and care and places at work clubs.

Achieving added financial value:

- We achieved the best arrears figures since transfer at 1.8% along with the lowest level of evictions putting us in the top quartile.
- We are in the top quartile for both rent arrears and rent loss due to voids as % rent due.
- We have the lowest social rents in Plymouth and 3rd lowest nationally.
- We achieved a surplus whilst fulfilling all our transfer promises across PCH ahead of schedule.

External recognition

- We have won a number of awards including Health & Safety 'Sword of Honour'; Investors In People silver award; Two Ticks Disability reaccreditation, ISO 14001 and environmental sustainability certification all of which provide external credibility to our self-assessment.

All these examples demonstrate that we provide business effectiveness – it means our tenants live in better, more energy efficient homes benefiting them financially and giving them a better quality of life. It means fewer repairs and increased property values which means better borrowing to develop more homes. It also means that we have added value for our tenants by improving the quality of the environment in which they live. This has improved our reputation and our competitive position as a leading housing provider.

We are proud of our achievements but we know we can do more.

- We built 203 new affordable homes in North Prospect but we want to develop more new homes. However in light of the recent budget announcements and changes in legislation limiting how much rent we can charge, coupled with having the lowest rents in Plymouth and one of the lowest in the country, we will need to review our ambitions.

- We had hoped to install more PV panels but it took longer than anticipated to gain approval from the electricity District Network Operator resulting in delays.

- Our tenants' STAR survey showed that their satisfaction with neighbourhoods at 83% means we are in the lowest quartile and residents felt they were not being listened to so we've reviewed our plans (reflected within 'Our Customers' objective).

Overall judgement

Throughout this report you will see what we call 'heat maps' which are designed to give you a quick visual assessment of the delivery of quality and cost for each objective or service. It seems only right that we provide a judgement of our overall performance in the same way.

Based on the scores derived from all the heat maps throughout this statement we believe we are medium cost and quality and plan to be remain so in 2015/16.

STRATEGIC ASSET MANAGEMENT

An essential part of business effectiveness is how we manage our assets.
Our physical assets include:

- Social = Homes
- Corporate = Offices, Fleet, IT Equipment
- Social Commercial = Commercial Shops, Manufacturing Equipment, Photovoltaic Panels

We assess our performance as medium high cost and quality good.

SOCIAL ASSETS

The main social assets are our homes. They are the core driver of our business for financial, social and environmental purposes and have the biggest impact on our customers' health and wellbeing.

Assessing our homes

We have continued to assess our stock using our Asset Management Appraisal Tool, updating information following programmed works and new survey data provided by Savills in an updated stock condition survey. This has enabled us to interrogate the overall performance of our homes to ensure that we make the right decisions about investment and retention in line with our business plan objectives and that our actions improve the service we provide to our customers. Further information is provided in Objective 2 'Our Homes'

We have continued with our ambitious programme of regeneration within the North Prospect Estate during 2014/15 and have delivered both new build development and full refurbishment programmes.

The appraisal tool compares each of our properties across all of PCH and provides scores for social, environmental and financial factors. Within each factor there are four criteria, each scored from 1 (good) to 5 (poor), giving a maximum/worst score for each home of 60.

By combining all the scores our stock has the following averages:

Table 1: Appraisal Evaluation for 2014/15

Factor	Social		Environmental		Financial		Total	
Criteria	Performance linked to feedback provided by Homes & Neighbourhoods in respect to resident satisfaction and anti-social behaviour, also with an assessment of popularity in respect to turnover and demand for the properties.		Performance considering the type of construction and age of the homes, the energy efficiency (SAP) and future investment requirements.		Performance reviewing the costs of management and maintenance of the property on a day to day basis and over the long term, the level rent against its value and financial worth in use, measured by net present value (NPV).		Maximum total score is 60 (worst) and Minimum score is 12 (best).	
Year	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Avg Score (Max 20)	11	10	12	12	10	10	33	32
Key Stat (Avg)	Tenancy turnover per property = 2.6	Tenancy turnover per property = 2.9	Energy Efficiency SAP = 69	Energy Efficiency SAP = 71	Worth in use NPV = £15k	Worth in use NPV = £24k		

Evaluation process

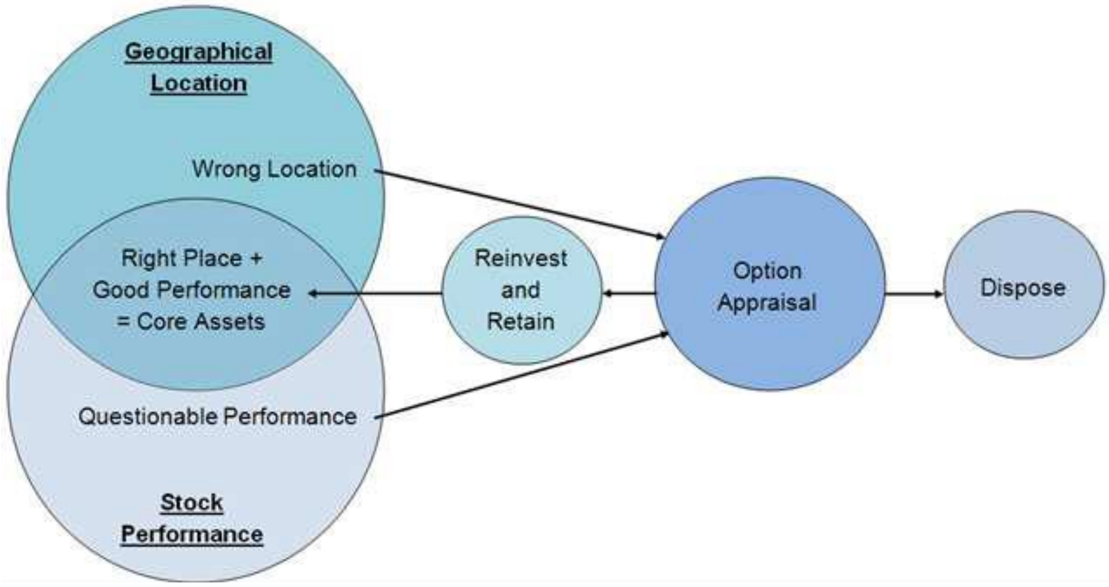
The appraisal tool has enabled us to identify both individual properties and types of property (due to design elements) that are 'poor performers'. When these properties become void an in depth option appraisal and community impact assessment is undertaken. This considers the property in terms of its economic, social and environmental performance and includes the wider factors that may be pertinent in the locality in which the property sits i.e. transport, proximity to services etc. This informs our decisions as to whether the property should be retained with investment, undergo a change of use or be disposed of to generate capital for reinvestment.

We originally identified within our stock approximately 520 homes which have sufficient issues to warrant this type of option appraisal which includes:

- The 41 overall poorest performing homes from the appraisal tool evaluation
- 430 homes of non-traditional construction which we expect to require significant major works in future years.
- 49 homes which are isolated from our main estates and do not form part of our core stock.

In 2014/15, following the evaluation and option appraisal process we achieved two open market disposal sales which generated over £300k of capital receipt bring the total number of properties to 13 with receipts of £1.2m and we have a further 7 properties in the sales process with a total estimated value in excess of £680k.

The properties go through the process illustrated below:



We then use the sale proceeds to support the development of new homes within our planned development programme to improve on the quality and range of the housing we provide to our customers. We aim to dispose of approximately 50 properties over a seven year period through our usual voids turnover position.

Energy efficiency

Improvement measures

With high fuel costs and fuel poverty continuing to be real problem for many people we are very aware of the importance of our energy efficiency measures to help residents sustain tenancies.

In 2014/15 we continued to invest in energy efficiency programmes that aim to both protect our residents and our assets including:

- Completing the upgrading of single to double glazing to all our properties that are not a Listed Building or in a Conservation Area
- Fitting 'A' Rated Boilers with a 10 year warranty as a standard
- Fitting external wall insulation (EWI) for 'hard to treat' properties through an Energy Company Obligation (ECO) scheme. This has released approximately £30m of future investment costs from our business plan, supported our drive to reduce fuel poverty amongst residents and increased the average energy efficiency rating of our properties.
- Installing photovoltaic systems (solar panels) to eligible properties

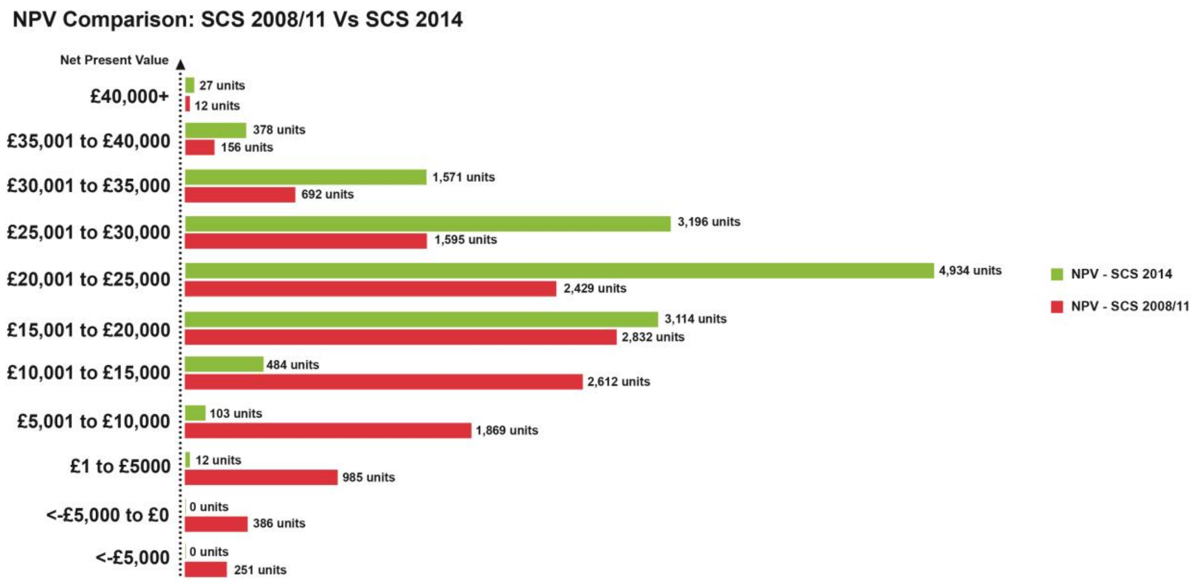
These programmes have increased the average RdSAP (Reduced data Standard Assessment Procedure) commonly understood as an energy efficiency rating (across those properties we have scored) has increased from 69 to 71.

We have installed external wall insulation to 3,318 'hard to treat' properties since the beginning of the programme and estimate that following the installation each household has potential to save c£285 per year on the heating fuel bill saving or across all the beneficiaries c.£950k per year or nearly £29m over the expected lifespan of the installation.

Asset value

In 2014/15 we saw a marked increase in the net present value of our homes, the Stock Condition Survey undertaken by Savills proved that the past 5 year investment programme to meet the Decent Homes standard has not only improved the quality of our homes, but has also significantly improved the overall net present value of our assets.

NPV Data Stock Numbers



The two tables above show the positive change to the Net Present Value (NPV) of our housing stock both in terms of the total numbers and the property type.

The red data bars show the NPV position as per the 2008 stock condition survey at transfer and the green show the position in 2014. Based on our current housing stock excluding the development / regeneration areas of North Prospect and Devonport, there has been an increase in the NPV across our housing portfolio of over £8k per unit from £16k to £24k.

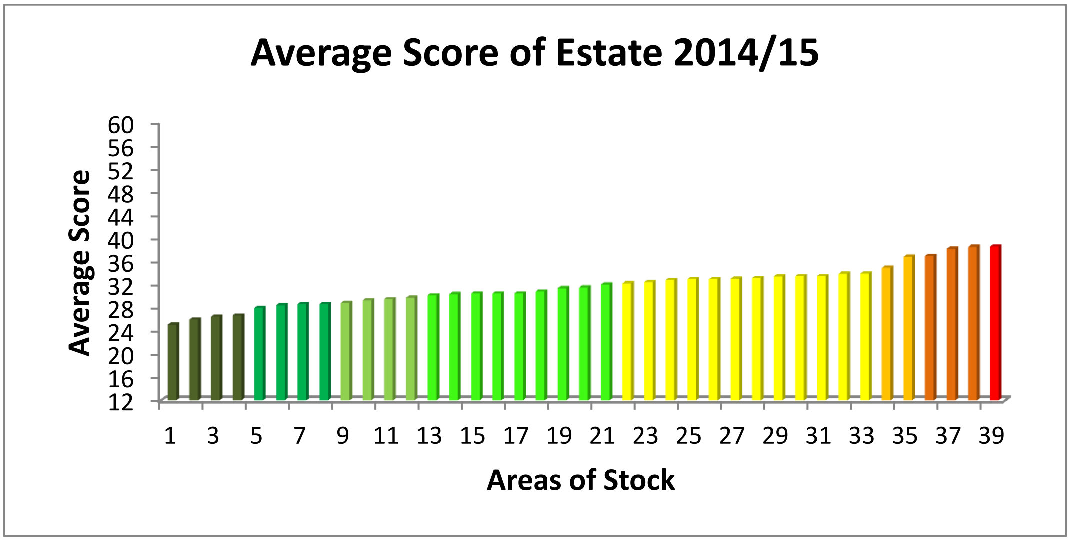
There are now only 788 properties below the original average NPV of £15k (6k in 2008).

Rankings by Estate

The data collection and analysis within the option appraisal tool enables us to rank the properties in a simple traffic light format. We are then also able to drill down and produce reports in a variety of scenarios, such as:

- Property types
- Neighbourhood areas and estates
- Individual streets and each property

Our properties are analysed and compared citywide and the average scores are for those of our stock. The overall aim is to assess the best and worst estates across our entire portfolio so that we can determine future investment lifecycles and costs. The following table shows a graphical representation of the rankings. In terms of the estates in 2014/15 the worst score was 38.5 (2013/14 40.4) and the best was 25.1 (2013/14 24.4). The reason for a slight increase (i.e. was due to the revaluation of the housing management scores and a reduction in demand for these properties.



**Excludes North Prospect properties - demolition and new build properties*

In 2014 we refined the current data held in our option appraisal tool by investing in a new asset management tool, Promaster, which along with the stock condition survey and a review of the social impact scores have improved the accuracy. This model will continue to be refined.

CORPORATE ASSETS

Our corporate assets include: offices, fleet and IT equipment. Our ethos and strategy is ‘invest to save’.

We recently completed our move to our new Headquarters (Plumer House). We have planned efficiencies and we are confident they will be realised. We have closed neighbourhood branch offices around the city and brought nearly all office based staff together under one roof. Two of the area offices have returned to general needs housing for rent and will realise over £300k of future rental income over a 30 year period. Two further area offices will be converted to general needs and we hope to add a further 5 units from these two sites pending planning permission.

We clad our Head Office to make it more energy efficient, introduced recycling throughout, re-used core materials wherever possible and dedicated a ground floor area to tenant use. It is too early to evaluate all the benefits to date but they will become more apparent as the business develops. The top floor of the building is being refurbished and is being marketed to prospective tenants to achieve additional revenue.

Our fleet (PCH vans) supports the repairs and rangers teams operating around the city and is subject to regular review and investment. We have taken on one green fuel vehicle as a pilot.

Since 2009 we have invested £3.8m in IT and it is critical to our transforming customer service objective. The main business aim for IT is to improve customer service, achieve efficiencies and protect assets. There is a strong focus on joining up systems, ‘investing in best’ when needed and enabling flexible mobile working and self-service capabilities. We operate a green system of virtual servers hosted offsite and are increasingly using cloud based systems. Our digital strategy is closely linked to our objectives and we are embracing the opportunities that digitalisation can offer.

SOCIAL COMMERCIAL ASSETS

Our social commercial assets are the shops, manufacturing assets and photovoltaic (PV) panel installations.

We categorise them in this way because the 175 shops are part of our main housing business and used to meet tenants’ needs in our neighbourhoods; the manufacturing assets are owned by PCH and are part of our vertical supply chain management in delivering windows, doors and environmental and renewal works across our homes and estates, whilst our PV installations provide an overall positive Net Present Value over their 20 or 25 year lifecycle.

They all provide a financial return with shops bringing in £1.2m in income per annum. Plymouth Manufacturing Services (PCH subsidiary) has targets to increase profits over the next 3 years as follows:

2015/2016	2016/2017	2017/2018
£142k	£193k	£237k

To date we have installed 1,917 PVs, the programme represents one of the largest in social housing and once complete will lead to over 23% of our properties benefitting from potential electricity savings of £210 per year or lifecycle savings of £4k.
The income generated from government feed in tariffs (FiT) for the PV schemes lasts for 20 to 25 years with a positive NPV of £4.5m. Along with being appraised against a financial return, it has also been assessed against an environmental (from the reduction in carbon footprint) and a social (from the saving in energy bills for tenants). Any changes to the FiT system and cost per Kwh generation are updated within the appraisal model and are notified to PCH's Regeneration and Development Board on a quarterly basis. As the programme is currently in its very early stages, with lower than anticipated levels of delivery and staggered timings of installations throughout the year, there has been a small loss for 2014/15. However, it is planned that this will return to a profit in 2015/16 when a full year's income is realised.

The following table identifies the current predictions.

	At 31/03/2015	Scheme target
Financial investment	£8.1m	£14m
Financial (loss) / profit	(£12k)	£4.5m
Carbon saving	3,744 tonnes	75,000 tonnes
Average household fuel bill reduction	£210 For a year	£4,200 Over life of scheme

An assessment of our business effectiveness against our objectives

Earlier we referred to a heat map reflecting how we scored overall in terms of business effectiveness in delivering our objectives. The following provides a snapshot of where we are on our journey against our objectives, taking account of how we compare against others, costs, efficiency and quality outcomes.

All the objectives contribute to our return of value against financial, social and environmental factors but for simplicity we have categorised the main contribution from the objectives as follows:

Our Homes

Objective 2: We will build more homes and improve our existing stock

We want to provide the right housing, to the right standard, in the right place and at the right cost. To do this we want all of our homes to be of a good, modern standard and we want to develop new affordable homes.

In our last VFM statement, we said that we were medium-high cost and medium-low quality on our regeneration and development. In 2014/15 we believe that whilst the costs have remained broadly the same, the quality is now medium-high. All of our homes now meet the Decent Homes Standard and the quality of our new-build homes is of a very high standard. However in light of the impact of reduced future rents we can only score future quality as fair.

Measures of success

Objective 2:	Actual (Target) 2014	Benchmark 2015	Actual (Target) 2015	(Target) 2016	Financial Social Environmental
Average Investment Options Tool- average score	34	N/A	32	31	FSE
KPI: % of tenants happy with the overall quality of their home	87%	1st	90%	N/A	S
KPI: % of tenants happy with the overall condition of their home	84%	N/A	87%	N/A	S
KPI: % of tenants satisfaction with their new home	96% (95%)	1st	100% (95%)	95%	S
KPI: % of homes meeting the Decent Homes Standard	84% (85%)	N/A	100% (100%)	100%	S
KPI: Increase in number of decent homes	918 (1,313)	N/A	2160	N/A	F
KPI: Number of new homes delivered	65 (124)	N/A	56 (81)	126	FS
KPI: Affordable rent income	£686k (£798k)	N/A	£925k (£1m)	£1.1m	F
Cost per unit of spend on maintaining and improving homes	£4,694	N/A	£3,630 (£4,898)	£2,749	FSE

Note – N/A where benchmarking is not available or targets not yet set.

What we've done in 2014/15

Existing Homes

By November 2014 100% of our stock met Decent Homes Standards ahead of the planned completion date of March 2015 and compared with 41% at transfer. The works are over and above the minimum standard to provide a framework to keep our homes in good condition, safe and energy efficient to support the wellbeing of residents.

- We carried out a new housing stock condition survey in 2014 to ensure we have the most accurate data possible about our housing assets. This provides critically important information to support making the right business decisions and ensuring our properties remain sustainable into the future. We have implemented a new asset Management tool which will help us model various scenarios.
- Our solicitors are currently confirming the titles for all our homes, our land and our commercial properties.
- Since 2011 we have increased customer satisfaction by 12% to 87% in terms of the overall condition of homes.
- We secured funding from the Energy Company Obligation (ECO) in partnership with British Gas to install over 3,000 non-traditional constructed properties with external insulation.
- We invested over £8m to install Photo Voltaic (PV) panels to our properties and have completed nearly 2,000 installations by 2015. We estimate each installation has the potential to deliver over £200 of savings to the householder's fuel cost per year, releasing a total of £12m of disposable income for our communities throughout the product's lifetime across the 3,000 homes fitted.

Development

- We completed 203 new affordable homes by March 2015 as part of our large-scale new-build project in North Prospect including the Beacon Community Hub which provides community facilities including a library and nursery.
- We experienced delays in the delivery of Phase 2.1b North Prospect, due to reasons beyond our control, and as such have not met our target for completions in 2015 and will instead slip to summer 2015.
- We are delivering Phase 2.2 North Prospect, which is on site with Barratt and on target to deliver a further 22 affordable homes by March 2016.
- Funding for Phase 3 North Prospect was secured and Kier Living selected to deliver it starting in early 2016.
- The delivery of 17 units at Ham Drive has been delayed for technical reasons and will now be handed over during the summer of 2015.

What we're going to do in 2015/16

Existing Homes

- We will continue installing solar panels on a further 1,418 roofs bringing the total to 3,335.
- We will continue fitting external wall insulation to hundreds of homes.
- We will continue to develop our new asset management system which will allow us to model various scenarios and work is underway on achieving clean title of our assets.
- We will reduce our high average spend as planned regeneration work decreases, but expect it will remain at a higher level than other Housing Associations as we continue to make choices about the standard of repairs.
- We will complete the refurbishment of 281 homes in North Prospect – bringing them up to standards exceeding that required under the Decent Homes Standard, providing homes far easier to heat and maintain.

Development

- Our medium term goal is to deliver the North Prospect Regeneration project and develop 750 new homes, but over a longer period, 241 plots have already been identified, 141 have received funding approval and will begin on site during 2015/16.
- Funding for Phase 3 North Prospect was secured and Kier Living selected to deliver it starting early next year and is set to deliver 112 new affordable homes and over 50 for open market sale.
- We will continue to build on the success of the North Prospect regeneration and review the delivery of future Phases 4 and 5.
- We are planning to develop at least 8 new build full wheelchair standard homes in partnership with Plymouth City Council to help address a shortage across the city. Although expensive to build they represent a cost-effective use of aids and adaptation budgets compared with retrofitting.
- We will develop 72 unit Passivhaus scheme in Whitleigh (we believe the largest of its kind in the South West.
- We will develop 67 new homes in Southway.

**Subject to a review of plans following the Government's 2015 Emergency Budget*

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Related documents

Key strategies: Asset Management Strategy, Development Regeneration Strategy, Disposal Strategy.

Key stakeholder: Residents, Homes and Communities Agency, Royal Bank of Scotland, The Housing Finance Corporation, Plymouth City Council, Suppliers (Kier Living, Barratt David Wilson Homes, Mi-Space), Staff, Central Government.

Our Finances and Governance

We want to be a strong, open and effective organisation making a difference to people's lives in difficult financial times. Only with a combination of excellent governance and financial structures will we ensure we can continue to deliver high quality services to residents whilst complying with the Regulatory Framework. We have implemented and will continue to fully embrace the principles of co-regulation.

Objective 7: We will ensure our business is strong and financially secure and our governance arrangements provide the highest

Our Value for Money Self-Assessment

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 our management of our assets and both 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 strong through strong governance and financially secure and 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 could improve.

Measures

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

Our strategic approach remains as follows:

1. Raise our social rents to the mid-market social rent for Plymouth.
2. Develop new homes to grow the organisation.
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.

This approach will 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. However, we have had to revisit our business plan in light of the changes in legislation and the recent budget which will constrain our rental income and will adversely affect our development aspirations.

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 carried out significant work on stress testing our Business Plan, putting in place a recovery plan and establishing a framework of 'Golden Rules'.

Understanding and Managing our Assets

a) Measurement of Financial Return on Capital

Our strategic approach to asset management is set out on pages 19-24

In this section we measure the financial return on capital in terms of both Income return (yield)[1] and Capital Return[2]. The most variable part of the calculation is the value of our housing assets which can be measured in several ways for loan, security and other purposes.

We use two valuations that we believe are relevant to our stakeholders and which demonstrate the constraints on the financial return due to the social purposes of our organisation:

1. **Existing Use Value of Social Housing (EUV-SH) assuming voids are re-let:** this valuation is based on homes continuing to be let as social housing and is based on the value of future rent less running costs at today's prices. *This is the value used by most lenders for security purposes.*

2. **Open Market Value** – the value of properties if they were being sold to any buyer. *This is what a private home owner would normally consider to be the value of their home*

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[1] Net income before interest costs / (divided by) the value of the housing assets.
[2] The increase in value of housing assets / (divided by) the investment in housing assets.

Our summary results are:

Yield – net income/housing assets.	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
EUV-SH (voids re-let)	32.5%	29.5%	5.7%	-0.6%	0.7%
Open Market Value	2.0%	2.2%	0.7%	-0.2%	0.2%

Capital return – increase in value/investment.	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
EUV-SH (voids re-let)	119.00%	74.27%	123.97%	325.12%	263.39%
OMV	11.31%	-167.38%	9.31%	8.91%	2.09%

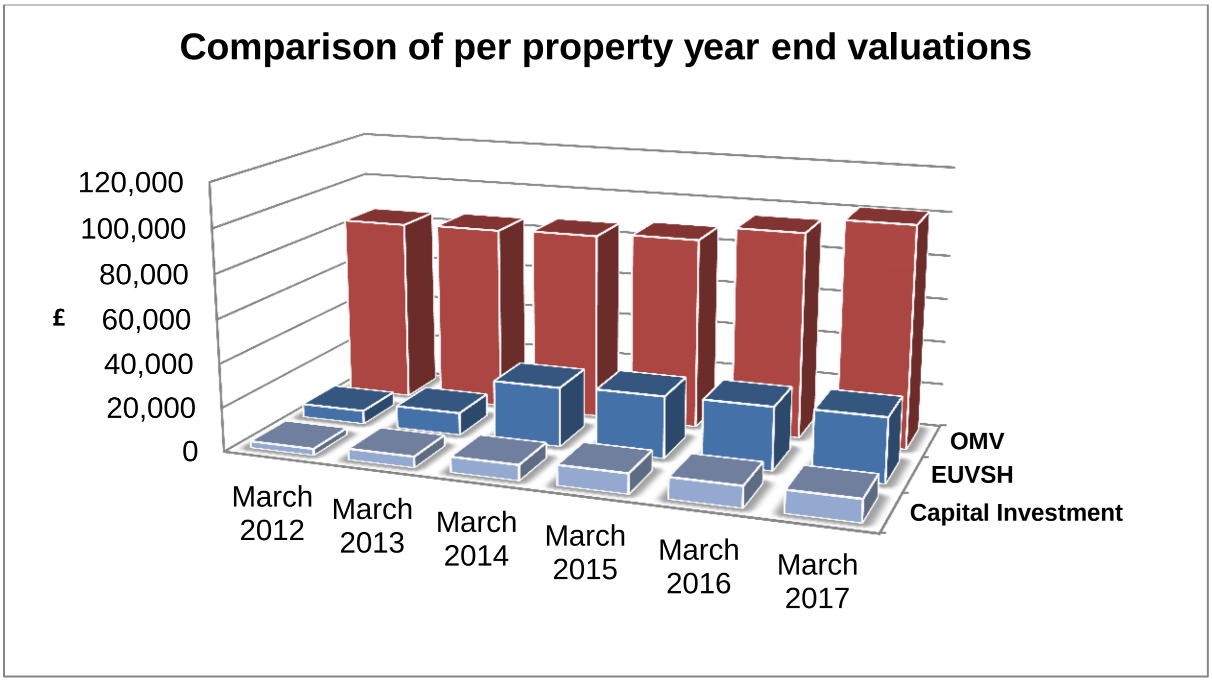
It continues to prove difficult to compare between years and with other housing associations because of the quite exceptional position of PCH since transfer in 2009. That is partly because up to March 2014 we received £125m in gap funding grant from government. This increased our income, and paid for our significant spend on major works to complete our promises to tenants. This was the financial basis underpinning the creation of PCH. In 2014 we continued to meet our promises, but no longer received gap funding, hence the negative yield in 2014. In 2015 we are particularly proud that we completed our promises and achieved a positive yield.

Now that our promises to residents are complete then the business plan forecasts the income return on EUV-SH (voids re-let) to be closer to 4% by March 2016.

The Open Market Value is vulnerable to fluctuations in the local economy and housing market and also the reduction in our stock numbers due to Right to Buy sales (227 since transfer) and the properties we have demolished as part of the regeneration at North Prospect and Devonport. This meant that the capital return remained negative until 2015 with the market value now returning to 2011 levels.

The net income return is very low compared with private rental organisations because social housing rents are controlled significantly below market rents. As a social landlord, any surplus we generate is used to invest in our homes and communities in line with our social purpose. This is a fundamental principle of our organisation.

On the other hand EUV-SH capital values for our homes have significantly increased since we transferred in 2009. The average EUV-SH (voids re-let) has increased since March 2010 from nearly £4,000 per property to over £28,000 in March 2015. This is still relatively low compared with other registered providers.



Total Stock Value £m	March 2011 Actual	March 2012 Actual	March 2013 Actual	March 2014 Actual	March 2015 Actual	March 2016 Forecast	March 2017 Forecast
EUV-SH (voids re-let)	82	92	152	397	405	408	413
Open Market Value	1,310	1,235	1,242	1,251	1,254	1,335	1,422
Capital Investment	20	45	75	104	132	137	144

The above tables show that the value of our existing homes will gradually increase in the future. We will have a reduction in transferred stock through Right to Buy and we are planning to develop new homes in North Prospect and an additional 750 new homes elsewhere over the next few years. However this will take longer than we had originally planned. We are also conscious of the increase in Right to Buys, as a result of recent legislation, which will have an impact on future rental streams and potential loss in value of our assets. The projected changes do not allow for the implications of future rent reductions specified in the 2015 emergency budget.

b) Income and Income Protection

- Operational Performance

Capital investment plays a significant part in the increase in values and since 2009 we have invested over £131m. However our gross rents for General Needs properties in March 2014 were the lowest in Plymouth and 3rd lowest in the country compared to other Housing Associations.

	Mar-13	Mar-14	March -15
PCH	**£70.38**	**£70.31**	**£72.83**
Other Plymouth (excluding PCH)	**£79.95**	**£81.76**	
National Position	**7th Lowest**	**3rd Lowest**	
Plymouth position	**Lowest**	**Lowest**	

Estimated average market rent for Plymouth (including service charges) - £144.03 (2013/14) and £161pw for 2014/15 which represents a 12% increase.

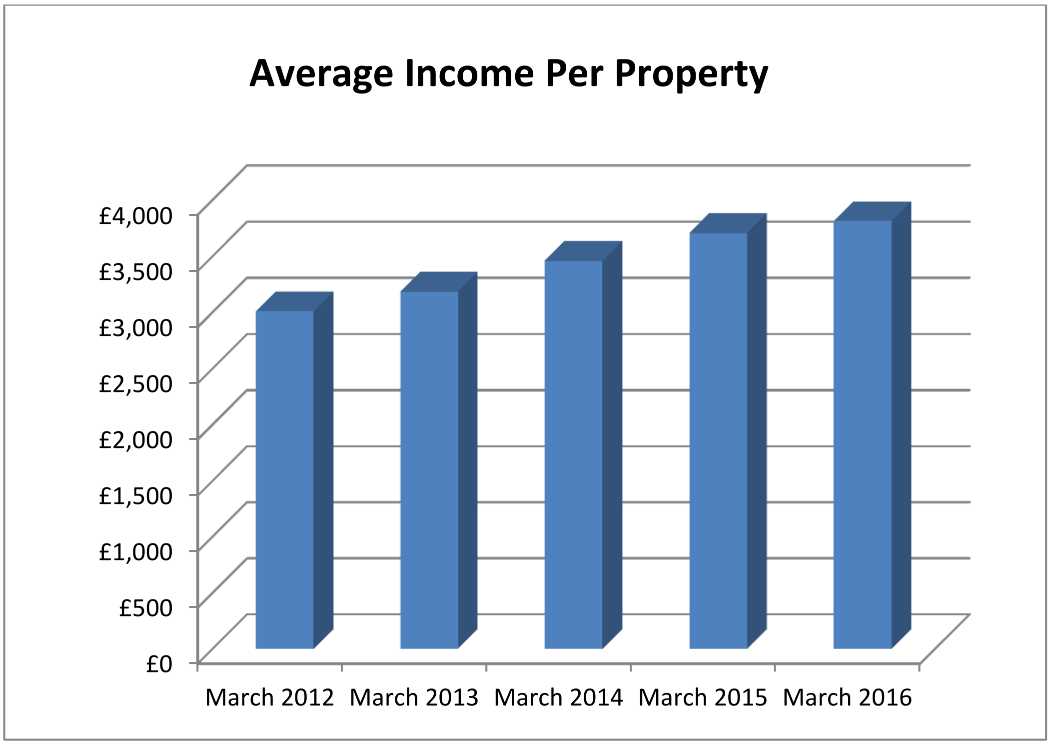
We said last year that in order to meet the challenge presented by this dichotomy, we had firm plans in place to raise rents which are comparable with other housing associations operating in Plymouth in order to support our organisational ambitions. However this will now need to be reviewed in light of the legislation and the recent budget announcement.

- How we set rent levels, charge rent and service charges

The rent is set yearly by the Board, based on the formula rules applied to the social rent sector. In the past this policy sets a target rent based on relative 1999 property valuations and earnings and property size. Since transfer rents have increased annually by an inflationary increase, based on the Retail Price Index +/- ½%, and a move to target uplift of a maximum of £2 per week. An additional tolerance on the target of +/- 5% is allowed.

The national rent policy changed from April 2015. The inflationary increase was based on CPI + 1% and the move to target increase ceased; rents would only move to target on re-let of an empty home. PCH could no longer continue to use the £2 a week to converge to target up to April 2016. The current at target are 2,769. The purpose of which was to generate significant additional income to raise further long term funding to meet our agenda for developing new homes. The 2015 Emergency Budget has now specified that rents will reduce by 1% for each of the next 4 years which means that we will have £20m less income than expected in that period.

The income per property has increased by 23% over the past four years as shown in the following graph:



	March 2012 £'000	March 2013 £'000	March 2014 £'000	March 2015 £'000	March 2016 £'000
Housing income	44,085	46,602	50,473	53,195	54,138

Linked to the above we also have a programme of converting homes to affordable rent (i.e. 80% of market rent) we said we would deliver on 820 by 2015, we achieved 630 and also let 75% of new build homes at this rent to support our new homes development plans. The main reason for not hitting the target was that our policy for selecting void properties for affordable rent was to select only those that will generate a premium of £20 per week above target social rent. There are not enough of these properties and hence we now select those with a premium of £10 or more per week.

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 better charging and reduced costs of services. We now have a system where, over time, residents will pay for the full cost of services. Charges are fair and we can be held to account for the quality of services.

We have controlled service costs through long term energy contracts and introduced a Ranger service which has not only improved the service but significantly reduced costs.

- How we collect rent / income protection

As with all housing associations we are vulnerable to a changing economic and political external environment. We have to adapt our strategies to reflect these and remain relevant.

Welfare reform created a business risk as well as a risk to tenants with the introduction of the spare room subsidy reduction. We invested time and staff to support our tenants and changed our working practices, the result being that we have now got our best arrears figures since we became PCH and this improves the cash flow in the business. We recognise our costs of collection are high compared with others but we think it is worth this investment.

Another area of income protection is our management of void properties - how quickly we let our empty properties to reduce loss of income.

This was the first full year of LEAN working in Voids. This resulted in a cumulative turnaround with significant improvements as shown in the following table:

	2010/11	2011/12	2012/13	2013/14	2014/15
Number of voids properties.	127	158	114	73	64
Terminations (per week)	21	17	16	20	17
Routine Turnaround in days	39.98	34.99	37.43	35.61	17.54

We recognised this as an area which needed work. At 31 March 2013 the number of empty properties available to let was 114 with re-let times at 37.4 days. We reviewed the services during the year using a ‘LEAN systems’ approach. The number outstanding has reduced to 64 and the re-let days down to 17.5 days. We are also reviewing the effectiveness of how we spend money on voids including the standard we want a property to be when it is let. 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 since transfer in 2009:

	Actual				Target
	Mar-12	**Mar-13**	**Mar-14**	**Mar-15**	**Mar-16**
Growth in turnover (excl grant funding)	3%	10%	6%	5%	5%
Current Arrears as % of annual debit	3%	3%	2%	2%	2%
Loss of income from voids	£0.8m	£0.9m	£0.8m	£0.6m	£0.9m
Service charge costs recovery	53%	72%	75%	77%	73%
KPI: % of tenants that think service charges are good value for money	N/A	79%	79%	75%	N/A-
KPI: % of tenants think rents are good value for money	83%	89%	89%	88%	N/A-

Note - N/A – we do not plan to carry out a resident survey in 2016.

We have set income targets for our commercial shops and our subsidiary manufacturing and energy companies. Our shops generated a surplus of £0.85m (2013/14 £0.9m) and our manufacturing subsidiary made a surplus of £109k (2013/14 £13k). PCH Energy incurred a loss of £12k (2013/14 a £6k surplus) mainly as a result of delays in the installation of panels which then meant reduced feed in tariff income.

c). Expenditure and costs

As well as growing income we have worked hard at controlling costs. We had a monetary target to reduce costs within our financial plans at transfer. Our philosophy has been to review services, aiming to deliver high quality services to residents. We believe achieved properly this will lead to efficiencies, although the services may need some increased investment in the first instance and we plan for this.

The group accounts over the past five years show the evidence of our success in the following figures:

	Mar-11	**Mar-12**	**Mar-13**	**Mar-14**	**Mar-15**	**Target March 16**
	£'000	£'000	£'000	£'000	£'000	£'000
Running costs - social housing lettings	30,951	33,100	35,627	36,361	36,514	38,661
Increase/(decrease) in costs		6.50%	7.10%	2.00%	0.42%	5.55%
Major repairs	12,137	18,427	23,131	20,838	18,822	16,347
Increase/(decrease) in costs		34.10%	20.30%	(11%)	(9.67%)	(15.14%)

Running costs - other social housing	3,409	2,502	5,060	4,040	3,546	4,352
Increase/(decrease) in costs		(36.30%)	50.60%	(25.30%)	(12.23%)	18.52%

Between March 2012 and March 2015 income increased by 21%, with running costs increasing by 10% (inflation in period was 9.6%).
Major and cyclical works have been high cost due to the nature of the large scale improvements necessary to all our homes. These costs will reduce significantly in future, although where we need to continue to invest, we will. Unit costs have also been high but the value of this expenditure and the capital element of major works has been the significant increase in the number of homes meeting the decent homes standard.

In 2014 we signed a contract with British Gas to undertake the External Wall Insulation works. Over the life of our financial model we have removed over £30m of costs for work that is being undertaken by British Gas. This is a huge future saving creating financial capacity which helps protect the long term viability of the organisation as well as allowing investment in projects to sustain our homes, including investment in PV panels.

The main indicators to show if we are providing cost value for money are the total cost per property figures (£):

	2011		2012		2013		2014	
Housemark results - Total cost per property:	**Actual**	**Quartile**	**Actual**	**Quartile**	**Actual**	**Quartile**	**Actual**	**Quartile**
Housing management	381		427		449		435	
Responsive repairs and voids	808		710		796		771	
Major works and cyclical	2,304		3,285		4,055		3,718	

Our assessment based on what we said we would do and what we are aiming to do is as follows with the self-assessment heat maps and direction of travel for responsive repairs and for voids.

Responsive Repairs

Our repairs are high quality, based on high customer satisfaction and the costs are in the second quartile.

Voids and Lettings

Voids and Lettings

Our LEAN project for voids has resulted in reduced re-let times and subsequent reduction in void loss of income from voids of over £200k. Due to the success of the LEAN review in voids we intend to carry out a similar review in the coming year for repairs.

Housing management costs remain high compared with our benchmarks. This is because of the high initial investment– in order to meet the very high expectations of customers at transfer. We did a full review of the service which resulted in an increase in the base line costs by around £225k. We have seen an improvement in satisfaction with the service, as demonstrated by the customer satisfaction results of the STAR survey over the last few years. The STAR survey undertaken in 2014 showed further improvements in customer satisfaction with repairs and maintenance and overall quality and condition of their home. Satisfaction with the services provided by landlord stayed at 88%). Satisfaction with our neighbourhood was disappointing and we are now working with those customers to understand why.

STAR survey results:	**2011**		**2013**		**2014**	
Satisfaction with overall quality of their home	77%		87%		90%	
Satisfaction with overall condition of their home	72%	N/A	84%	N/A	87%	N/A
Satisfaction with the repairs and maintenance service	81%		85%		87%	
Satisfaction with the services provided by landlord*	82%		88%*		88%	

***** Housemark national comparator. Where N/A no comparator.

What we've done

Governance

- We achieved a British Safety Council Five Star Occupational Health and Safety rating.
- We restructured our Executive Management Team to ensure cost effectiveness.
- We achieved the highest rating from the HCA for our Governance.
- We undertook a thorough review of the skills required by our Board to ensure that it is well placed to govern the organisation. Linked to this was a review of Board effectiveness. Both reviews concluded that the current arrangements are good, but it

is important that we ensure our governance arrangements continue to develop so we continue to benefit from effective leadership.

- We revised the Board and committee structure to ensure we support our priorities over the next few years.
- We implemented a new Board pay and performance policy.
- We recruited new people with additional skills to our Board to further strengthen its effectiveness. We are working with a group of prospective tenant board members, on a pre-selection programme, with a view to filling the existing tenant board member vacancy.
- We completed a review of resident scrutiny arrangements, which involved a team of residents developing new terms of reference and associated documentation, prior to recruiting the new Resident Scrutiny Team which aims to undertake two scrutiny reviews in 2015/16.
- Our Strategic Risk Register is mapped directly to our Business Plan and monitored in the context of respective key performance indicators. This ensures effective management of operational and strategic risks to make the best use of assets, improve delivery mechanisms and enable effective business practices impacting our overall ability to successfully deliver our strategic objectives.
- We completed regular reviews of our risks through both a risk management programme and a risk-based internal audit programme, which promotes transparency and provides assurance on the effective, efficient and economic delivery of our objectives to both our internal and external stakeholders.

FINANCE

Service Reviews

We have carried out Service reviews as part of ensuring that the business remains strong and financially secure, we have reallocated our resources to ensure we meet our objectives. We also carry out reviews on areas identified as costly or of poor quality. Main examples of Value for Money gains currently are shown in the following table:

Main Examples of Value for Money Gains:

Service	Predicted Annual Saving £000's	Cumulative to 31 March 2015 £000's	Potential lifetime savings £m	Quality of service
Previous year's total savings:	3,233	4,734	45	These included reviews for repairs, environmental service, anti-social behaviour, cash collection, sheltered housing and also ECO cladding of homes.
Stationery and printing	24	24	0.42	Centralised ordering has reduced costs, and 'follow me' printing has reduced waste paper and costs.
Vacant property (void) management review	200	200	3.4	Improved times to relet a property, resulting in reduced rent loss and better service to people waiting for accommodation.
Procurement savings	767	23,318	N/A	See below

Procurement savings include gains and cost avoidance – money we have saved from getting a good price through our procurement process. Our procurement strategy has also helped to achieve improved levels of service.

The current reviews underway include:

- A programme of service charge reviews including benchmarking, consulting with residents on current levels and changes to services.
- Fleet management – we carried out a review and will be introducing trackers for our vehicles in 2015/16.
- Resident involvement – aiming to provide a better service for the same cost.
- Out of hours on call service review
- LEAN review of repairs service and new IT system for repairs and voids – aiming to streamline working practices
- Customer 'First Contact' review **-** the aim of which is to improve our customers' experience by enabling the contact centre to deal with the majority of enquiries first time and handling the calls once.
- Adaptations processes with a view to streamlining delivery and improving services
- Minor works processes, with a view to streamlining delivery

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Related information

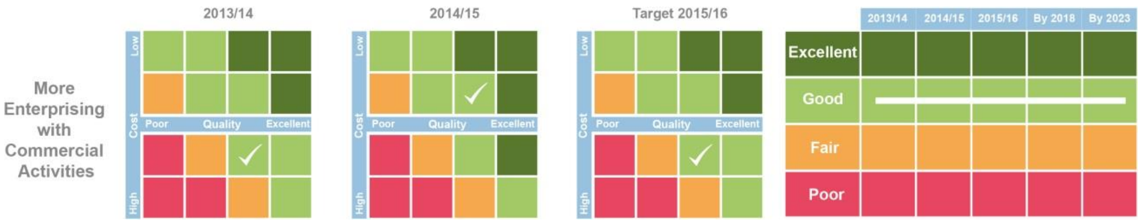
Key strategy – VFM Strategy, Treasury Management Strategy, Risk Management Strategy

Key stakeholders – Residents, RBS, THFC, Suppliers, Staff, Plymouth City Council, Central Government, HCA

Our Creativity

Objective 8: We will be enterprising and invest surpluses in our communities

We embrace a social enterprise model by investing all our surpluses directly back into our work transforming homes and communities across the city. Any profits are used to impact the lives of our residents directly.



We've been successful in the majority of our efforts to achieve income streams and reinvest profits to improve the lives of Plymouth people and as such have judged that we provide a medium cost and quality. We have a successful portfolio of commercial shop lettings across Plymouth, a manufacturing company and solar panels on some of our homes which provide an income to PCH.

Measures

Objective 8:	Actual (Target) 2014	Actual (Target) 2015	(Target) 2016	Financial Social Environmental
Total surplus made from our manufacturing activities	£13,000 (£48,000)	£109,000 (£137,000)	£142,000	F
Income from our shops	£875,000 (£729,000)	£757,000 (£761,000)	£910,000	F
Surplus / (Deficit) on PCH Energy	£6,000 (£15,900)	£12,000 (0.3m)	£388,000	E

What we've done

Manufacturing Service

- We created five year business and marketing plans for our Manufacturing Service to enable us to branch out into external markets and achieve commercial sales now that our major refurbishment works have been completed.
- We achieved a £109k surplus. This was below the target we had set ourselves as we continue to move from mainly an internal to an external market. What we did in 2014/15 to work towards this was:
    - Gaining external contracts with a range of organisations including other Registered Providers.

  - Attending various conferences to market our services to other Registered Providers.
  - Achieving CE accreditation in our Metal Fabrication workshop and reaccreditation for our Sign Shop to ensure we comply with EU legal requirements for supplying products to external customers.
  - Upgrading our website to better position the services on offer.
- We reinvested profits generated into the 'Ernemetal' community street art project (highlighted in our Thriving Communities chapter).

PCH Energy Company

- We created the 'PCH Energy Company' to support energy conservation initiatives that benefit our tenants, initially through the installation of photo voltaic (PV) panels on our properties. Along with the installation, we are also responsible for management and maintenance of the panels. We anticipate we will generate future surpluses of around £4.5m, which will be directly reinvested to support our core strategic plan – specifically around delivering sustainability improvements for the city.
- We did not hit our target mainly due to the delays in fitting which then meant that we did not receive the Feed in Tariff income.
- We have invested in delivering energy projects for our communities, for example in 'solar shares' in Plymouth Energy Community and the first dividend pay out for these shares is due in 2015/16. We have nurtured close neighbourhood relations with primary schools through this contract and also through our own PV programme (through PCH Energy Co).

Commercial property portfolio

- We continued to let the majority of our 175 shops to businesses and community organisations with a focus on optimising income and sustaining local communities. The shops are located both in the west end of Plymouth city centre and on our estates throughout Plymouth.
- Shop arrears and the number of empty units remain low. When shops become vacant, they are let quickly.
- We let the majority of space available at the Beacon in North Prospect which comprises a range of leased premises (such as a library, nursery, Sure Start shop, offices and retail) as well as a community hall and meeting rooms that can be booked on an ad hoc basis.

What we're going to do

- We will increase our external commercial activity for Manufacturing Services to achieve surpluses. We will achieve this by:

- marketing Manufacturing Services to Plymouth businesses and businesses in the wider region,
- bidding for large manufacturing and supply contracts for other Registered Providers,
- sponsoring the Business Chamber of Commerce magazine to promote offers to fellow Plymouth businesses,
- undertaking a programme of PR to maximise exposure of the products available to local residents and businesses with the aim of increasing sales,
- continuing to improve the website.

- We will complete the investment in 3,335 PVs by PCH Energy – up to the value of £14m and generating surpluses in the longer term of around £4.5m.
- We will continue to manage our commercial premises portfolio efficiently and effectively.
- We will promote new shops and businesses who lease our commercial premises through our communications channels to support their success.
- We will manage the Beacon in an efficient and effective way to make the best use of commercial opportunities and encourage community use.
- We will let the top floor and south wing of our headquarters, Plumer House, to achieve best value for money and reduce our overheads.

**Subject to a review of plans following the Government's 2015 Emergency Budget*

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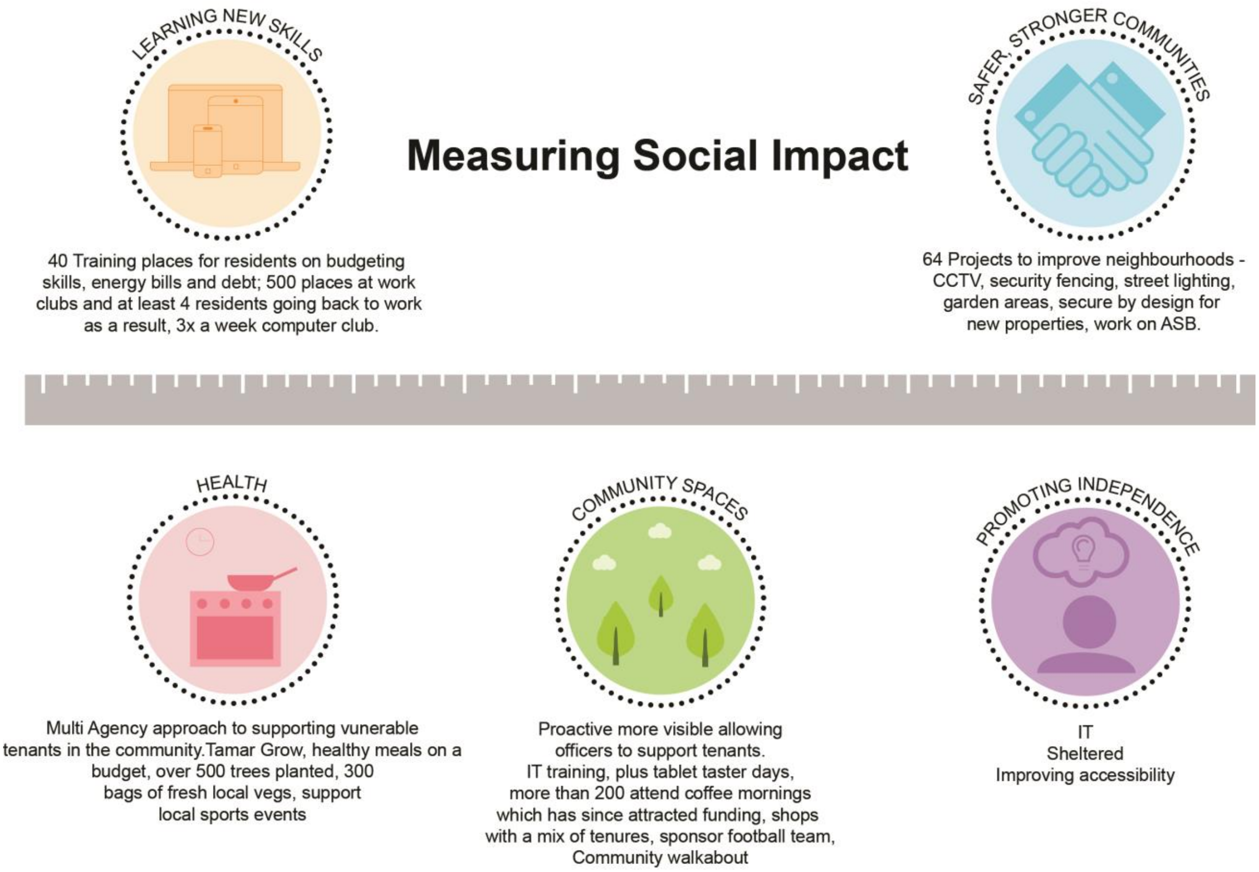
Related information

Key stakeholders – Residents, Plymouth Energy Company, Suppliers, Staff, Our commercial Customers – shops and those purchasing from manufacturing including other housing associations and Plymouth City Council

Social Return – Objectives 3,4,5,6 and 9

We currently measure our social return in terms of how we are performing against our social objectives to achieve the desired outcomes in our business plan. We also measure it by the increase in customer satisfaction both in terms of STAR surveys and the use of before and after questionnaires on resident events and training.

We have started to look into how we can evaluate other benefits arising from our activities. HACT, a charity established by the housing association sector seeks to provide methods to put a value on the additional activities we do over and above providing bricks and mortar. Their model puts a financial value on delivering and quantifying certain community focused activities. We are reviewing this along with other models to find one that works for us. Our current concerns are that its scope is limited largely to community involvement, which is a core part of our business but represents a relatively small part of our spend. However it does provide an objective value to areas such as work based training, healthy living groups and volunteering.
We introduced a Social Value Toolkit for staff that guides procurement decisions towards achieving environmental, social and financial value.



It is possible to provide a financial value of the social return by looking at the difference between the value foregone through charging social and affordable rents rather than charging full market rents. This is best looked at as the difference in value between the full open market value of the homes that are owned by PCH and the value of keeping them in use as a social landlord.
Referring back to page 36 the values of the homes at 31 March 2015 were:

	2013/14 £m	2014/15 £m
Open Market Value	1,251	1,254
Economic Value in Use - Social Housing	397	405
Financial Assessment of Social Value	854	849

Our Neighbourhoods

We are committed to creating spaces where people want to live and feel safe – this means investing in community facilities and improving safety measures by 'designing out' crime. Our business plan said we value and would invest in green spaces and shared areas in agreement with residents to improve the overall quality of our neighbourhoods around our homes.

Objective 3: We will improve the appearance and safety of our neighbourhoods

Our Value for Money Self-Assessment

In our last VFM statement we said that we were operating a medium-high cost and medium service. Over the past year, we have reduced our costs and the quality has remained the same.

Measures of success

Objective 3:	Actual (Target) 2014	Benchmark 2014	Actual (Target) 2015	(Target) 2016	Financial Social Environmental
KPI: Annual spend from the Money Tree Fund	£850k (£1m)	N/A	£815k (£1m)	£0.75m	FSE
KPI: Average score of our community walkabouts (YTD)	86% (80%)	N/A	84.18% (80%)	82%	S
KPI: % of homes with a valid landlord's gas safety check	99.99% (100%)	3rd	99.98% (100%)	100%	F
KPI: % of residents satisfied with the outcome of their anti-social behaviour complaint (YTD)	81.31% (80%)	N/A	82.14% (80%)	80%	S
% of residents satisfied with their neighbourhood as a place to live	87%	4th	82%	N/A	S

Note – N/A = where benchmark is not available

What we've done in 2014/15

- The Money Tree Fund delivered 64 projects to improve the wider neighbourhoods. Residents applied for a share of a pot of money dedicated to improving communities, for example, security fencing, CCTV or creating garden areas (including a roof garden) and planting trees.
- Examples of Money Tree Fund projects included a number in Ernesettle which have radically improved the neighbourhood for everyone:
  - Following extensive resident consultation the area was improved with CCTV, path re-surfacing, street lighting, removal derelict sheds and the development of the SPACE centre in partnership with other organisations to provide a much-needed community facility.
  - Our 'Ernemetal' initiative (ongoing into 2015/16) saw children in the local community design new railings for the shopping parade and work with our Metal Fabrication Shop to bring their creations to life. This gave the children new learning experiences and hopefully foster a sense of pride and ownership in the area.
- We consulted on our revised Anti-social Behaviour Policy following the introduction of the new Anti-social Behaviour, Crime and Policing Act 2014.
- We issued 99.98% of our homes with a valid landlord's gas safety certificate (2 homes did not get tested and are being progressed through tenancy enforcement).
- We continued to seek 'secure by design' on future phases for North Prospect and other new housing projects to minimise crime in our neighbourhoods.
- Staff and residents carried out 'Community Walkabouts' scoring various aspects and identifying areas for improvement for investment or otherwise. Our score was slightly lower than last year but still above target.
- The Community Hub in North Prospect is up and running and includes meeting rooms, a shop, library and a nursery.

What we're going to do in 2015/16

- Over the next two years we plan to reach an assessment of 'low cost, high quality' through more anti-social behaviour prevention works aimed at reducing tenancy management issues and improving the environment.

- We will revise our procedures to ensure that they comply with the new Anti-social Behaviour, Crime and Policing Act 2014.

- We will continue to provide the 'Money Tree' fund which currently has a further 23 projects in the pipeline for 2015/16. The overall fund available up to 2019 is £10m of which £5.5m remains for future years.

- We will agree our block refurbishment programme for 2015/16 which will impact residents' perceptions of their estate.

- We will review our Community Walkabouts process over the next two years.

**Subject to a review of plans following the Government's 2015 Emergency Budget*

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Related information

Key strategies / Policies: Anti-Social Behaviour policy, Money Tree Fund Policy, Community Walkabouts

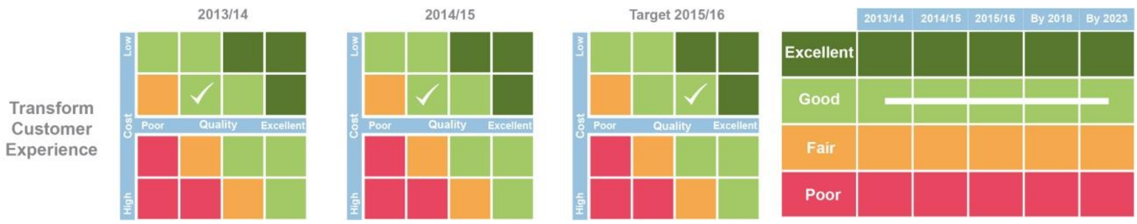
Key stakeholders – Residents, PCH Staff, Plymouth City Council, Devon and Cornwall Police, Devon and Somerset Fire and Rescue Service.

Objective 4: We will transform our customer experience

Our Customers

We value the choice people make to become one of our residents and firmly believe they deserve excellent customer service in return. This is the same as for 2014/15 although we are making good progress with our plans to make it easier for customers to talk to us.

Our Value for Money Self-Assessment



Measures

Objective 4:	Actual (Target) 2014	Benchmark 2014	Actual (Target) 2015	(Target) 2016	Financial Social Environmental
KPI: Number of new complaints received	447 (400)	N/A	298 (400)	N/A	S
KPI: % of residents satisfied with the repairs service (Transactional Survey)	95.2% (95%)	1st	95.72% (95%)	95%	S
KPI: % of residents satisfied with major works	95.97% (95%)	N/A	94.59% (95%)	95%	S
KPI: % of residents satisfied with services overall	88%	3rd	88%	N/A	S
Cost per home on resident involvement	£46.68 (£44.72)	N/A	£46.30 (£43.58)	N/A	S

Note – Based on quartile. N/A = where benchmarks not available

What we've done

- We said in our last VFM statement that we would look to see how we could improve the customers' experience for our residents. Our recent customer satisfaction survey in 2014 showed a reduction in 'listening to resident views and acting on them'. We are confident that the actions we have taken will help to improve our customer satisfaction in the long-term.

- We opened a new customer service centre at Plumer House this was to replace the local areas offices and offers enhanced service for residents. Plumer provides accessible face-to-face customer service and training facilities for schemes including the Learn for Free for residents.

- We rolled out mobile working to enable Housing Officers to work more closely with customers within their own communities.

- The STAR customer satisfaction survey highlighted that customers do not feel that they are listened to. As a result we are reviewing how we measure customer satisfaction and an organisational approach is in development. We have embarked on the 'first contact' project to improve our customer experience by enabling the contact centre to deal with the majority of enquiries first time, handling calls only once. A "call back" system is in place to gather complaints handling feedback to use for future service improvements, and to assist in reviewing customer satisfaction questionnaires and approaches being taken to this.

- We consulted with residents and staff to create a new draft complaints policy.

- We rolled out Mary Gober Customer Service Training to new staff and ran an Embedding and Sustainability session for managers.

- We trained two customer service staff to respond to customer queries via social media, opening up a new convenient channel for customer contact and responding to customer demand. Our audience base stands at over 1,000 for both Twitter and Facebook (2,000+ total) and continues to grow.

- We recruited two Contact Centre Adviser Apprentices who are undertaking their NVQ2 in Customer Service in the coming year.

- Under Equality and Diversity we achieved "Gold" accreditation in April 2014 which is now embedded throughout the organisation with 11 Ambassadors in place. All policies are accompanied by an Equality Impact Assessment to prevent discrimination and are scrutinised in relation to consultation with residents. We became members of the Dementia Action Alliance and have committed to becoming a "Dementia Friendly Organisation".

- We continued to work with the Tenant Participation Advisory Service (TPAS) towards achieving accreditation in Resident Involvement and 500 staff have received awareness raising training. We developed a draft resident involvement strategy, a new menu of involvement and have supported all our residents groups through a review of their needs. We created a new Resident Scrutiny Team, made up of residents and leaseholders, and are providing them with training and guidance so they can assess what we do and make recommendations, including on VFM.

- We helped 84 customers to downsize or transfer homes, largely as a result of our Welfare Reform agenda to ensure we support residents in making sound financial decisions which achieve sustainable tenancies and their wellbeing.
- We completed a 'Lean' review of our Voids Service and properties are now ready on average within 18 days resulting in people being housed more quickly and fewer days of lost rental income equating to approx. £280,000 per year. Satisfaction with our voids and re-letting service is high as customers know when they can expect to move and have all paperwork in place on that date. Sign up takes place in the property, along with uncapping gas and heating demonstrations to reduce the number of visits required by staff and make the experience better for customers.

What we're going to do in 2015/16

- The 'first contact' project continues so that we achieve our ambition for customer service excellence. The key outcomes planned are:
    - We will upgrade our telephony software, introducing Caller Line Identification. With effect from 1/7/2015 OFCOM require all calls to 0800 and 0808 numbers to be free from mobiles. This will support future rationalisation of PCH contact numbers for residents.
    - Customers can currently report a repair online and make rent payments through the allPay application. We intend to review and implement improved accessibility by providing Self Service options where feasible.
    - We are implementing a 'Lean' approach to our Repairs Service which links to regulatory compliance and a reduction in costs. This requires having a CRM (Customer Relation Management) System able to make customer information and other key data available to the staff across the business.
- We will be finalising the draft complaints policy.
- We are signing up to the Chartered Institute of Housing Equality Charter.

**Subject to a review of plans following the Government's 2015 Emergency Budget*

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Related information

Key strategy – PCH Business Plan

Key stakeholders – Customers, PCH Staff, Plymouth City Council, our suppliers

Objective 5: We will work with residents and other agencies to help our communities thrive

Our Communities

We care about our residents and our communities. To help ensure they thrive, we have focussed on three key themes: worklessness, digital inclusion and financial education.

Welfare Reform has continued to be a key risk and has a significant impact on residents and communities, with further roll-out of Universal Credit scheduled in Plymouth for 2016. We have worked hard to manage changing incomes for individuals and communities and to reduce the risk to PCH.

Our value for money self-assessment

Although our work is having a positive impact on our residents' lives, we are aware it is relatively costly. The quality of resident involvement is medium because residents are mostly satisfied that we listen and act upon their views. But there has been a slight reduction in our position according to our 2014 Star survey. The cost is high as we continue to invest in an area that we consider generates significant social value and supports financial inclusion.

Measures

Objective 5:	Actual (Target) 2014	Benchmark 2014	Actual (Target) 2015	(Target) 2016	Financial Social Environmental
KPI: Current tenant arrears as a percentage of annual debt	2.04% (2.83%)	1st	1.73% (2%)	2.00%	F
KPI: % of income lost due to vacant properties	1.21% (0.9%)	1st	0.51% (0.9%)	0.90%	F
KPI: % of income collection	100.41% (100%)	N/A	101%	100%	F
KPI: % of new tenancies sustained after 2 years	98.64% (95%)	N/A	95.94 (95%)	95.00%	F/S

Note – Based on quartile. N/A = where benchmarks not available

What we've done in 2014/15

- We achieved 1.73% rent arrears.

- Evictions due to rent arrears were halved in year, meaning tenants are able to stay in their homes.

- We have entered into partnership and secured funding from:

	£
Stepping Stones to Nature and Natural connections for planting fruit trees	4,000
Senior Net for IT in Housing with support Communal areas	5,000
GetITTogether for computer clubs and hardware.	6,000

- We provided more than 78 training places for residents about budgeting skills, including information about energy bills and debt.
- We worked with partners including Plymouth Energy Community, Citizens Advice Bureaux and Wi£er Wonger to provide access to financial advice.

- We have provided Learn For Free training places to residents including certificated courses in first aid, food hygiene, an introduction to care and an introduction to customer services. Average satisfaction with training was 95%.

- We supported more places at work clubs in priority neighbourhoods, assisting residents into paid work, voluntary work and further training. At least 12 residents have returned to work as a result of help at work clubs. The average cost to PCH of supporting work clubs is £41 a month and takes between 3 and 8 hours a week of staff time.

- Working with the Council we provided weekly outreach sessions in West Park.

- Our commercial property portfolio has seen vacancy rates drop to less than 5% during 2014/15 increasing income and helping neighbourhoods thrive.

- Our small units held in partnership with YMCA and Barefoot in Ernesettle have provided a strong base for development and partnership work alongside the physical improvements we've made to shops and homes in the area. Three youth workers now operate out of the units and more than 200 residents visited our coffee-morning. This has since attracted funding so that it can continue to thrive.

- We've let the majority of commercial space within The Beacon Community Hub in North Prospect to tenants, including Plymouth Community Heathcare, Plymouth City Council, Costcutter and a nursery. It is also well used by community groups.

- Since July 2014 we've provided more than 250 hours of one to one IT tuition for residents, 24 residents have completed 6 week IT courses and more than 88 individual residents have been provided with IT training.

- We delivered tablet 'taster day' course places to more than 26 residents.

- Our Plumer House computer club runs three times a week and has become a popular place. Listen to Mary and Jean talking about their experience.
- Worked to address food poverty by improving food knowledge and supporting food growing in neighbourhoods. We planted more than 500 fruit trees, provided more than 50 free ‘healthy meals on a budget’ training places, and supplied more than 200 bags of fresh local vegetables.
- We supported community cohesion events and projects, including sponsoring HOPE Football Club, which works with young people from all backgrounds to promote inclusion in the city. The Manager won an award for this work.

What we’re going to do in 2015/16

- We will look to achieve TPAS accreditation in Resident Involvement.
- We will adopt the new Resident Involvement Strategy and begin implementation.
- We will remain top quartile for rent arrears performance and income collection.
- We will increase digital inclusion work getting 100 new people online.
- We will widen the reach of our digital inclusion work to communities/neighbourhoods and anticipate attracting £20,000 external funding from the joint-funded Get It Together project and Citizens Online.

Related information

Key strategy – Resident Involvement Strategy (draft as at February 2015)

Key stakeholders – Residents, Plymouth City Council, Shekinah Mission, Peninsula Medical School, Police and Fire Service, Credit Union, Plymouth Community Healthcare, Community groups, the voluntary community sector, Job Centre Plus, Citizens Online, Plymouth Energy Community, Citizens Advice Bureaux.

Objective 6: We will work in partnership with other organisations to reduce worklessness and contribute to the city’s growth agenda

Our City

We are a major business in the city and have adopted a social enterprise model, meaning we invest in and support Plymouth wherever possible. We do this through employment, apprenticeships, procurement and supporting residents in to work.

We achieved all we set out to do in our last VFM statement and based on our benchmarking information and comparators, we judge that we provide a good quality/good cost service.

Our value for money self-assessment

Our strategy and procurement processes ensure we 'stay local' wherever we can, including social enterprises. We also look at the social value we can bring from awarding contracts using our social value tool kit.

Measures of success

Objective 6:	Actual (Target) 2014	Actual (Target) 2015	(Target) 2016	Financial Social Environmental
KPI: Number of commercial shops vacant for 3+ months	1 (3)	1 (3)	5	F
KPI: Amount spent on goods, services and works with businesses in the Plymouth postcode area	£29m (28m)	£35m (40m)	£40m	F,S
KPI: % of 'Learn for Free' course places taken up by residents	71.7% (60%)	70% (60%)	70%	S

Note - there are no benchmarking and targets are not yet available.

What we've done in 2014/15

Worklessness

- We continued to reduce barriers to local employment opportunities for our residents by facilitating five work clubs in our priority neighbourhoods.
- We delivered free training places for our residents up until January 2015 of which a high proportion related to worklessness.
- We further strengthened our links with local schools and colleges to promote PCH as an employer of choice by maintaining our regular programme of attending school careers fairs.
- We took an active part in the City's Skills Aid Program intended to raise the aspirations of young people in challenging circumstances by running a 1 day event as part of a 12 month programme.
- A member of staff is a Governor at the local school in North Prospect (Mayflower) the site of our major regeneration work and many of our tenants.

- We had 12 apprentices working for PCH and as part of procurement activity many of our contractors also have apprentices.
- We maintained strong working links and gained an award for partnership working with City College Plymouth and for 'Training Course of the Year' which we created jointly with City College Plymouth.
- We created two media placement positions in the IT department to deliver a cost effective means of producing video content as well as providing a young person with the opportunity to gain valuable work experience.

Procurement

- We invested £35M in the local economy.
- We are now working on new terms of reference to kick start joint working in Plymouth, with private and public companies in the future.
- We introduced a social value toolkit which has resulted in our daily business having a positive impact on our communities. One of our high value contractors donated sinks, toilets and disabled adaptation packs for a local community centre.
- We are active members of the Plymouth Social Enterprise Network, the National Housing Federation South West Forum and the National Housing Federation South Enterprise Hub.
- We supported social enterprises through discounted commercial property rates.

What we're going to do in 2015/16

Worklessness

- We will continue to reduce barriers to local employment opportunities for our residents by supporting 500 free places at work clubs in priority neighbourhoods.
- We will deliver 500 free training places for our residents, half of which will be related to worklessness.
- We will further strengthen our links with local schools and colleges to promote PCH as an employer of choice.
- We will continue to support the Skills Aid programme for young people in challenging circumstances to raise their aspirations.
- We will identify opportunities to support young people into work and develop their skills through apprenticeships.
- We will offer local businesses either renting from us or working with us the opportunity for news stories or social media promotion through our official communication channels to ensure we support them to be successful.

Procurement

- We will undertake further work to promote the use of the Social Value Toolkit and record the benefits.
- We will put in place deliverable community project targets/aims within lower value tenders so that we can make the most out of social value from contractors. As well as the other apprenticeship and employment aims in high value tenders.
- We will continue to explore the use of social enterprises within our supply chain.
- We will offer partner organisations the opportunity to 'sponsor' pages within our resident magazine to deliver their community messages e.g. police and health. Not only will this mean supporting partners in delivering our mutual agendas but it will lower our direct costs for the production of our magazine.

**Subject to a review of plans following the Government's 2015 Emergency Budget*

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Related information

Key strategy – Procurement Strategy

Key stakeholders – Residents, Plymouth City Council, Local & National Suppliers and Social Enterprises, Staff, Central Government, Plymouth Procurement Forum.

We've enhanced the wellbeing of our residents and staff

Objective 9: We will enhance the wellbeing of our residents and staff

We have high levels of employee engagement and a number of very effective initiatives designed to enhance health and wellbeing of our residents and staff. We've delivered what we set out to do throughout the year and we've done it in a cost effective way.

That is why we are proud to say we provide a high quality service at low cost in this area. Our managers are working with staff to improve sickness rates for 2015/16 when we expect to move back towards excellent quality.
In our last Value for Money statement we said that we wanted to find out what our staff thought and promote healthy lifestyles including installing a gym in our head office.

Measures

Objective 9:	Actual (Target) 2014	Actual (Target) 2015	(Target) 2016	Financial Social Environmental
Ave cost per member staff	£33,384	£32,758	£32,958	F
Ave cost per agency	£36,250	£33,461	£31,183	F
Total FTE's:				
Staff numbers	635	641 (649)	649	F
Agency numbers	44	45	45	F
Cost of training per staff employed	£730 (£612)	£648 (£585)	£613	F
Sickness rates (ave days per FTE)	7.05 (8)	10 (8)	8.00	F
Opportunity cost of sickness per employee	£586k	£804k	£655k	F

Note – Based on quartile. N/A = where benchmarks not available

What we've done

Staff

- We achieved Investors in People Silver award on our first application.
- We achieved positive results from staff surveys, including:
    - 97% care about the future of PCH
    - 85% are satisfied with us as an employer (median 75%).
- We improved our Learning and Development programme to ensure it provides a comprehensive and focussed framework aligned to our future needs with an improved appraisal system.

- We continued to implement the new Absence Management Policy with an emphasis on proactive intervention supported by our Occupational Health provision and Employee Assistance Programme. We held stress awareness sessions for staff and put in place free 'flu jabs for staff, particularly for those working outside or with the public. In 2014 this proved less successful than in 2013 resulting in sickness levels increasing to 10 days (7 days in 2013/14).

- Our agency staff numbers were higher than planned.

- We commissioned the British Safety Council (BSC) to undertake an external independent Five Star Occupational Health and Safety Audit in November 2014 and were awarded an overall audited score of 93% (five stars), 'an excellent' rating as defined by the overall audit grading rating. Auditors commended H&S contribution to employee wellbeing, particularly our stress management policy. For the 5th year running Building and Technical Services achieved gold standard RoSPA Award for Occupational Health and Safety, and the British Safety Council International Safety Award – merit rating.

- We achieved low absence rates and no serious injuries or fatalities of staff due to accidents at work.

- We held a series of events to celebrate our 5th anniversary to thank residents and staff.

Residents

- We have two directors on the Health and Wellbeing strategic board for the city and on the Fairness Commission respectively.

- We delivered healthy 'Cooking on a Budget' training through our Learn For Free residents training programme for 13 residents. We worked with partners Food is Fun and Tamar Grow Local, both social enterprises, as well as Plymouth Community Healthcare and Public Health to deliver these and other interventions for residents.

- We took part in a health drop in day in March 2015 at the Council's city centre shop with partners in health to offer housing advice, along with training and work clubs opportunities.

- We raised awareness of health issues with campaigns in our communications, including promoting skin cancer awareness through a joint initiative with Plymouth Community Healthcare around taking care in the sun.

- We have a weekly 'tea and toast' café to prevent older residents from becoming isolated in the area. Nearly 200 people attended the 12 sessions and 12 people have progressed to formal learning, 2 have reported improved mental health and residents have organised a local walking football initiative with the Devon Football Association.

- We sponsored The Plymouth Herald's 'Love Life' campaign, which aimed to encourage healthy living and to change lifestyles. As part of the campaign we wrote about our health and wellbeing initiatives including Tamar Grow Local; computer skills training to prevent isolation and the Vegucator van which delivered locally grown fresh fruit and veg to raise awareness of them and encourage resident involvement. There are several success stories and the Herald reports an increase in exercise classes, people quitting smoking and cutting back on alcohol consumption.

- We sponsored the Pride in Plymouth Award with the Plymouth Herald for the category Neighbour of the Year to highlight what makes a good neighbour and to encourage others to look out for the people in their community.

- We continue to deliver preventative services to ensure we safeguard our tenants wherever possible – these include our gas safety check results and installation of carbon detectors.

What we're going to do

- We will continue to implement the measures to maintain and improve our IIP status and our employee engagement strategy.
- We will revamp the 'Beacon' staff awards to ensure that we are clear about our expectations of what makes a great employee and reward high achievers.
- We will complete an audit of our internal communications channels to ensure staff are kept well informed and are equipped with the appropriate information.
- We will explore forming partnerships with health, police and council partners.
- We will continue our programme of work to improve the health and wellbeing of residents including continuing to deliver current initiatives and exploring new possibilities such as 'pop up computer training' in our sheltered housing schemes.
- We will work to improve sickness rates of our staff.

**Subject to a review of plans following the Government's 2015 Emergency Budget*

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Related information

Key strategy – Our People Strategy

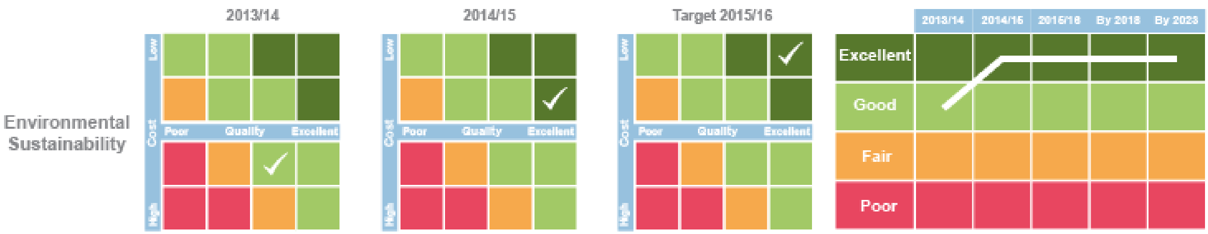
Key stakeholders – Staff, Residents, Herald, Plymouth City Council, College of St Mark and St John, Public Health

Objective 1: We will make our homes and our business environmentally sustainable

Our Environment

We have a significant impact on the environment, both directly through our business activities and indirectly through our residents' homes. To achieve better environmental outcomes, we work with residents and staff to implement practical solutions to make us a greener organisation and reduce costs wherever possible.

Value for money self-assessment



In our last VFM statement we said that we wanted to move to at least medium cost/good service quality for 2014/15. Here is why we believe we've exceeded that goal and have delivered medium cost/excellent quality through a combination of our activities, partnership working, increased external funding and investing to save.

Our measures of success

Objective 1:	2014	Benchmark 2015	2015	2016 Target	Financial Social Environmental
PCH Carbon Footprint (Organisation Only)	10,077t		8,345t	8,000t	E
Percentage of PCH waste sent for recycling	27%		30.29%	70% Reduced, Reused, Recycled	E,F
Cost of PCH waste disposal	£393k		£396k	£397k	E,F
Percentage of PCH homes with solar panels	4%		13%	23%	F,S,E
Percentage of hard-to-treat homes with external wall insulation	12%		57%	79%	F,S,E
Value of external insulation works funded through the ECO programme (cumulative)	£3.2m		£15.8m	£15.4m	F,S,E
Average Energy Efficiency Rating of Stock (SAP)	69.67	1st	71	72	F,S,E
Number of pollution incidents	0		0	0	F,S,E

What we've done in 2014/15

We've implemented an Environmental Management System (EMS) certified to the internationally recognised ISO14001 standard so that we comply with environmental legislation and drive continual improvement at a low cost of £7,234 (ongoing 3,846).

Carbon and Utilities

- We reduced our corporate carbon footprint to 8,345 tonnes (2013/14 10,077 tonnes) by consolidating offices into a single energy efficient building.

- We're helping to reduce our residents' energy consumption and fuel debt through:
    - education and engagement programmes including online 'self-help' videos and referrals to Plymouth Energy Community (PEC). At no cost to PCH but high impact - 43 referrals have cleared £9k fuel debt and £29k in pipeline.
    - Improving our properties -an above target average energy efficiency rating achieved by installing external wall insulation and solar panels to 2,800 and 1,917 homes respectively.
    - Completing our 5-year Decent Homes Improvements included installing over-bath electric showers saving c.11.5k m3 or £61k per year in water bills overall for our residents.
    - Installation of double and triple-glazed windows as standard in our homes help to reduce energy bills and improve sound insulation.
    - Our Financial Inclusion team referred 26 residents with large water debts to the Water Debt Gateway resulting in over £10k of debt being cleared
- We invested a further £20k into Plymouth Energy Community Renewables a social enterprise which crowd funds solar panels on schools and other community buildings.
- We provide green travel to work options for staff including car-share, discounted bus tickets, two pool cars for business travel and newly installed facilities for cyclists (bike shed, showers and drying areas).
- We ran a pilot to install LED lighting and motion sensors in the communal areas in 5 of our blocks, reducing potential energy consumption and service charges for residents by an average of £40 per property per year.

Green space and biodiversity

- We made a commitment to replace every tree removed with two more to increase the number of trees across the city.
- We secured £4k funding through 'Stepping Stones to Nature' for trees at two of our significant buildings (Flora Court and the Beacon).
- We planted 500 trees with Plymouth Tree Partnership to celebrate our 5th Anniversary.
- We worked with our partners Tamar Grow Local to plant two urban orchards.

Waste procurement, pollution and water

- We recycled 30% of our waste in 2014/15 an overall cost of disposal was £396k (2013/14 £342k). This is worse than anticipated due to delays in finding waste solutions. The amount of waste we disposed fell but the cost of disposal increased.

- Manufacturing Services recycled on average 80% of their waste each month and 66% of office waste was recycled at our headquarters. Paper consumption has reduced by 0.4m.
- All our suppliers sign up to our environmental policy statement to ensure they are committed to reducing their own environmental impact.
- We have had no pollution incidents and have reduced the risk of such incidents by introducing more controls, emergency spill response kits costing only £267 along with providing in-house training for key locations.

What we're going to do in 2015/16

- We will open our 'Reuse Centre' increasing recycling and reusing items left in void properties. Also separating and disposing of waste from Environmental Services team which accounts for approximately half of our total by weight. It will significantly raise our organisational recycling rate, save us money on waste disposal and support local social enterprises and residents by supplying reusable items.
- We will procure a single corporate waste disposal contract to secure the best price for the current market with a contractor using the most environmentally friendly methods of waste disposal.
- We plan to build 72 Passivhaus properties with the construction standard representing the highest possible level of energy efficiency for buildings.
- We will monitor waste management performance against the waste hierarchy.
- We will undertake a climate change risk assessment for our housing stock and business operations.
- A £700k programme of works has been approved for the next 5 years to upgrade with LED lighting in our communal blocks to reduce service charges by a potential £40 per home. It will also reduce our carbon footprint by approximately 589 tonnes of CO_2 a year and £25k of maintenance costs.

**Subject to a review of plans following the Government's 2015 Emergency Budget*

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Related documents

Strategies / Policies – Environmental Sustainability Strategy, ISO14001 Certified Environmental Management System, Environmental Policy Statement, Service Plans

Key stakeholders: Residents, Homes and Communities Agency, DEFRA, Plymouth Energy Community, Royal Bank of Scotland, The Housing Finance Corporation, Plymouth City Council, Suppliers (e.g., British Gas), local businesses, PCH Staff, British Standards Institution

(G) Valuation of Property Assets

Completed housing properties were valued as at 31 March 2015 by Bruton Knowles Ltd. Valuation Basis 1 assumes that the properties will be re-let and the figure is £405.270m (£396.695m in 2014).

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: £654.100m (£682.625m in 2014) .The reason for the decline is partly due to the reduction in properties through RTBs and demolitions.

(H) Share Capital

During the year, 4 shares were issued and 5 were cancelled leaving a balance in the share capital of the company of £43 (2014: £44).

(I) The Board

Membership of the Board, including subsidiaries, is detailed on pages 114-116.

(J) Statement of Compliance

In preparing this Operating and Financial Review and Board report, the Board has followed the principles set out in the 2010 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 have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 2012. 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.

So far as the Board is aware, there is no relevant information of which the Group's auditor is unaware. The Board has taken all reasonable steps to make itself aware of any relevant audit information, and to establish the Group's auditor is aware of that information.

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 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 a Fraud and Corruption anti-money laundering 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 2015 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 17 planned internal audit reviews during the year. These identified 3 high, 12 medium and 29 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

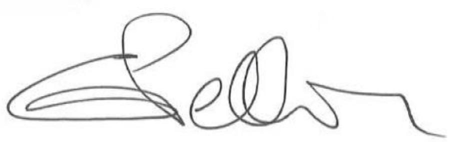
The Members of the Board who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Member of the Board has taken all the steps that he/ she ought to have taken as a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

KPMG LLP were reappointed as auditor of the Association at the Annual General Meeting in September 2014.

Our external auditors are appointed for a term of five years. Following a competitive tendering exercise KPMG LLP were reappointed for the years ending March 2015 to 2019.

By order of the Board



Elaine Pellow, Chair Date : **4 August 2015**

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 2015 set out on pages 72 to 117. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 67, 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 2015 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 2012.

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.

17.08.2015

Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Plym House
3 Longbridge Road
Plymouth
PL6 8LT

Income and Expenditure Account

	Note	Group 2015 £000's	Group 2014 £000's	Association 2015 £000's	Association 2014 £000's
Turnover	2a	63,387	60,091	62,072	59,198
Cost of sales	2a	(1,584)	(1,494)	(946)	(990)
Operating costs	2a	(58,944)	(60,991)	(58,365)	(60,620)
Operating surplus / (deficit)		**2,859**	**(2,394)**	**2,761**	**(2,412)**
Surplus on sale of properties not developed for outright sale	6	**2,025**	**2,092**	**2,025**	**2,092**
Surplus of sales of other fixed assets		**30**	**122**	**30**	**122**
Interest receivable	7	335	23	330	20
Interest payable and similar charges	8	(4,974)	(1,892)	(4,974)	(1,892)
Surplus / (deficit) on ordinary activities before taxation	3	**275**	**(2,049)**	**172**	**(2,070)**
Gift aid receivable		0	0	548	610
Tax	9	(41)	(3)	(31)	0
Surplus / (deficit) on ordinary activities for the period after taxation	17	**234**	**(2,052)**	**689**	**(1,460)**

All amounts relate to continuing activities. The above results are based on historic costs.

Statement of Total Recognised Surpluses and Deficits

	Note	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Surplus / (Deficit) for the period	17	**234**	**(2,052)**	**689**	**(1,460)**
Actuarial (loss)/gain on pension scheme	15	**(10,232)**	**3,637**	**(10,232)**	**3,637**
Total (Deficit)/surplus recognised for the year		**(9,998)**	**1,585**	**(9,543)**	**2,177**

Balance Sheet at 31 March 2015

	Note	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Fixed Assets					
Tangible assets - housing	10	169,557	133,881	163,308	132,621
Less: Social Housing Grant		(10,921)	(7,965)	(10,921)	(7,965)
Less: GAP Funding	10	(36,133)	(38,142)	(36,133)	(38,142)
Less: other grant		(14,765)	(4,692)	(14,765)	(4,692)
		107,738	83,082	101,489	81,822
Tangible assets - other	10	14,044	9,393	14,158	9,393
Investments	10	-	-	7,900	3,400
		121,782	92,475	123,547	94,615
Assets : amounts receivable after more than one year					
Development debtor		16,272	25,832	16,272	25,832
Investment in Plym Energy		40	20	40	20
	12	16,312	25,852	16,312	25,852
Current Assets					
Shared Ownership completed properties		288	1,111	288	1,111
Shared Ownership properties under construction		1,783	753	1,783	753
Stock	11	769	661	769	661
Debtors	12	6,803	11,240	7,109	11,788
Cash at bank and short term deposits		9,460	10,276	7,982	7,201
		19,103	24,041	17,931	21,514
Creditors: amounts falling due within one year	13	(13,203)	(18,846)	(12,157)	(17,275)
Net current assets		5,900	5,195	5,774	4,239
Total assets less current liabilities		143,994	123,522	145,633	124,706

	Note	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Creditors: amounts falling due after more than one year	14	**60,986**	**31,827**	**60,986**	**31,827**
Disposal Proceeds Fund		**123**	**127**	**123**	**127**
Development creditor		**16,272**	**25,832**	**16,272**	**25,832**
Pension liability	15	**19,688**	**8,813**	**19,688**	**8,813**
Capital and Reserves					
Share capital	16	**-**	**-**	**-**	**-**
Restricted reserves	17	**627**	**474**	**627**	**474**
Designated reserve	17	**627**	**474**	**627**	**474**
Revenue reserve	17	**65,359**	**64,788**	**66,998**	**65,972**
Pension fund reserve	17	**(19,688)**	**(8,813)**	**(19,688)**	**(8,813)**
		143,994	**123,522**	**145,633**	**124,706**

The financial statements and related notes on pages 72 to 117 were approved by the Board on 4 August 2015 and were signed on its behalf by:

Chair:

Elaine Pellow 4 August 2015

Vice-Chair:

Nigel Pitt 4 August 2015

Secretary:

Belinda Pascoe 4 August 2015

Group Cash Flow Statement

	Note		2014/15 £'000		2013/14 £'000
Net cash inflow from operating activities	18		10,565		2,678
Returns on investments and servicing of finance					
Interest received		66		23	
Interest paid		(5,003)		(1,729)	
Net cash outflow from returns on investment and servicing of finance	18		(4,937)		(1,706)
			5,628		972
Capital Expenditure and Financial Investment					
Acquisition and construction of housing properties		(40,764)		(43,402)	
Social Housing Grant Receivable		2,955		1,512	
Proceeds from sale of land		1,597		1,114	
GAP Funding Received		-		36,580	
Proceeds from sale of housing properties		2,856		3,578	
Proceeds from sale of other assets		31		156	
Purchase of other fixed assets		(2,099)		(3,414)	
Investments		(20)		-	
Loan arrangement fee				(300)	
Net cash outflow from capital expenditure			(35,444)		(4,176)
Net cash outflow before management of liquid resources and financing			(29,816)		(3,204)
Financing	19		29,000		12,500
(Decrease) / Increase in net cash	19		(816)		9,296

Notes to Financial Statements

1. Principal Accounting Policies

Basis of Accounting

The Association is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Registered Provider as defined by the Housing and Regeneration Act 2008. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements comply with Schedule 1 of the Housing Act 1996 and the Statement of Recommended Practice ‘Accounting by Registered Social Landlords’ Update published by the National Housing Federation in 2010 (SORP 2010). The financial statements are prepared on the historical cost accounting rules.

Basis of Consolidation

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

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. Thus they adopt the going concern basis in preparing these financial statements.

Turnover

Turnover represents rent and service charge income receivable; revenue grants from the department for ‘Communities and Local Government’, Local Authorities, the ‘Homes and Communities Agency’ and other public bodies; the proceeds of first tranche sales of shared ownership properties and any other income. Turnover is shown net of rent and service charge losses from voids.

Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected remaining economic useful lives of the assets as follows:

Assets Other Than Housing Properties

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

1. Principal Accounting Policies (continued)

The threshold for capitalisation is £1,000. The useful economic lives of all tangible fixed assets are reviewed annually. Assets are depreciated from the month following purchase.

Housing Properties

Completed housing properties are stated at cost less accumulated depreciation and capital grants and the Association has adopted component accounting.

Cost includes the cost of acquiring land and buildings, development costs, and expenditure incurred in respect of improvements. Expenditure incurred by way of improvement of major repairs that increases the rental income, reduces future maintenance or significantly extends the life of housing properties is capitalised. Other expenditure incurred on major repairs, cyclical or void day to day repairs to housing properties is charged to the Income and Expenditure Account in the period in which it is incurred.

Depreciation is charged on a straight line basis over the expected remaining economic useful lives of the assets 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

Social housing property depreciation is charged on the cost, including the cost of components, excluding freehold land, which is not depreciated.

All properties are reviewed for impairment annually.

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant.

Housing properties in the course of construction are stated at cost less Social Housing Grant (‘SHG’) and are not depreciated.

Housing properties are transferred to completed properties when they are available for letting.

1. Principal Accounting Policies (continued)

Properties Held for Resale

Where a decision has been taken to dispose of housing properties, these are held on the balance sheet under current assets. These properties are held at the lower of historical cost less depreciation, or net realisable value.

Shared ownership properties are included in housing properties at cost related to the % equity retained, less any provisions needed for impairment or depreciation. Costs relating to the 1st tranche element of the property are held in current assets until such time as the property is complete and 1st tranche sold. Proceeds from 1st tranche sales are recorded within turnover, any subsequent disposals of further equity or ‘staircasing’ are recorded as disposals of fixed assets.

Gap Funding Grant

As the expenditure is eligible under the agreement with the Department for Communities and Local Government, in principle this means that gap funding to match the expenditure is accounted for in the period in which the expenditure has been incurred irrespective of when the grant is received.

Where the capital costs of housing properties have been financed wholly or partly by the grant the cost of the property is shown net of the grant receivable. The associated grant is amortised over the economic useful life of the asset to which it relates. Grants in respect of revenue expenditure are credited to the Income & Expenditure Account in the same period as the expenditure to which they relate.

Social Housing Grant

Social Housing Grant (‘SHG’) is paid by the Homes and Communities Agency to subsidise the cost of housing properties and is included in fixed assets. SHG received in excess of the cost of housing properties in the course of construction is shown as SHG received in advance and included as a current liability. SHG may be repayable on the sale of housing properties.

Operating Leases

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

Loan Issue Costs

The cost of raising finance is amortised over the period of the facility. The deferred amount is included within debtors or creditors: amounts falling due after more than one year, as appropriate.

Bad and Doubtful Debts

Provision is made against rent arrears of current and former tenants and miscellaneous debtors.

1. Principal Accounting Policies (continued)

Right to Buy

Proceeds from the sale of dwellings under Right to Buy are received by the Association in the first instance. The Association is entitled to retain a share of these proceeds in accordance with the terms of the Right to Buy clawback agreement between the Association and Plymouth City Council (PCC). The Association pays the balance to PCC by no later than 30 April immediately following the end of each financial year. Any surplus relating to such properties is recognised in the Income and Expenditure Account at the date of transfer of title.

Stocks and Work in Progress

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

Pension Costs

The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 17 - 'Retirement Benefits'.

The Association participates in two externally administered defined benefit pension schemes.

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.

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 Association is unable to identify its share of the underlying assets and liabilities of the Social Housing Pension Scheme (SHPS) on a consistent basis and therefore accounts for the scheme as if it were a defined contribution scheme.

Restricted Reserves

Where funds are provided which are subject to external restrictions these are carried in trust and the balance of any unspent funds is held in a restricted reserve.

1. Principal Accounting Policies (continued)

Designated Reserves

Where funds are provided which are to be used for a specific project the balance of any unspent funds is held in a designated reserve.

Provisions

Provisions are recognised where the Group has an obligation to incur future expenditure. The value of provisions is re-assessed each year in the light of estimated future income and costs as appropriate.

Taxation

The subsidiary companies are liable to 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. Deferred taxation is provided using the full provision basis, in accordance with FRS 19 - 'Deferred Tax'.

Value Added Tax ('VAT')

Plymouth Community Homes Ltd and its subsidiary Plymouth Community Homes Manufacturing Services Ltd are registered as a VAT Group but the majority of its income, including its rents, is exempt for VAT purposes. Under a special arrangement with HM Revenue and Customs, VAT on certain of the Association's planned maintenance and improvement programme is fully recoverable. The costs of these activities are therefore shown net of recoverable VAT. Under the Transfer Agreement 50% is repayable to Plymouth City Council. These terms will change from April 2015 to 30%.

VAT on the majority of other expenditure cannot be reclaimed and expenditure is shown inclusive of irrecoverable VAT.

Where opportunities for the regeneration of local authority housing stock arise after transfer requests from tenants and residents, the Association may seek to maximise the resources available for regeneration schemes by entering into VAT shelter arrangements. In these circumstances, the underlying substance of the transactions is reflected in the accounts on a gross basis. The obligation of the local authorities is shown as long term debtors and the obligation as contractors under the refurbishment contracts is shown in long term creditors. Amounts due within one year under the arrangements are classified within current assets and liabilities.

Plymouth Community Homes Regeneration Company Ltd was incorporated on 3rd June 2010 to oversee the design and build work for North Prospect and other Developments. Plymouth Community Homes Energy Ltd was incorporated on 12th April 2012 to manage the fitting of photovoltaic panels and associated income. These companies are not part of the above VAT group.

1. Principal Accounting Policies (continued)

Interest Payable and Capitalisation of Interest Costs

Interest costs relating to the construction and acquisition of fixed assets are capitalised to the extent that they are incremental to the process and directly attributable to bringing the assets into their intended use.

Capitalisation of Administration Costs

Administration costs relating to development activities are capitalised to the extent that they are part of the development process and directly attributable to bringing the properties into their intended use.

Income from Supporting People and Support Services

Supporting People contract income and income from charges for support services are recognised when receivable and included in turnover. If support is provided under a contract separate from a tenancy agreement the related income is shown under ‘Supporting People’. Charges for support services, if the services are provided within a tenancy agreement, are shown as ‘Services’ costs.

2a. Turnover, Operating Costs and Surplus: Group

Group	2015 Turnover	2015 Cost of Sales	2015 Operating Costs	2015 Operating (Deficit) / Surplus	2014 Operating (Deficit) / Surplus
	£'000	£'000	£'000	£'000	£'000
Income & Expenditure from Social Housing Lettings					
Rents	53,195	0	(51,748)	1,447	(2,753)
Service Charges	2,753	0	(3,588)	(835)	(975)
GAP funding Capital Release	2,010	0	0	2,010	2,010
	57,958	0	(55,336)	2,622	(1,718)
Other Social Housing Income and Expenditure					
Supporting People	369	0	(503)	(134)	(386)
Development not Capitalised	0	0	(1,285)	(1,285)	(1,293)
Community Involvement	0	0	(667)	(667)	(681)
Garage Lettings	1,305	0	(159)	1,146	1,004
Shared Ownership Sales	929	(903)	0	26	(163)
Other	74	0	(29)	45	(110)
	2,677	(903)	(2,643)	(870)	(1,629)
Non-Social Housing Activities					
Commercial Properties	1,237	0	(386)	851	936
External Sales	1,515	(681)	(579)	255	17
	2,752	(681)	(965)	1,106	953
Total Year ended 31 March 2015	63,387	(1,584)	(58,944)	2,859	(2,394)
Total Year ended 31 March 2014	60,091	(1,494)	(60,991)	(2,394)	

2a. Turnover, Operating Costs and Surplus: Association

Association	Turnover 2015	Cost of Sales 2015	Operating Costs 2015	Operating (Deficit) / Surplus 2015	Operating (Deficit) / Surplus 2014
	£'000	£'000	£'000	£'000	£'000
Income and Expenditure from Social Housing Lettings					
Rents	53,195	0	(51,748)	1,447	(2,753)
Service Charges	2,753	0	(3,588)	(835)	(975)
GAP funding Capital Release	2,010	0	0	2,010	2,010
	57,958	**0**	**(55,336)**	**2,622**	**(1,718)**
Other Social Housing Income and Expenditure					
Supporting People	369	0	(503)	(134)	(386)
Development not Capitalised	0	0	(1,285)	(1,285)	(1,293)
Community Involvement	0	0	(667)	(667)	(681)
Garage Lettings	1,305	0	(159)	1,146	1,004
Shared Ownership Sales	929	(903)	0	26	(163)
Other	74	0	(29)	45	(110)
	2,677	**(903)**	**(2,643)**	**(870)**	**(1,629)**
Non-Social Housing Activities					
Commercial Properties	1,237	0	(386)	851	936
Photo-Voltaic Panels Management	55	(43)	0	12	0
External Sales	145	0	0	145	0
	1,437	**(43)**	**(386)**	**1,008**	**936**
Total Year ended 31 March 2015	**62,072**	**(946)**	**(58,365)**	**2,761**	**(2,412)**
Total Year ended 31 March 2014	**59,198**	**(990)**	**(60,620)**	**(2,412)**	

2b. Income and Expenditure from Social Housing Lettings: Group and Association

	General Needs	Supported Housing	Shared Ownership	Total 2015	Total 2014
	£'000	£'000	£'000	£'000	£'000
Income					
Rents	51,668	1,435	92	53,195	50,473
Service Charges	2,427	326	0	2,753	2,998
Gap Funding Capital Release	1,950	60	0	2,010	2,010
Total Income	**56,045**	**1,821**	**92**	**57,958**	**55,481**
Expenditure					
Management	(8,196)	(244)	0	(8,440)	(7,858)
Services	(3,184)	(404)	0	(3,588)	(3,973)
Cyclical & Planned Maintenance	(5,132)	(17)	0	(5,149)	(5,955)
Response Repairs	(10,747)	(205)	0	(10,952)	(11,494)
Major Repairs	(19,074)	(92)	0	(19,166)	(21,383)
VAT Recovered	334	10	0	344	545
Bad debts	(283)	0	0	(283)	(167)
Pension charges	(912)	0	0	(912)	(832)
Office moves transitional costs	(66)	0	0	(66)	(691)
Depreciation	(7,124)	0	0	(7,124)	(5,391)
Total	**(54,384)**	**(952)**	**0**	**(55,336)**	**(57,199)**
Operating Surplus / (Deficit)	**1,661**	**869**	**92**	**2,622**	**(1,718)**
Void loss	**(393)**	**-**	**-**	**(393)**	**(595)**

3. Surplus / (Deficit) on Ordinary Activities before taxation

Surplus / (deficit) on ordinary activities before taxation is stated after charging / (crediting) :

	2015 Group £'000	2014 Group £'000	2015 Association £'000	2014 Association £'000
External Auditors Remuneration (exclusive of VAT)				
In their capacity as auditors	37	38	25	25
In respect of other services	33	25	27	18
Internal Audit Fees	72	23	72	23
Depreciation:				
Housing properties	5,668	4,128	5,432	4,071
Other Assets	1,821	1,389	1,821	1,389
(Surplus) on disposal of properties	(2,025)	(2,092)	(2,025)	(2,092)
(Surplus) on disposal of other assets	(30)	(122)	(30)	(122)
Operating lease payments:				
Land and buildings	418	451	418	451
Other assets	173	303	173	303
TOTAL	**6,167**	**4,143**	**5,913**	**4,062**

4. Executive Directors' Emoluments

(Group & Association)

	2015 £'000	2014 £'000
The aggregate emoluments paid to or receivable by Executive Directors:		
Basic Salary	695	634
Employers Pension	76	87
	771	721
Restructuring Costs	28	-
TOTAL	799	721

In September 2013 the Board agreed a business case for the payment of board members (prepared by an independent advisor). Payments to board members commenced on 1 April 2014, and are listed below.

The emoluments of the Board members were as follows		
Non Executive Directors	**2014/15**	**2013/14**
Elaine Pellow	£15,000	n/a[3]
Sue Dann	£5,500	n/a
Simon Ashby	£3,733	n/a
Alan Clifford	£6,767	n/a
Maureen Alderson	£7,500	n/a
Jack Thompson	£7,500	n/a
Nigel Pitt	£5,500	n/a
Katie Pratt	£5,500	n/a
Nigel Churchill	£3,608	n/a
Graham Stirling	£6,239	n/a
Tina Tuohy	£3,608	n/a
Mike Hanrahan	£3,333	n/a
Jonny Morris	£1,008	n/a

[3] Payments to board members commenced in April 2014

	2015	**2014**
	£'000	**£'000**
The emoluments paid to the highest paid Director of the Group excluding national insurance and employers pension contributions	174	171

The Chief Executive is a member of the Local Government Pension Scheme. No enhanced or special terms apply and there are no additional pension arrangements in place. Pension contributions of £22,013 (2014: £27,792) were made by the Association during the period on behalf of the Group Chief Executive, who is also the highest paid Director.

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

	2015	**2014**
	No.	**No.**
£60,001 to £70,000	10	7
£70,001 to £80,000	1	1
£80,001 to £90,000	0	0
£90,001 to £100,000	0	0
£100,001 to £110,000	0	3
£110,001 to £120,000	2	1
£120,001 to £130,000	0	0
£130,001 to £140,000	1	1
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	0
£170,001 to £180,000	1	1
£180,001 to £190,000	1	0

5. Employee Information

(Group & Association)	**2015**	**2014**
	No.	**No.**
The average number of persons employed during the period (full time equivalents of 37 hours) was:	**641**	**635**

Staff Costs

	2015	2014
	£'000	£'000
Wages and salaries	17,592	17,410
Social security costs	1,407	1,404
Other pension costs	1,969	2,172
	20,968	20,986
Restructuring costs	214	126
TOTAL	21,182	21,112

	2015	2014
Full Time Equivalents at 31 March	No.	No.
Corporate & Manufacturing Services	148	71
Homes, Neighbourhoods & Regeneration	416	403
Business Services & Development	81	162
	645	636

6. Surplus on disposal of properties

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Right to Buy sales	3,904	3,388	3,904	3,388
Open Market sales	306	583	306	583
Cost of Sales	(75)	(94)	(75)	(94)
Net Book Value eliminated on Disposal - RTB	(477)	(335)	(477)	(335)
PCC Share under the clawback	(1,576)	(1,344)	(1,576)	(1,344)
Components written out on disposal of demolished properties	(57)	(106)	(57)	(106)
TOTAL	**2,025**	**2,092**	**2,025**	**2,092**

7. Interest Receivable

	2015 Group £'000	2014 Group £'000	2015 Association £'000	2014 Association £'000
Bank interest receivable	66	23	61	20
FRS 17 Interest credit note (note 15)	269	0	269	0
	335	**23**	**330**	**20**

8. Interest Payable and Similar Charges

	2015 Group £'000	2014 Group £'000	2015 Association £'000	2014 Association £'000
Interest	4,114	552	4,114	552
Non utilisation fee	703	763	703	763
Amortisation of arrangement fees	158	319	158	319
Interest capitalised on NP Development	(141)	(34)	(141)	(34)
Legal, Professional & Bank Fees	140	0	140	0
FRS 17 interest charge (note 15)	0	292	0	292
Interest charge for the period	**4,974**	**1,892**	**4,974**	**1,892**

9. Tax on Surplus on Ordinary Activities for the Period

	2015 Group £'000	2014 Group £'000	2015 Association £'000	2014 Association £'000
(a) Analysis of the Charge in the Period				
The tax charge on the surplus on ordinary activities for the period was as follows:				
Current Tax				
UK Corporation Tax charge for the period	**41**	**3**	**31**	**-**
Total current tax	**41**	**3**	**31**	**-**
(b) Factors Affecting Tax Charge for the Period				
Surplus/(Deficit) on ordinary activities before tax	**275**	**(2,049)**	**172**	**(2,070)**
Surplus/(Deficit) on ordinary activities at 21% (2014 : 23%)	58	(471)	36	(476)
Effects of:				
Surplus from charitable activities	(17)	474	(5)	476
	41	**3**	**31**	**-**

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly.

10. Housing Fixed Assets:

Group

	Housing Property General Needs	British Gas Insulation Works	Alarm Systems	Development Property under Construction	Development Leasehold Shared Ownership Property Completed	Development Leasehold Shared Ownership Property under Construction	Community Hub Completed	Photovoltaic Panels	Total Housing Properties
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost									
At 1 April 2014	114,234	2,764	0	13,247	3,524	1,239	4,376	2,515	141,899
Additions	18,027	12,658	254	8,730	1,324	636	-	5,600	47,229
completed properties (Phase 1a,b,c & Ph2)	10,475	-	-	(10,475)	0	-	-	-	-
Redisclosed North Prospect Hub	-	-	-	-	-	-	(4,376)	-	(4,376)
Disposals	(675)	(9)	-	-	(903)	-	-	-	(1,587)
At 31 March 2015	**142,061**	**15,413**	**254**	**11,502**	**3,945**	**1,875**	**-**	**8,115**	**183,165**
Grant Funding									
At 1 April 2014	(38,907)	(2,264)	-	(7,733)	(1,403)	(492)	-	-	(50,799)
Social Housing Grant receivable during period	(277)	-	-	(2,682)	-	-	-	-	(2,959)
British Gas Grant	-	(8,560)	-	-	-	-	-	-	(8,560)
Sale of Land (Other Grant)	-	-	-	(1,595)	-	-	-	-	(1,595)
Grant redisclosed as 'completed' or 'leaseholder' properties	-	-	-	800	-	(800)	-	-	-
Amortised to Income & Expenditure	2,010	83	-	-	-	-	-	-	2,093
At 31 March 2015	**(37,174)**	**(10,741)**	**-**	**(11,210)**	**(1,403)**	**(1,292)**	**-**	**-**	**(61,820)**
Depreciation									
At 1 April 2014	(7,936)	-	-	-	-	-	-	(83)	(8,019)
Charge for period	(5,308)	(103)	(21)	-	-	-	-	(234)	(5,666)
Allocate Depn	-	-	-	-	-	-	-	-	-
Disposals	77	-	-	-	-	-	-	-	77
At 31 March 2015	**(13,167)**	**(103)**	**(21)**	**-**	**-**	**-**	**-**	**(317)**	**(13,608)**
Net book value at 31 March 2015	**91,720**	**4,569**	**233**	**292**	**2,542**	**583**	**-**	**7,798**	**107,737**
Net Book Value at 1 April 2014	**67,391**	**500**	**-**	**5,514**	**2,121**	**747**	**4,376**	**2,432**	**83,081**

10. Tangible Fixed Assets – All Fixed Assets: Group

	Total Housing Properties	Freehold Offices	Vehicles	Equipment & Furniture	Computers & Software	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2014	141,899	5,099	2,713	1,711	3,261	154,683
Additions	47,229	1,247	72	251	528	49,327
Redisclosed components on completed properties (Phase 1a,b,c & Ph2)	-	-	-	-	-	-
Redisclosed North Prospect Hub	(4,376)	4,376	-	-	-	-
Disposals	(1,587)	-	(41)	-	(3)	(1,631)
At 31 March 2015	**183,165**	**10,722**	**2,744**	**1,962**	**3,786**	**202,379**
Grant Funding						
At 1 April 2014	(50,799)	-	-	-	-	(50,799)
Social Housing Grant receivable during period	(2,959)	-	-	-	-	(2,959)
British Gas Grant	(8,560)	-	-	-	-	(8,560)
Sale of Land (Other Grant)	(1,595)	-	-	-	-	(1,595)
Grant redisclosed as 'completed' or 'leaseholder' properties	-	-	-	-	-	-
Amortised to Income & Expenditure	2,093	-	-	-	-	2,093
At 31 March 2015	**(61,820)**	**-**	**-**	**-**	**-**	**(61,820)**
Depreciation						
At 1 April 2014	(8,019)	(82)	(1,080)	(476)	(1,753)	(11,410)
Charge for period	(5,666)	(199)	(510)	(393)	(719)	(7,487)
Allocate Depn	-	-	-	-	-	-
Disposals	77	-	41	-	2	120
At 31 March 2015	**(13,608)**	**(281)**	**(1,549)**	**(869)**	**(2,470)**	**(18,777)**
Net book value at 31 March 2015	107,737	10,441	1,195	1,093	1,316	**121,782**
Net Book Value at 1 April 2014	83,082	5,017	1,633	1,235	1,508	92,474

10. Housing Fixed Assets: Association		Housing Property General Needs	British Gas Insulation Works	Alarm Systems	Development Property under Construction	Development Leasehold Shared Ownership Property Completed	Development Leasehold Shared Ownership Property under Construction	Community Hub Completed	Total Housing Properties
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost									
At 1 April 2014		114,234	2,764	-	14,089	3,699	1,282	4,489	140,557
Additions		18,027	12,658	254	9,130	1,385	665		42,119
Redisclosed components on completed properties (Phase 1a,b,c & Ph2)		10,475	-	-	(10,475)		-	-	-
Redisclosed North Prospect Hub		-	-	-	-	-	-	(4,489)	(4,489)
Disposals		(675)	(9)	-	-	(903)	-	-	(1,587)
At 31 March 2015		**142,061**	**15,413**	**254**	**12,744**	**4,181**	**1,947**	**-**	**176,600**
Grant Funding									
At 1 April 2014		(38,907)	(2,264)	-	**(7,733)**	(1,403)	(492)	-	(50,799)
Social Housing Grant receivable during period		(277)	-	-	**(2,682)**	-		-	(2,959)
British Gas Grant		-	(8,560)	-	**-**	-	-	-	(8,560)
Sale of Land (Other Grant)		-	-	-	**(1,595)**	-	-	-	(1,595)
Grant redisclosed as 'completed' or 'leaseholder' properties		-	-	-	**800**		(800)	-	-
Amortised to Income & Expenditure		2,010	83	**-**	-	-	-	-	2,093
At 31 March 2015		**(37,174)**	**(10,741)**	**-**	**(11,210)**	**(1,403)**	**(1,292)**	**-**	**(61,820)**
Depreciation									
At 1 April 2014	-	(7,936)	-	-		-	-	-	(7,936)
Charge for period	-	(5,308)	(103)	(21)		-	-	-	(5,432)
Allocate Depn	-	-	-	-		-	-	-	-
Disposals	-	77	-	-		-	-	-	77
At 31 March 2015		**(13,167)**	**(103)**	**(21)**	**-**	**-**	**-**	**-**	**(13,291)**
Net book value at 31 March 2015		**91,720**	**4,569**	**233**	**1,534**	**2,778**	**655**	**-**	**101,489**
Net Book Value at 1 April 2014		**67,391**	**500**	**-**	**6,356**	**2,296**	**790**	**4,489**	**81,822**

10. Tangible Fixed Assets – All 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							
At 1 April 2014	140,557	5,099	2,713	1,711	3,261	3400	156,741
Additions	42,119	1,247	72	251	528	4,500	48,717
Redisclosed components on completed properties (Phase 1a,b,c & Ph2)	-	-	-	-	-	-	-
Redisclosed North Prospect Hub	(4,489)	4,489	-	-	-	-	-
Disposals	(1,587)	-	(41)	-	(3)	-	(1,631)
At 31 March 2015	**176,600**	**10,835**	**2,744**	**1,962**	**3,786**	**7,900**	**203,827**
Grant Funding							
At 1 April 2014	(50,799)	**-**	-	-	-	-	(50,799)
Social Housing Grant receivable during period	(2,959)	**-**	-	-	-	-	(2,959)
British Gas Grant	(8,560)	**-**	-	-	-	-	(8,560)
Sale of Land (Other Grant)	(1,595)	**-**	-	-	-	-	(1,595)
Grant redisclosed as 'completed' or 'leaseholder' properties	-						-
Amortised to Income & Expenditure	2,093	**-**	-	-	-	-	2,093
At 31 March 2015	**(61,820)**	**-**	**-**	**-**	**-**	**-**	**(61,820)**
Depreciation							
At 1 April 2014	(7,936)	(82)	(1,080)	(476)	(1,753)	-	(11,327)
Charge for period	(5,432)	(199)	(510)	(393)	(719)	-	(7,253)
Allocate Depn	-	-	-	-	-	-	-
Disposals	77	-	41	-	2	-	120
At 31 March 2015	**(13,291)**	**(281)**	**(1,549)**	**(869)**	**(2,470)**	**-**	**(18,460)**
Net book value at 31 March 2015	**101,489**	**10,554**	**1,195**	**1,093**	**1,316**	**7,900**	**123,547**
Net Book Value at 1 April 2014	**81,822**	**5,017**	**1,633**	**1,235**	**1,508**	**3,400**	**94,615**

10. Fixed Assets (continued)

The total expenditure on works to existing housing properties during the year to 31 March 2015 for the Group and Association was as follows: capitalised £18,027,000 (2014: £27,868,000); charged to Income and Expenditure : £19,166,000 (2014: £21,383,000).

Interest of £141,245 (2014 : £33,760) was capitalised (both Group and Association), based on an average interest rate of 2.59%. Cumulative interest of £235,045 has been capitalised to 31 March 2015. This was incurred on the North Prospect and Ham Drive developments.

Investments

During the year Plymouth Community Homes Ltd purchased a further £4,500,000 in shares in Plymouth Community Homes Energy Ltd. The total shareholding is now £7,900,000, being 100% of that company's share capital.

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. Office premises are included at cost.

Valuation as at 31 March 2015 for security purposes:

Completed housing properties were valued as at 31 March 2015 by Bruton Knowles, Chartered Surveyors, on Basis 1: the Existing Use Value – Social Housing ('EUV-SH') and under the loan agreement 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 PCH properties as at 31 March 2015 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 2015, is: £405,270,000 (2014: £396,695,000).

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 £654,100,000 (2014: £682,625,000). Properties are held in the balance sheet at nil value transferred plus the cost of components to date, less depreciation and grants receivable.

The commercial properties were valued for the first time at 31 March 2015, at £14,691,000.

11. Stock

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Raw materials	636	592	636	592
Work in progress	133	69	133	69
	769	**661**	**769**	**661**

12. Debtors

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Amounts falling due after one year :				
Development debtor	16,272	25,832	16,272	25,832
Investment in Plym Energy	40	20	40	20
	16,312	**25,852**	**16,312**	**25,852**
Amounts falling due within one year:				
Trade debtors	573	524	415	437
Rent arrears	3,316	3,230	3,316	3,230
Less: provision for bad debts	(2,057)	(1,822)	(2,057)	(1,822)
Prepayments and accrued income	1,832	2,313	1,832	2,313
Inter-company debtors :				
- PCHMS (Gift Aid)	-	-	58	-
- PCHR (Gift Aid)	-	-	490	610
- PCHMS (trading account)	-	-	117	133
- PCHR (trading account)	-	-	-	19
VAT	809	1,351	752	1,306
Other debtors	173	84	29	1
Development Debtor	2,157	5,561	2,157	5,561
	6,803	**11,240**	**7,109**	**11,788**
Total debtors	**23,115**	**37,093**	**23,421**	**37,641**

Plymouth Energy Community ('Plym Energy') is an independent 'not-for-profit' co-operative. It's work focuses on 3 goals for Plymouth residents – reducing energy bills and fuel poverty, improving energy efficiency and generating green energy. PCH has invested £40,000 in the co-operative as many of the beneficiaries are PCH tenants.

13. Creditors

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Amounts falling due within one year :				
Trade creditors	2,619	4,164	1,668	3,521
Taxation and social security payable	464	420	464	420
Pension contributions	248	268	248	268
VAT	20	25	-	-
Rent received in advance	1,454	1,057	1,454	1,057
Corporation Tax	41	3	31	-
Accruals and deferred income	6,083	7,143	5,409	6,244
Loan interest and charges	-	47	-	47
Development creditor	2,157	5,561	2,157	5,561
Inter-company creditors:				
- PCHR	-	-	588	3
- PCHE	-	-	13	1
Other creditors	117	158	125	153
Total	**13,203**	**18,846**	**12,157**	**17,275**

14. Creditors

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Amounts falling due after one year :				
Loans not repayable by instalments:				
In five years or more	62,000	33,000	62,000	33,000
Deferred loan costs	(1,014)	(1,173)	(1,014)	(1,173)
	60,986	31,827	60,986	31,827
Disposal Proceeds Fund	123	127	123	127
Development Creditor	16,272	25,832	16,272	25,832
Total	**77,381**	**57,786**	**77,381**	**57,786**

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%. Non-utilisation fees are charged at 0.975%. Under current forecast loan repayments to RBS will start in 2022 with the loan fully repaid in 2040.

During the year to 31 March 2015 the Association arranged and fully drew a 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 2015 the Group had undrawn loan facilities of £78m (2014: £77m) plus an additional £0.5m overdraft facility (2014: £0.5m) to finance future operating cash flows and investments

15. Pension Obligations

Group Pension Schemes

Devon County Council are 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 2014/15. It is contracted out of the State Second Pension.

Group and Association:

	31 March 2015 £'000	**31 March 2014 £'000**
Present value of funded defined benefit obligations	(79,524)	(61,777)
Fair value of plan assets	59,836	52,964
Deficit	(19,688)	(8,813)
Net liability	(19,688)	(8,813)

Movements in present value of defined benefit obligation

	31 March 2015 £'000	**31 March 2014 £'000**
Defined benefit obligation at 1 April	61,777	59,186
Current service cost	2,200	2,469
Interest cost	2,889	2,776
Actuarial losses/(gains)	12,760	(2,416)
Estimated benefits paid net of transfers in	(749)	(870)
Contributions by scheme participants	647	632
Defined benefit obligation at 31 March	79,524	61,777

Movements in fair value of plan assets

	31 March 2015 £'000	31 March 2014 £'000
Fair value of scheme assets at 1 April	52,964	47,860
Expected return on Fund assets	3,158	2,457
Actuarial gains	2,528	1,221
Contributions by employer (including unfunded)	1,288	1,664
Contributions by scheme participants	647	632
Estimated benefits paid net of transfers in (including unfunded)	(749)	(870)
Fair value of scheme assets at 31 March	**59,836**	**52,964**

Expense recognised in the profit and loss account

	31 March 2015 £'000	31 March 2014 £'000
Current service cost	2,200	2,469
Employer Contributions	(1,288)	(1,664)
Other finance costs	(269)	319
Total	**643**	**1,124**

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

	31 March 2015 £'000	31 March 2014 £'000
Distribution expenses	-	-
Administrative expenses	912	805
Other interest receivable and similar income	(269)	-
Interest payable and similar charges	-	319
	643	**1,124**

The total loss recognised in the consolidated statement of total recognised gains and losses in respect of actuarial losses is £10,232,000 *(2014 : gain £*3,637,000*)*.

The fair value of the plan assets and the return on those assets were as follows:

	Assets at	**Assets at**
Employer Asset Share - Bid Value	**31 March 2015 £'000**	**31 March 2014 £'000**
Equities	14,750	13,771
Gilts	3,809	3,707
Overseas Equities	20,640	18,008
Property	5,981	4,767
Infastructure	1,658	1.059
Cash	1,031	1,059
Target Return Portfolio	8,823	7,945
Other Bonds	2,080	2,648
Alternative assets	1,064	0
Total	**59,836**	**52,964**

Expected return on assets

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate. Therefore the Pension Fund are not required to disclose an expected return assumption for the year to 31 March 2016. For the year to 31 March 2015, the expected return was 5.9% p.a., which has been used to determine the profit and loss charge for the year ended 31 March 2015.

Assumptions as at	31 March 2015 % p.a	31 March 2015 Real	31 March 2014 % p.a.	31 March 2014 Real
RPI Increases	3.4%	-	3.7%	-
CPI Increases	2.6%	-0.8%	2.9%	-0.8%
Salary Increases	4.4%	1.0%	4.7%	1.0%
Pension Increases	2.6%	-0.8%	2.9%	-0.8%
Discount rate	3.5%	0.1%	4.6%	0.9%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

· Current pensioner aged 65: 22.8 years (male), 26.1 years (female).
· Future retiree upon reaching 65: 25.1 years (male), 28.4 years (female).

History of plans

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

Balance sheet as at	31 March 2015	31 March 2014	31 March 2013
	£'000	£'000	£'000
Present value of scheme liabilities	(79,524)	(61,777)	(59,186)
Fair value of scheme assets	59,836	52,964	47,860
Deficit	**(19,688)**	**(8,813)**	**(11,326)**

Experience adjustments	31 March 2015	31 March 2014	31 March 2013
	£'000	£'000	£'000
Experience adjustments on scheme assets	2,528	1,221	2,995
Experience adjustments on scheme assets as a percentage of scheme assets	4.2%	2.3%	6.3%
Cumulative actuarial gains/ losses	(17,952)	(7,720)	(11,357)

The Group expects to contribute approximately £1.3 million to the LGPS defined benefit plan in the next financial year.

Social Housing Pension Scheme

Plymouth Community Homes Ltd participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

Final salary with a 1/60th accrual rate.

Final salary with a 1/70th accrual rate.

Career average revalued earnings (CARE) with a 1/60th accrual rate.

From April 2010 a further two defined benefit structures have been available, namely:

Final salary with a 1/80th accrual rate.

Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010.

A Career average revalued earnings (CARE) structure with a 1/120th accrual rate was made available from 1 April 2013. This structure is contracted-in to the State Second Pension scheme.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can operate one open defined benefit plus CARE 1/120th, plus the defined contribution benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Plymouth Community Homes Ltd operated the final salary with 1/60th accrual rate and the defined benefit structures for active members and new entrants as at March 2015.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Plymouth Community Homes Ltd paid the following contributions :

Defined Benefit: 12.9% (members : 6.5%).

Defined Contribution: 2x member contributions, maximum 14% (members : minimum 3%)

As at the balance sheet date there were 130 active members of the Defined Benefit Scheme and 147 active members of the Defined Contribution Scheme employed by Plymouth Community Homes Ltd. The annual pensionable payroll in respect of these members was £6,794,759. Plymouth Community Homes Ltd continues to offer membership of the Schemes to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

Valuation Discount Rates:	**% p.a.**
Pre-Retirement	7.0
Non Pensioner Post Retirement	4.2
Pensioner Post Retirement	4.2
Pensionable Earnings Growth	2.5 per annum for 3 years, then 4.4
Price Inflation (RPI)	2.9
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess Over GMP	2.4

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI 2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.
Mortality post-retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI 2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	**Long-term Joint Contribution Rate (% of pensionable salaries)**
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0

Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are <u>in addition</u> to the long-term joint contribution rates as set out in paragraph 15 above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into SHPS.

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan).

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

16. Share Capital

Ordinary shares of £1 each. Allotted, called up and fully paid.	2015 £	2014 £
At 1 April	44	44
Issued during the year	4	4
Cancelled during the year	(5)	(4)
At 31 March	43	44

17. Association Reserves

		Restricted Reserve	Designated Reserve	Revenue Reserve	Pension Reserve	Total Reserves
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2014		474	474	65,972	(8,813)	58,107
(Deficit) / Surplus for the year				(8,900)	(643)	(9,543)
Actuarial loss recognised in Statement of Total Recognised Surpluses and Deficits				10,232	(10,232)	0
Transfers between reserves				0		0
Transfers between reserves		153	153	(306)		0
At 31 March 2015		**627**	**627**	**66,998**	**(19,688)**	**48,564**

For both the Association and the Group the Restricted Reserve (Development & Community Subsidy) and Designated Reserve arose from open market sales, the proceeds from which will be used to fund regeneration and social housing developments in future years.

17. Group Reserves	Restricted Reserve	Designated Reserve	Revenue Reserve	Pension Reserve	Total Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2014	474	474	64,788	(8,813)	56,923
Surplus on ordinary activities for the period			(9,355)	(643)	(9,998)
Actuarial loss recognised in Statement of Total Recognised Surpluses and Deficits			10,232	(10,232)	0
Transfers between reserves	153	153	(306)		0
At 31 March 2015	**627**	**627**	**65,359**	**(19,688)**	**46,925**

18. Group Cash Flow

Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities	**2015 £'000**	2014 £'000
Operating surplus/(deficit)	2,859	(2,394)
Add back FRS17 charges against operating income	912	1,124
Add back depreciation charge	7,487	5,517
Add back grants released against depreciation	(2,092)	(2,010)
Decrease in debtors > 1 year	-	107
Decrease/(increase) in leasehold shared ownership property	696	(696)
(Increase)/decrease in stock	(108)	26
Decrease in debtors < 1 year	1,034	147
(Decrease)/increase in creditors < 1 year	(223)	857
Net cash inflow from operating activities	**10,565**	**2,678**

Reconciliation of Net Cash Flow to Movement in Net Debt		
(Decrease)/increase in cash in the period	(816)	9,296
Increase in loans	(29,000)	(12,500)
Non cash movements		
- amortise loan arrangement fee	(159)	(154)
- new loan arrangement fee	-	300
Change in net debt	(29,975)	(3,058)
Net debt at 1 April	(21,551)	(18,493)
Net debt at 31 March	**(51,526)**	**(21,551)**

Returns on Investments and Servicing of Finance		
Interest received	66	23
Interest paid	(5,003)	(1,729)
	(4,937)	**(1,706)**

Financing		
Loans received/(repaid)	29,000	12,500
Arrangement fee released	159	154
New arrangement fee	-	(300)
	29,159	**12,354**

19. Analysis of Changes in Net Debt – Group

	At 1 April 2014 £'000	Cashflow £'000	Non Cash Movements £'000	At 31 March 2015 £'000
Cash in hand and at bank	10,276	(816)	-	9,460
Debt due after one year	(31,827)	(29,000)	(159)	(60,986)
	(21,551)	(29,816)	(159)	(51,526)

20. Capital Commitments

	2015 Group £'000	2014 Group £'000	2015 Association £'000	2014 Association £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	10,629	11,225	9,977	16,248
Capital expenditure that has been authorised by the Board but has not yet been contracted for	16,413	46,064	11,451	46,064
TOTAL	**27,042**	**66,943**	**21,428**	**66,442**

These commitments will be financed by grant and loan finance.

21. Operating Leases

Annual commitments under non-cancellable operating leases are as follows:

	2015		2014	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	0	44	9	25
In the second year to fifth years inclusive	0	180	0	271
Over five years	185	0	183	0
TOTAL	**185**	**224**	**192**	**296**

22. Contingent Liabilities

On transfer, Plymouth Community Homes agreed to meet additional costs incurred, over and above those originally budgeted for by the Council in respect of the properties transferring to Plymouth Community Homes. At the time of publishing the accounts the potential obligations remain as the Council is still awaiting confirmation of any liability. There is a potential liability of between nil and £0.95m depending on the level of subsidy received by the Council in respect of the Housing Revenue Account.

23. Units of Accommodation

	Group 2015 No.	Group 2014 No.	Association 2015 No.	Association 2014 No.
Under development at end of period:				
Housing accommodation	115	73	115	73
Shared ownership	41	22	41	22
	156	**95**	**156**	**95**
Under management at end of period:				
Housing accommodation	13,652	13,771	13,652	13,771
Supported housing	417	417	417	417
Shared ownership	62	45	62	45
Long leaseholders	1,518	1,500	1,518	1,500
Unavailable for letting	197	338	197	338
	15,846	**16,071**	**15,846**	**16,071**
Managed but not owned:				
Supported housing (Brock Trust)	8	8	8	8
	15,854	**16,079**	**15,854**	**16,079**

All owned properties are freehold.

24. 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. Two ex-councillors also sat on the Board in 2014/15, one of whom was re-elected 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 PCH 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 recharged from PCH Ltd to PCH Manufacturing : £876,000 (2014: £750,000).

PCH Regeneration Company Ltd : service charge from PCH Ltd to PCH Regeneration : £154,000 (2014: £151,000); design & build work invoiced from PCH Regeneration to PCH Ltd : £10,194,000 (2014: £12,743,000)

PCH Energy Ltd : service charge from PCH Ltd to PCH Energy : £57,500 (2014: £19,000); charge from PCH Ltd to PCH Energy for lease of roofs : £55,076 (2014: £11,044). Charge from PCH Energy to PCH Ltd for electricity : £30,883 (2014: £8,884)

The intercompany debtor and creditor balances at 31 March are disclosed in notes 12 and 13

25. Post Balance Sheet Events

There were no post balance sheet events.

26. Status

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

Legal Status
Plymouth Community Homes is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Financial Services Authority (registration 30637R) and the Homes and Communities Agency (registration L4543).

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.

27. Board members, Executives and Advisors

Members of the Board

Elaine Pellow	Chair of Plymouth Community Homes Ltd
Sue Dann	Vice Chair of Plymouth Community Homes Ltd
Alan Clifford	Chair of Audit and Risk Committee to 18 November 2014
Simon Ashby	Appointed 23 September 2014 and Chair of Audit and Risk Committee from 18 November 2014
Jack Thompson	Chair of Plymouth Community Homes Regeneration Company and Chair of Plymouth Community Homes Energy to 9 June 2015. Chair of Development and Regeneration Committee.
Maureen Alderson	Chair of Customer Focus Committee.
Katie Pratt	
Nigel Pitt	
Graham Stirling	Chair of Plymouth Community Homes Manufacturing Services from 12 November 2014
Tina Tuohy	Appointed 7 August 2014
Nigel Churchill	Appointed 7 August 2014
Mike Hanrahan	Chair of Plymouth Community Homes Manufacturing Services, resigned 10 September 2014
Jonny Morris	Resigned 10 June 2014

Directors of Plymouth Community Homes Manufacturing Services Ltd:

Mike Hanrahan	Chair until resignation on 10 September 2014
Graham Stirling	Chair from 18 November 2014
Mike Knowles	Resigned 10 March 2015
Nigel Churchill	Appointed 18 November 2014
Gill Martin	Resigned 27 April 2015
Nicholas Jackson	Appointed 27 April 2015
Sue Shaw	Appointed 27 April 2015

Directors of Plymouth Community Homes Regeneration Company Ltd:

Jack Thompson	Chair until resignation on 9 June 2015
Clive Turner	Chair from 9 June 2015
Sue Shaw	
Gill Martin	Appointed 9 June 2015
Nick Jackson	Appointed 9 June 2015
Nigel Pitt	Resigned 9 June 2015
Sue Dann	Resigned 9 June 2015
Elaine Pellow	Resigned 9 June 2015
Roger Pipe	Independent Co-optee, resigned 19 December 2014
Graham Stirling	Co-optee from 10 June 2014 to 9 June 2015

Directors of Plymouth Community Homes Energy Ltd

Jack Thompson	Chair until resignation on 9 June 2015
Clive Turner	Chair from 9 June 2015
Sue Shaw	
Gill Martin	Appointed 9 June 2015
Nick Jackson	Appointed 9 June 2015
Nigel Pitt	Resigned 9 June 2015
Sue Dann	Resigned 9 June 2015
Elaine Pellow	Resigned 9 June 2015
Roger Pipe	Independent Co-optee, resigned 19 December 2014
Graham Stirling	Co-optee 10 June 2014 to 9 June 2015

Audit and Risk Committee

Alan Clifford	Chair until 18 November 2014
Simon Ashby	Co-optee to the Audit and Risk Committee until appointed to Board 23 September. Chair from 18 November
Maureen Alderson	
Nigel Pitt	
Nigel Churchill	from 7 August 2014

Customer Focus Committee:

Maureen Alderson	Chair
Jonny Morris	to 10 June 2014
Elaine Pellow	
Katie Pratt	
Tina Tuohy	from 7 August 2014

Development and Regeneration Committee:

Jack Thompson	Chair
Nigel Pitt	
Sue Dann	
Elaine Pellow	
Graham Stirling	from 10 June 2014

Resident Scrutiny Team
Formed 21 November 2014

Mandy A'Lee
Joanne Bowden
John Bowhay
Sheila Cooper

Susan Drury
Mel Gallagher
Diana Hill
Mel Leonis
Roger Lee-Smith resigned 29 May 2015
Derek Wheatley resigned 6 July 2015
Eleanor Whitehead

Executive Management Team:

Clive Turner - Chief Executive
Nicholas Jackson - Director of Business Services and Manufacturing and then Director of Business Services and Development from 10 March 2015
Gill Martin - Director of Corporate and Strategic Services and then Director of Corporate and Manufacturing Services from 10 March 2015
Sue Shaw - Director of Homes and Neighbourhoods and then Director of Homes, Neighbourhoods and Regeneration from 10 March 2015
Mike Knowles - Director of Regeneration and Development to 10 March 2015

Company Secretary

Belinda Pascoe

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

Security Trustees:	Prudential Trustees Governors House Laurence Pountney Hill, London EC4R 0HH	
Solicitors:	Trowers & Hamlins LLP The Senate Southernhay Gardens Exeter EX1 1UG	Devonshires 30 Finsbury Circus London EC2M 7DT
	Bond Dickinson Ballard House West Hoe Road Plymouth PL1 3AE	Tozers LLP Broadwalk House, Southernhay West, Exeter EX1 1UA.
	Capsticks Solicitors LLP 1 St George's Road, London SW19 4DR	
Financial Advisors:	Canaccord Genuity 88 Wood Street London EC2V 7QR	
Development Advisors:	Savills (L&P) Ltd 20 Grosvenor Hill London W1K 3HQ	