Plymouth Community Homes Ltd

Consolidated Financial Statements
For The Year Ended 31 March 2016

Chief Executive's Introduction

"We are a well-respected organisation that has delivered on our transfer promises. We have shown the resilience needed to secure our financial future and are now well placed to adapt out strategies to reflect changes in the shifting economic and political environment."

It has been a year of change for PCH as Clive Turner retired as Chief Executive marking the completion of the transfer promises to tenants and sadly Jack Thompson one of our original Board members and chair of our development committee, died suddenly. On behalf of the whole organisation I and the Board would like to thank Clive for all his great work and also remember the influence of Jack in steering a direction for the development of new homes in North Prospect.

It has been one of the most challenging years on record for housing associations with the Government's emergency budget in July 2015 significantly altering the landscape with the announcement of the 1% annual cut in rents for the next 4 years.

We forecast that this would take a considerable amount of income out of our forward financial plans and so took timely and measured action. We followed our agreed approach to financial risk management to reduce our costs whilst protecting services.

Having done this our financial performance has been robust and we have demonstrated strength, innovation and unity as an organisation in order to meet our objectives. A reduction in overall operational costs by £5.4m across PCH, combined with an increased turnover of 10% has meant that our operating margin has improved by 14%, and our surplus before tax for the year is £1.2m, compared with a loss of £5.7m in 2015 (as restated after implementing International Financial Standards – FRS102). This surplus will be invested back into our homes and communities.

We are proud to be the largest housing association in Plymouth owning 14,285 homes with a lender's valuation of £369m. There has been a 9% reduction in this value £5.4m but it has increased more than six fold since transfer following extensive investment in our stock, culminating with 100% compliance with the Decent Homes Standard this year.

Good quality homes contribute significantly to value for money for our residents but we also continuously work to improve customer services, maintaining high standards, quality and performance across the organisation. In the 2016 STAR survey our residents have scored us at over 90% for customer satisfaction for our overall services, the quality of homes and for the rent as value for money. This puts us in the top quartile for these indicators across all associations.

We consider our people to be one of our most valuable assets, with over 600 committed staff, contributing to the achievement of some key milestones this year, including the development of 80 new homes in North Prospect; attaining the lowest ever rent arrears 1.5% again top quartile, and the highest percentage of tenancy sustainment.

We are not just about housing and a real priority for PCH has been to establish healthy communities, and promote resident involvement; and we are committed to improving the health and well-being of our residents. The Learn for Free programme offering vocational and life-skills training to residents has been a huge success again this year, helping a further 500 residents gain valuable employability and social skills. We have invested £378k in resident-led projects providing additional security, improved green spaces and other community facilities, achieving Tenant Participation Advisory Service (TPAS) award status.

Turning to the future, we are committed to the development of our growth and efficiency strategy to maximise income and control costs. We are looking to increase productivity and create a commercial ethos to support the wider aims of PCH, including the letting of Plumer House to generate income and to foster an energised working environment. This is integral in maintaining viability and protecting our core services as, in accordance with government legislation, we implement the 1% reduction in social rents over the next four years.

In the coming year we will be reviewing our vision, value and objectives guaranteeing a considered response to the new environment and enabling PCH to respond to future challenges. As part of this we will actively review our rent policy, looking at personal income levels and affordability in Plymouth. We will review our development strategy and engage with the Plymouth Plan to meet increasing and diverse housing needs, and we will also assess the benefits of refinancing to ensure we have effective funding in place to deliver our current and future aspirations.

While there is uncertainty in the housing sector generally, PCH is on target to achieve our objectives and ambitions. We continue to develop new affordable homes for rent, generate income from our existing social housing, maximise the benefits from our commercial portfolio, generate income from our subsidiary companies and the measured sale of homes that do not meet the needs of the business; for investment into new development and community initiatives.

So as I begin my tenure as Chief Executive, PCH is well placed to respond to the changing social, political and economic challenges in the housing sector and develop creative and innovative approaches to build on the sound foundations it has established to meet the future housing needs of our residents and optimise the financial return on our business practices and assets.

Legal and Administrative Details

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

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

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

Report of the Plymouth Community Homes' Board
Strategic Report

The Board is pleased to present its report and the audited financial statements for the year ended 31 March 2016.

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

Plymouth Community Homes Manufacturing Services Ltd (PCHMS)

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

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

PCHMS is a company limited by guarantee, and has 4 Company Directors, consisting of two PCH Board members and two members of the Executive. A further PCH Board member was co-opted to the Board during the year. This Board met six times during the year.

Plymouth Community Homes Regeneration Company Ltd (PCHR)

This subsidiary oversees the design and build work for the regeneration of the North Prospect area of Plymouth and other development projects. The company has successfully overseen work on Phases 1 and 2 of North Prospect and work continues on Phases 2 and 3.

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

Plymouth Community Homes Energy Ltd (PCHE)

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

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

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

The Plymouth Community Homes Ltd Board

The Board members holding office during the period 1 April 2015 to 31 March 2016 are listed in note 36 (Board members, Executive and Advisors). The Board consists of members from a wide variety of backgrounds with a good range of skills and knowledge. There are no members of the Executive on the PCH Board.

The principal obligations of the Board are:

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

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

- have no financial interest either personally or through a related party in any contract or transaction of the Association, except as permitted under the Association's Rules
- act only in the interests of the Association (or its subsidiaries) whilst undertaking its business

Committee structure

Reporting to the Board are:

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

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

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

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

- The Financing sub-committee: This has been set up to consider re-financing proposals. They convened for the first time in June 2016. It is time limited and linked to the conclusion of the re-financing work.

Governance Review

The Board appraises its performance annually, including that of individual Board members. A skills audit and Board effectiveness review has been undertaken and a skills audit is regularly updated and used as a basis for the Board's succession planning process. The effectiveness review has been used to make further enhancements to the Association's governance arrangements during this year, including a review of committee terms of reference. The opportunity was also taken during the year to review the Chief Executive's contract of employment.

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 day to day operations, monitoring and reporting performance to the Board and its committees. Clive Turner announced that he intended to stand down as Chief Executive in February 2016. John Clark was recruited to that role, and joined the Association on 11 January 2016. Clive officially left the Association on 26 February 2016. Details of other directors are given in Note 9: Board members and Executive Directors.

Regulation

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

The latest regulatory judgement for the Association, following a stability check, was published on 17 March 2016 and 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 previous review (Financial Viability assessment March 2015).

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

(B) Business and Financial Review

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

The Social Housing sector has undertaken a fundamental change in the way the financial statements are presented. This is to bring us in line with International Accounting Standards. The biggest change for PCH is that we opted to use ‘deemed cost’ which means that from the transition date of April 2014 we can use the valuation as the ‘new cost’ for our housing assets and our shops are also now shown at value. The impact has been to increase the balance sheet value of assets by over £300 million with a corresponding value in the re-valuation reserve. This means that depreciation has increased and along with the changes in the treatment to grants and the impact of pensions we expect our annual results to fluctuate from year to year. This is borne out by the financial results shown in the following table for income and expenditure over the last five years:

	FRS102		OLD UK GAAP		
	Group March 2016 £’000	**Group March 2015 £’000**	**Group March 2014 £’000**	**Group March 2013 £’000**	**Group March 2012 £’000**
Turnover	66,841	62,904	58,081	54,866	49,935
GAP funding	-	-	2,010	19,234	32,129
Total turnover	66,841	62,904	60,091	74,100	82,064
Costs	(58,099)	(63,482)	(62,485)	(65,411)	(54,839)
Operating Surplus	8,742	(578)	(2,394)	8,689	27,225
Surplus (Shortfall) on sales of fixed assets	(1,685)	(1,083)	2,214	727	762
Net Interest Payable	(5,031)	(4,639)	(1,869)	(5,377)	(850)
Change in value of investment property	(889)	629	N/A	N/A	N/A
Surplus for the year	1,137	(5,671)	(2,049)	4,039	27,137
Tax	31	(41)	(3)	-	-
Actuarial (loss)/gain on pension scheme	12,106	(10,232)	3,637	2,983	(10,209)
Total surplus after actuarial adjustments	13,274	(15,944)	1,585	7,022	16,928

Statement of Financial Position

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

	FRS102		OLD UK GAAP		
	Group March 2016 £'000	**Group March 2015 £'000**	**Group March 2014 £'000**	**Group March 2013 £'000**	**Group March 2012 £'000**
Fixed assets - Housing	468,721	457,614	133,881	92,650	54,217
Less: Grants	-	-	(50,799)	(47,919)	(46,844)
Housing assets less grant	468,721	457,614	83,082	44,731	7,373
Tangible assets - Other	27,495	28,775	9,393	7,403	6,593
Total fixed assets	496,216	486,389	92,475	52,134	13,966
Current Assets	24,709	19,075	24,040	50,801	43,015
Current Liabilities	(13,800)	(13,399)	(18,844)	(16,794)	(20,363)
Net current assets	10,909	5,676	5,196	34,007	22,652
Creditors falling due > 1 year	108,280	108,619	57,786	56,885	36,797
Of which Bank loans					
Due in five years or more	67,000	62,000	33,000	20,500	-
Deferred loan costs	(851)	(1,014)	(1,173)	(1,027)	-
THFC Holding Account	(3,269)	-	-	-	-
Total Housing Loans	62,880	60,986	31,827	19,473	-
Grant Funding	21,323	11,550	-	-	-
Other	24,077	36,083	25,959	37,412	36,797
Total	108,280	108,619	57,786	56,885	36,797
Reserves	411,437	398,162	56,923	55,341	48,321
Homes in management	14,285	14,336	14,579	14,627	14,644
Valuation of housing stock EUVSH Basis 1 (voids relet)	369,053	405,270	396,695	151,876	92,297
Ave Staff employed (full time equivalent)	617	641	635	605	569

The impact of applying deemed cost to the assets is that fixed assets have increased by over £350m between 2013/14 (GAAP) and 2015/16. Fixed Assets are held at higher than the EUV-SH valuation because existing properties were valued at 31 March 2014 (i.e. before the 1% reduction in rent announcement) and also because new build properties are held at cost (which is higher than the

EUV-SH value). We carried out an impairment review and can confirm that based on the value in use there is no impairment to the value of our assets.

There is an increase of £354m in the reserves between the years. This includes £294m in the revaluation reserves and £51m within the revenue reserve, reflecting the changes in the treatment of grants.

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

	FRS102		**OLD UK GAAP**		
	Group	**Group**	**Group**	**Group**	**Group**
	March 2016	**March 2015**	**March 2014**	**March 2013**	**March 2012**
% of income from Social Housing Lettings	87%	89%	92%	91%	93%
Growth in turnover (excl Gap funding)	6%	5%	6%	10%	3%
Operating cash flow	£25.3m	£12.1m	£0.6m	£8.60m	£28.9m
Operating margin - (operating surplus / total turnover)	13%	(1%)	(4%)	12%	33%
Debt/turnover	94%	97%	55%	35%	22%
Current ratio -current assets / current liabilities	179%	142%	123%	302%	211%
Net Loans / fixed assets net	10%	11%	23%	35%	-
Loans / Reserves	15%	15%	56%	35%	20%
Growth in reserves	3%	599%	3%	15%	78%
Growth (Reduction) in property valuation	(9%)	2%	161%	65%	12%
Debt per unit	£ 4,401.82	£ 4,254.05	£ 2,183.07	£ 1,331.31	£ 751.16
Interest Cover	174%	(12%)	-	-	-

Turnover

PCH continues to be the main provider of social housing with over 70% of Plymouth's social rental market. Turnover for the year to 31 March 2016 increased by 6% to £66.8m (2015: increase of 5% to £62.9m).

Other income came from Commercial letting of shops at £1.3m (2015: £1.2m), Manufacturing of £1.6m (2015: £960k), and Photovoltaic Panels £885k (2015: £453k) all showing an increase compared with 2015/16. Development land sales, Supporting People income, Garage Lettings and Shared Ownership first tranche sales all contributed towards the overall turnover. Thus showing the potential risk and implications of the less predictable non-core income.

Social Housing lettings share fell slightly from 92% to 87% in spite of generating an increase of 4.5% to £58.4m (£55.9m 2015 restated). The underlying rent for current tenants increased in line with the

Government's rent formula by 2.2% (CPI 1.2% + 1%) and the difference was met from letting properties at target rent that were previously below target rent and also the growth in affordable rents of 42% to £1.316m (£925k in 2015). Affordable rents are used to support new housing development. The growth was partly offset by a net reduction in property numbers of 209 homes from 14,347 to 14,138. We increased the number of homes by 80 but then removed from our list properties due for demolition in preparation for development and we transferred 44 to Devon & Cornwall Housing as part of our Transfer Agreement in 2009.

Operating costs

Our operating costs, including cost of sales fell by 8% over the year to £58.1m (2015: £63.5m). We carried out a comprehensive review of our spend in 2015/16 and this resulted in a reduction in underlying running costs, with savings achieved immediately across PCH including back office, housing management and repairs. Depreciation of Housing Properties (FRS 102 basis) increased by 10% to £10.5m (2015: £9.5m) and the expensed costs of major works decreased by 39% to £11.7m (2015: £19.1m). This reflects the completion in November 2014 of the Decent Homes improvements programme.

Sale of Fixed Assets

There was a net loss on sale of Right to Buy (RTB) of £1.8m (2015: £1.1m). This loss arises because of the higher valuation of the properties after 31 March 2014 which has to be written out on sale. In addition to this, the payment to Plymouth City Council for their 100% share of the RTB receipts is also included which is in accordance with the stock transfer agreement.

Interest costs

Interest costs remained the same at £5m (2015: £5m). This was a product of interest rates remaining low and the debt remaining fairly static during the year increasing from £62m at the start of the year to £67m at the end of the year (£30m with The Housing Finance Corporation (THFC) and £37m with Royal Bank of Scotland (RBS)). Borrowings with THFC are on fixed rates and with RBS, on floating rates.

The interest cover is 174% a significant improvement on a negative 12% in 2015.

Surplus

For the financial year to 31 March 2016 the reported operating surplus was £8.7m (2015: loss £0.6m).

The underlying surplus, before tax and pension changes, has improved by over £9m. This is largely as a result of the increased surplus on social housing activities, with increased rental income combined with lower operating costs. The result is a significantly improved operating margin of 13% (2015: -1%).

We no longer report a 'Statement of Recognised Gains or Loss' and therefore the 'surplus recognised' which takes account of the actuarial gain on pension funds is £13.3m (2015: loss £15.9m).

We made surpluses from our subsidiary companies during the year. PCH Manufacturing Services made a surplus of £265k (2015: £109k). It is still in transition moving the focus to securing external contracts. PCH Energy returned a surplus of £123k after a small loss of (£11k) in 2015. The improvement was mainly as a result of the full year effect of a higher number of installations generating energy during the longer daylight hour months of 2015. The installation programme stopped in December 2015 so we will not see the full year effect of income generation of all installations until 2017. PCH Regeneration made a surplus of £403k which was transferred to PCH Ltd under Gift Aid after the year end.

Information on operational performance is given in the assessment of the business effectiveness against all our objectives (p.21-65).

Housing Properties

PCH continued with its substantial investment in its homes. £34.6m was spent on housing properties. £1.6m was spent on other fixed assets.

Cash Flows

The operating activities of PCH generated a cash inflow of £25.3m (2015: £12.1m). After allowing for capital expenditure and financing movements, there was an overall increase in net cash of £5.0m (2015: decrease of £0.8m). Proceeds from RTBs and sundry properties generated £13.1m and we also received government grants of £9.8m which were used towards the building of new properties.

(C) Capital Structure and Treasury Policy

PCH has loan facilities with the Royal Bank of Scotland (RBS) totalling £110m, of which £37m was drawn at 31 March 2016, and £30m of fixed rate debt from the European Investment Bank (EIB) through The Housing Finance Corporation (THFC) which has specifically funded an element of the North Prospect Estate regeneration programme and is fully drawn. The undrawn balance of £73m under the RBS facilities will be required to meet future major renovation works to existing homes and to build new homes under the planned development programme.

Under the latest Board-approved thirty year financial model (‘the Plan’), borrowings will stand at £125m at the end of five years (March 2021) having peaked at £126m in 2020 at which point there will remain £14m headroom against the Association’s combined loan facilities of £140m. The Plan demonstrates that we can pay back all RBS loans by 31 March 2040 as required, and meet the repayment of THFC funding on its due dates, so fulfilling the borrowing conditions set by the lenders.

A key measure of our ability to support these loans is the level of security of the housing stock that either is or can be put in charge to secure them. The security valuation of the whole housing stock at 31 March 2016 under the Existing Use Social Housing Valuation Basis II (which assumes that some properties are sold upon becoming void) was £626m compared with £654m at 31 March 2015. All housing properties are in charge against existing loan facilities with the exception of 836 which are unencumbered and available to act as security against new loans.

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 the PCH Ltd Board.

Interest Rate Risk Management Strategy

As part of its Treasury Management strategy PCH has put in place an interest rate hedge (the hedge) on part of the RBS funding in order to protect a proportion of our funding through RBS against the potential adverse effect upon the Association of rising interest rates.

This hedge provides protection against future interest rate rises, however with current rates at their lowest for 350 years we regularly review and evaluate whether it would be beneficial to buy out the early years. This allows us to take advantage of low short term borrowing rates. The start of the hedge is now 20 November 2016 and therefore we have the flexibility to maintain 100% of our RBS borrowings on a variable rate until then.

The interest fix profile peaks at £70.8m in 2020 at which point it represents 64% of the RBS facilities; the cost of buying out the fix as at 31 March 2016 is £37m.

The EIB funding of £30m was fixed at a rate of 2.9% upon drawing and this continues to apply for the remainder of its original thirty year term.

We have undertaken an exercise to review and restructure our financing to change it from a structure appropriate for a transferring Large Scale Voluntary Transfer (LSVT) Association into one that will allow us to grow and continue to build further social housing; this means in particular having the ability to add further bank financing or longer-term debt capital market financing as the Association grows.

Liquidity Risk

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

At the year-end cash holdings were £14.467m (2015: £9.460m). Funds are deposited with a limited list of approved banks, whose ratings are monitored regularly, and may also be invested in approved Money Market Funds. In addition to these holdings a cash balance of £3.3m is held within a sinking fund controlled by THFC as security for the EIB loan. This can be accessed in the future by substituting existing unencumbered housing properties for this cash.

Counterparty Risk

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

D) Other Risks and Uncertainties

The other risks that may prevent the Association achieving its objectives are considered and reviewed annually by the Executive Management Team (EMT) 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.

The major risk to the Association's future finances is the Government's rent policy as the previous certainty that the sector enjoyed from the ten year rent settlement beginning in 2015/16, with annual rises set at the rate of Consumer Price Index (CPI) + 1% annually, was overwritten in July 2015 with a -1% annual fall in rents for four years. This change meant that the Association lost £20m against the income forecast for the four years and considerably more in lost anticipated future income and additional interest costs.

An extension to, or increase in, these rent reductions would have a severe impact upon the Association's ability to deliver services or develop new homes and the necessary level of cuts in response to any such further rent reductions has been modelled so that EMT and the Board know what measures they will need to take in the event of further cuts occurring.

The major costs of the Association are those of the maintenance and improvement of its homes. The five year transfer promises relating to improvements were successfully completed within the intended five years at November 2014 but these now need to be maintained and replaced as necessary and in addition we have a planned programme to improve the external condition of the properties.

The rate of increase of these costs is highly variable and if they rise significantly above expectations they would have a big impact upon finances. We are continuing to make efficiencies within our internal costs as we are better able to control these but higher external price increases would require that our planned programmes are slowed or reduced. The effects of these increases and the necessary responses have been modelled.

There is a general risk to the achievement of our future business objectives if we were unable to raise additional finance to meet our future development aspirations. The ability to raise and service such new financing is dependent upon 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.

We have looked at the following possible adverse risks which may impact upon our business and modelled their effect to demonstrate the extent to which the Association could withstand and mitigate said impact. The risks were modelled individually and then together in a Combined Scenario to show their accumulative effect.

- Welfare Reform
- Interest Rate Rise / Housing Market collapse
- Adversely Differential Inflation
- Further rent reductions
- Exceptional Costs
- Closure of Manufacturing
- Combined Scenarios

There are limited mitigations available for these risks; the extent of cost savings that have already been made and future savings assumed within the financial model ('the Plan) mean that we would not want to assume we can make even higher levels of efficiencies. Furthermore, the additional income resulting from building new development schemes aids the Plan in the longer term so we would not initially look at cancelling non-contractual development schemes.

This leaves two main mitigating options for adverse risks:

- Review discretionary major works and environmental spending
- Sell housing assets

These would have a considerable and beneficial effect upon the Plan and are fully within the Association's control.

In testing the impacts of all of these scenarios a key measure is our ability to stay within our lending covenants. If we were to breach our lending covenants it could potentially mean that we would be unable to draw down further funds from existing loan facilities causing severe cash flow problems and it would be viewed by our Regulator, the Homes and Communities Agency (HCA), as a major failure of the Association's governance.

In terms of 'knowing our assets', we have undertaken 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 of what specific action would be taken in the event of, in particular, a major cash flow issue.

(E) Future Developments

Sound short and long term financial planning continues to be crucial for PCH. This is particularly pertinent in light of the recent Brexit result. We have a financial framework in place which ensures control over the financial health of the organisation. 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 have now met our promises to residents, we 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.

We have made substantial efficiency savings this year to reduce our costs which have strengthened the thirty year financial model despite the four years of rent reductions which will be applied by the Government from 1st April 2016.

Our thirty year financial model includes provision for the planned regeneration of the North Prospect estate and we began work on Phase 3 of this regeneration in March 2016; supported by grant funding from the Homes and Communities Agency (HCA).

We are also developing outside of the North Prospect programme and have completed twenty new homes this year. We are currently on-site building a further fourteen new homes and we expect to commence a further 139 homes within 2016-2017 with two HCA grant-funded schemes (Southway Campus: 67 and Passivhaus: 72). There is a further 95 unit scheme provided for within the financial plan which may also start building in this financial year (Southway Primary School). All these homes are being built in Plymouth and contribute to Plymouth City Council's plan to increase home building within the city.

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 £18.2m as well as to dispose of an estimated 47 homes over the next seven years through our asset management strategy to raise £3.5m; this is an active strategy to sell off a number of those properties which are the most expensive to maintain and replace them with new build homes which have very low maintenance costs.

Our current loan facilities do not provide sufficient capacity to meet our development ambitions beyond the current planned programme. We need to raise significant long term funding so that we can achieve our aim of providing an ongoing development programme in addition to the North Prospect regeneration and we are actively working towards obtaining this funding.

(F) Value for Money Statement

Plymouth Community Homes (PCH) is a leading provider of affordable housing and a great employer to work for.

We have continued on our journey to create an efficient and effective housing organisation and we're really proud of what we have achieved so far. This value for money statement is a summary of our achievements during the past year, sets our plans for the future and shows why we think we offer excellent value for money for our stakeholders.

Every penny counts here at PCH – that means we carefully consider how we spend the money that comes in through rents paid by our residents and other business activity. We use our money to provide high quality affordable homes for current and future generations and we want to share how we achieve that.

Value for money is integral to our organisation and is fundamental 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.*

To achieve our self-assessment we use a variety of sources including quantitative and cost-based performance indicators, resident feedback, benchmarking information and monitoring of activity against our business plan objectives. This list is not exhaustive.

We have used the following benchmarking services to assess our performance against peer organisations:

Benchmark Service	Date of Benchmark
HouseMark Core and Repairs Value for Money	March 2015
STAR Satisfaction Survey	June 2016
Gartner IT Benchmarking	March 2014
HCA Statistical Data Release and Global Accounts	February 2016

Most of the benchmarks used throughout this report are from HouseMark and we compare ourselves to other large-scale voluntary transfer landlords (LSVTs) with 7500+ homes, unless otherwise stated. The assessments are based on quartiles with a score ranging from bottom (4th) to top (1st).
Further information on how we approach value for money within PCH is available by viewing our Annual Report for Residents.

Our Stakeholders

The aim of our value for money and financial statements is to provide everyone with an interest in PCH with an understanding of what we do and how we do it as well as providing assurance of the delivery of our strategic business objectives.

Our key stakeholders are:

- Residents and customers
- Employees and volunteers
- Current and future funders, specifically Royal Bank of Scotland and The Housing Finance Corporation
- Central and local Government, specifically the HCA and Plymouth City Council
- Suppliers and other partners
- Other public bodies such as health authorities and the police
- The general public who ultimately pay taxes to support the Government funding provided to Housing Associations

Managing and Monitoring Value for Money

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

Our Executive Management Team is responsible for embedding VFM into organisational culture and processes. Specific responsibility to champion VFM has been assigned to the Director of Business Services and Development who ensures that it has priority within the organisation.

Our Senior Management Team is responsible for implementing the strategy at an operational level, and is responsible for assessing performance against objectives and target setting.

Our staff are responsible for integrating VFM into their 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 which includes the following:

- Procurement
- Treasury Management
- Branding
- Information Technology
- Risk Management
- Asset Management
- Development
- Employee Engagement
- Resident Involvement
- Environmental Sustainability
- Co-Regulation
- Subsidiary company business plans in particular the PCH Manufacturing Services financial model.

Alongside these strategies, the following reports are submitted and reviewed by the PCH Board:

- Business planning, target setting against objectives and quarterly performance monitoring;
- Annual budgets, the 30-year financial model and quarterly management accounts;
- Strategic procurement updates;
- Annual benchmarking report on core social housing activities;
- Annual value for money self-assessments

Implications for value for money and social return are considered as part of every Board decision. In addition to the above, internal audit results and service review outcomes are reported to the Audit and Risk Committee and then to Board.

Our Purpose

Our purpose is to be a leading housing provider, with three desired outcomes and nine strategic objectives. These objectives are supported by a series of activities outlined within operational service plans, which are reviewed and updated annually.

Our five-year plan which can be seen below sets out what we plan to deliver for residents and for Plymouth in what continues to be a tough economic and social environment.

In summary, our agenda is about:

- Transforming the way we interact with our customers
- Developing new affordable homes for rent and shared ownership
- Ensuring we have a strong financial base to achieve our ambitions
- Building on our commercial portfolio to generate additional income to invest in services for residents
- Improving the environmental credentials and kerb appeal of our homes
- Working with partners to improve the health and wellbeing of residents

During 2016/17 we will be re-visiting our strategic aims and will set out our plans for the future which includes plans developing more homes, and clarifying our offer to customers and how commercialisation might support the wider aims of the business, particularly around development.

Assessing our Business Effectiveness

Business effectiveness is about achieving our purpose of being a leading housing provider whilst making the best use of our assets in a cost effective, environmentally friendly and customer focussed way. The following model demonstrates the components required to deliver business effectiveness:

Our approach is defined by three strands focussing on:

Our People – This is the positive impact we can have on residents of Plymouth and how we support the local economy and job creation. The key measures for this are resident satisfaction and how well we are achieving our social objectives.

Our Pounds – This is how we optimise the financial return on our assets in terms of income growth, capital gains, controlling costs and how we invest in those assets. This sometimes includes selling some of our assets for a longer term gain.

Our Planet – We take our responsibility for the environment seriously. This isn't just about how we run our business but also the vital role we have in helping our residents to reduce their own environmental impact and therefore the running costs of their homes. We measure this through carbon foot printing, Standard Assessment Procedure (SAP) ratings and other more qualitative measures.

Resident Scrutiny of Value for Money

We continue to fully embrace the principles of co-regulation and we approach this through our Resident Scrutiny Team (RST). Their role is to scrutinise business performance and make recommendations for improvements to the quality, value for money and accessibility of our services.

One of the key pieces of work carried out by the RST was a review of how we prevent and manage anti-social behaviour. The review concluded with a series of recommendations and where real savings and service improvements can be realised, we are in the process of implementing them.

Overall Value for Money Score

We present our value for money self-assessments using heatmaps based on a review of cost and quality of our business activity. The heatmap depicted below shows our overall self-assessment of delivering value for money.

From top to bottom this is our assessment of whether our costs are low, medium or high.

From left to right is our assessment of the quality of services which is derived from performance outturn and customer satisfaction. This is also expressed as poor, medium or excellent.

We assess ourselves as medium-low cost and excellent quality for the following reasons:

- The performance ratings for most of our frontline services are benchmarked at the top quartile and we have excellent customer satisfaction scores.
- Our costs are broadly in line with others in the sector.
- Our assets have a positive Net Present Value (NPV) meaning that the investment costs are lower than the income.

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. With a combination of excellent governance and financial structures we continue to deliver high quality services to residents whilst complying with the Regulatory Framework.

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

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

Measures

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

Our strategic approach was reviewed in light of the July 2015 budget announcement and the subsequent Welfare Reform and Work Act 2016. We have revisited our business plan as in the short term it will prove harder to 'raise our social rents to the mid-market social rent for Plymouth', as rents on our existing general needs properties will reduce by 1% for the next 4 years. We need to be more creative in looking at opportunities and the following drivers become even more significant:

1. Raise our social rents to the mid-market social rent for Plymouth Community Homes

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

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

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

In doing so, we:

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

Change in Accounting Treatment (Financial Reporting Standard 102)

The Social Housing sector has undertaken a fundamental change in the way the financial statements are presented. This brings us in line with International Accounting Standards. The biggest change for Plymouth Community Homes is that we opted to use ‘deemed cost’ which means that from the transition date of April 2014 we can use the valuation as the ‘new cost’ for our housing assets and commercial properties. This has increased the balance sheet value of assets by over £300m with a corresponding value in the re-valuation reserve.

Refinancing

We have undertaken an exercise to review and restructure our financing to change it from a structure appropriate for a transferring Large Scale Voluntary Transfer (LSVT) Organisation into one that will allow us to grow and continue to build further social housing; this means in particular having the ability to add further bank financing or longer-term debt capital market financing as the Organisation grows. The aim of the refinancing strategy is to have more effective funding in place, reduce the long term average cost of funds assumptions and improve our interest cover ratios.

Our Income

In order to meet the challenge presented by the mixture of low rents and the need to invest, our strategy in the past was to raise rents to a level comparable with other housing associations operating in Plymouth. However we can no longer apply this strategy in light of the legislation. Thus it becomes even more important to review how we spend our money.

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

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

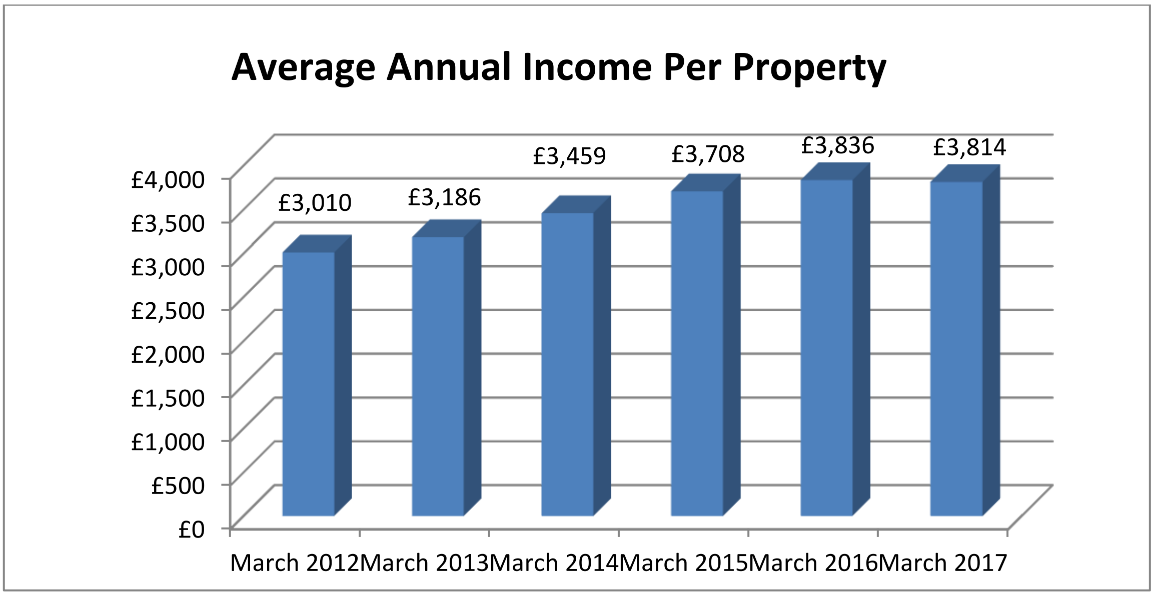
The Housing and Planning Act 2015 contained a provision for partially deregulating the sector, part of which will make it easier for social housing providers to change the tenure of existing stock. In order to achieve optimum financial gain on our assets we plan to carry out an evidence-based review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

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

	Average Monthly PCH Rent (General Needs)	Average Monthly Plymouth Social Rent	Average Monthly National Social Rent[1]	Average Monthly Plymouth Private Rent[2]	Local Housing Allowance Maximum
One Bedroom	£248.72	£288.76	£354.84	£426	£408.03
Two Bedroom	£293.52	£336.52	£392.12	£655	£530.23
Three Bedroom	£325.24	£369.76	£419.64	£761	£630.20
Four Bedroom	£363.12	£416.80	£491.04	£1,056	£790.62
Five Bedroom	£435.00	£451.16	£545.76	£1,225	N/A

There is a gap averaging £114 per month between PCH and the average social rental charge in England and £325 between our rents and those charged on the private rental market for 1, 2 or 3 bedroom properties. This is our social dividend and a clear example of how housing associations provide value for money to the taxpayer.

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



[1] Source: Homes and Communities Agency Statistical Data Release 2015
[2] Source: Zoopla http://www.zoopla.co.uk/market/plymouth/ Accessed 13/07/2016

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

	March 2011	March 2012	March 2013	March 2014	March 2015	March 2016	March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Income	42,080	44,085	46,602	50,473	53,195	54,797	54,240
Year-on-Year Increase		4.8%	5.7%	8.3%	5.4%	3.0%	-1.0%

The table above shows how the housing rental income into PCH since 2011 to March 2016 has increased but this will now start to decrease as the 1% rent reduction comes into effect. Included in the above figures is a programme of converting homes to affordable rent (i.e. 80% of market rent) to support development of new homes.

We aimed to convert 1,722 homes to affordable rent by March 2016, we achieved 1,606 and let a further 50 (100%) new build homes at affordable rent over the last year. The main reason for not hitting the target for conversions was our previous policy of only converting properties generating a premium of £20+ per week above the social rent calculation. Not enough of these properties became available between 2011 and 2014 so in 2015 a decision was taken to include re-lets generating a premium of £10+ per week. This improved the rate of transition and the total income received to date. The forecast is on target against our development funding bids.

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 reducing costs of services. We now have a system where, over time, residents will pay for the full cost of services. Charges are proportionate to the service received and we can be held to account for the quality of these services.

We have controlled service costs through long-term energy contracts and introduced an in-house Neighbourhood Ranger service which has not only improved quality of cleansing and grounds maintenance but significantly reduced costs. Our service charge costs, as provided by the HCA, put us in the top quartile compared to other housing associations.

How we collect rent and protect our income

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

Welfare reform created a business risk as well as a risk to tenants with the introduction of the spare room subsidy and the benefit cap. We invested in supporting our tenants and changed our working practices resulting in reduced arrears year-on-year and as at the end of March 2016 they were the lowest ever. We recognise that our costs of rent collection are high compared with other landlords but we think it is worth this investment because we are supporting residents to sustain their tenancy whilst bringing more income into PCH.

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

Void performance is shown in the following table:

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17 Target
Number of void properties at 31 March	158	114	73	64	71	75
Average number of terminations per week	17	16	20	17	18	18
Average routine void turnaround	34.99	37.43	35.61	17.54	16.26	20

Historically this has been recognised as an area which needed improvement and, as a result of lean processes implemented in 2014/15, re-let times have reduced significantly and continue to improve.

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

The following table shows the significant improvement in financial and operational performance since transfer in 2012:

	Actual					Target
	March 2012	March 2013	March 2014	March 2015	March 2016	March 2017
Growth in turnover	3%	10%	6%	5%	6%	3%
Operating surplus / total turnover	33%	12%	-4%	-1%	13%	3%
Arrears as a % of annual debit	3%	3%	2%	2%	1%	2%
Loss of income from voids	£762k	£868k	£800k	£563k	£413k	£872k
Service charge costs recovery %	53%	72%	75%	77%	82%	78%
KPI: % of tenants that think service charges are good value for money	N/A	79%	79%	75%	80%	80%
KPI: % of tenants think rents are good value for money	83%	89%	89%	88%	91%	91%

We have set income targets for our commercial shops and our subsidiaries PCH Manufacturing and PCH Energy. Our shops generated a surplus of £0.93m (2014/15 £0.85m) and our manufacturing subsidiary made a surplus of £265k (2014/15 £109k). PCH Energy made a surplus of £123k (2014/15 a £12k loss).

Expenditure and costs

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

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

	March 2011 £'000	March 2012 £'000	March 2013 £'000	March 2014 £'000	March 2015 £'000	March 2016 £'000
running costs - social housing lettings excl Deprn	30,951	31,187	31,939	30,970	29,390	28,919
Increase/(decrease) in costs		1%	2%	-3%	-5%	-2%
Major repairs	12,137	18,427	23,131	20,838	18,822	11,474
Increase/(decrease) in costs		52%	26%	-10%	-10%	-39%
Total running costs & major repairs		49,614	55,070	51,808	48,212	40,393
			10%	-6%	-7%	-19%
running costs - other social housing	3,409	2,502	5,060	4,040	3,546	4,163
Increase/(decrease) in costs		-27%	102%	-20%	-12%	17%

Between March 2012 and March 2016 income increased by 24%, with running costs increasing by 17% (inflation in this period was 9.6%). There has been a reduction in spend on Major Works now that the Decent Homes investment programme is complete. The reason for the increase in other social housing costs is mainly associated with Shared Ownership. Surpluses are used to fund new build development and improvements to core services.

The operating margin at over 13% is above the 10% level we set as a short term aim within our Golden Rules in July 2015, and heading towards the industry average of c.30% (HCA Global Accounts 2015).

We have very low interest costs in 2015/16 as a result of drawing all RBS debt on floating rates.

Analysis of Cost Differences

In June 2016, the HCA published ‘Delivering Better Value for Money: Understanding Differences in Unit Costs’ and wrote to each Housing Association setting out their costs for 2014/15 and how they compared with others in their peer group. The data and some further analysis are shown below:

2014/15	Headline social housing costs £000's	Housing Mgt £000's	Service charge costs £000's	Maintenance £000's	Major repairs £000's	Other social housing cost £000's
HCA Analysis per unit	5.95	0.55	0.23	1.11	3.87	0.20
Adjusted for British Gas Grant per unit	5.41	0.55	0.23	1.11	3.33	0.20
Per Regression Analysis per unit	5.46					
HCA Quartiles 2014/15						
Upper quartile	4.30	1.27	0.61	1.18	1.13	0.41
Median	3.55	0.95	0.36	0.98	0.80	0.20
Lower Quartile	3.19	0.70	0.23	0.81	0.53	0.08
2015/16	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
HCA Analysis per unit	4.12	0.51	0.25	0.96	2.28	0.12
Adjusted for British Gas Grant per unit	3.74	0.51	0.25	0.96	1.90	0.12

The further analysis shows that the figures in the Major Works category included both capital and revenue spend, including £8.6m of grant-funded work carried out by British Gas at no cost to us through delivery of the ECO programme. This provided external wall insulation to over 3,000 properties, removing £30m of future works from our financial model.

If we exclude the £8.6m British Gas work, the overall true spend goes down from £5.95k to £5.41k per unit.

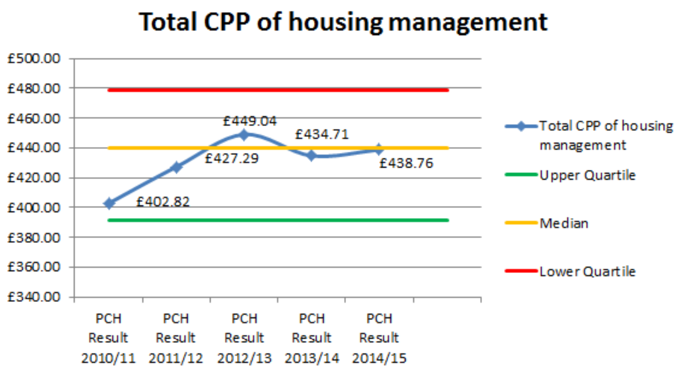
We recognise that these costs are higher than in other housing associations. This is due to the significant investment requirement which was the catalyst that initiated the stock transfer in 2009. The large-scale upgrading work came to an end in 2014/15 and this is reflected in the provisional 2015/16 costs shown in the above table. We used the same basis as the HCA which showed a reduction of £1,830 per property. In future years, we plan for this cost to continue to reduce however it should also be noted that we aim to keep the homes in an excellent condition so they remain places where people want to live whilst protecting the value of social assets. By maintaining the quality of the homes this protects the taxpayer's investment in bringing them up to the Decent Homes Standard.

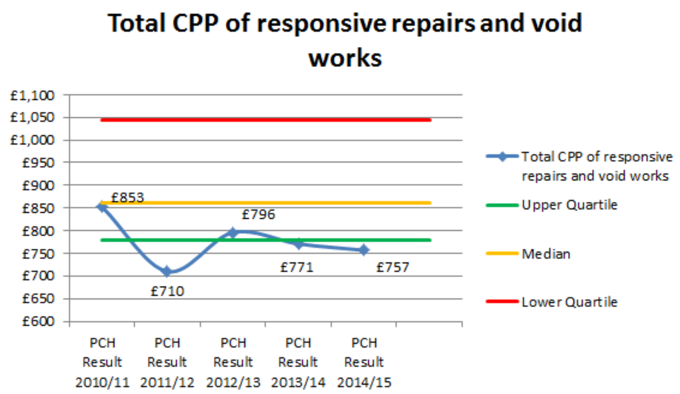
Further information was provided by the HCA in a technical regression report which helped explain why there might be differences in costs between different housing associations. For example, Large Scale Voluntary Transfers (LSVTs) and any housing associations carrying out Decent Homes investment will spend more. We have used the analysis to estimate what our costs would be, based on our age and our profile. If we applied their average costs for the defined high-spend areas, then we 'should' have spent £5.46k per property (we spent £5.41k per unit or £775k less than the HCA indicative).

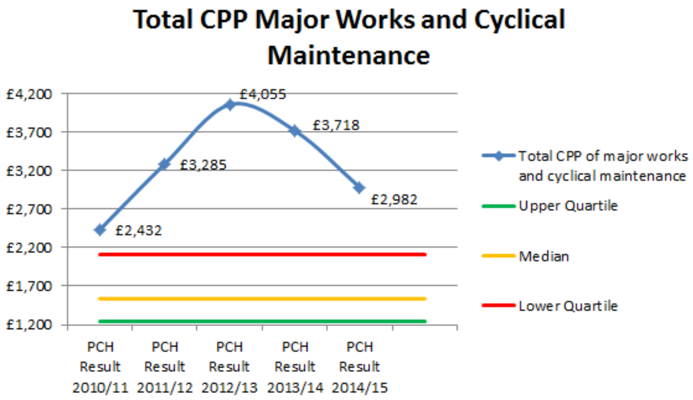
Cost and Performance Benchmarking

We use HouseMark as our benchmarking provider, who provide us with detailed information about how our costs and performance outturn compares with other landlords of a similar profile to PCH (LSVTs with 7500+ homes).

The main indicators we use to show if we are providing cost value for money on our core services are the total cost per property figures (2014/15 data) (£):





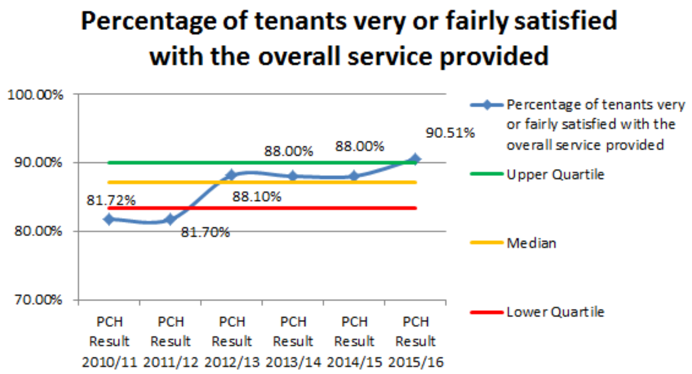


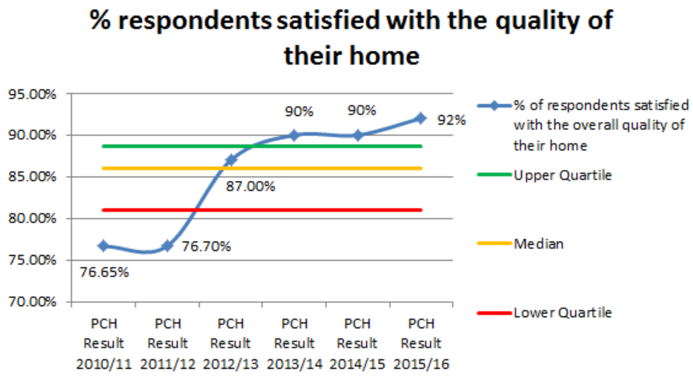
The total cost per property on housing management increased by £4 per property but has remained on the median compared to other landlords. We continue to focus most of our housing management activity on income recovery and therefore we have reduced spend on tenancy management and anti-social behaviour and directed the savings towards activity to bring more money into the organisation, with the added benefit of sustaining tenancies.

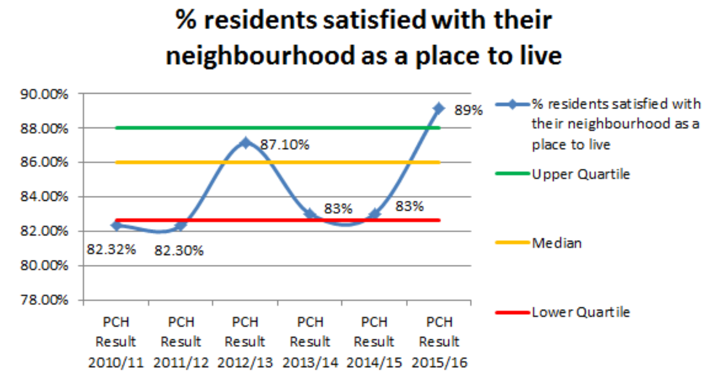
Our responsive repairs and voids services are in the 1st quartile compared to peers and there has been continued focus on driving efficiency in these areas. Our repairs service was realigned resulting in a reduction in management costs without compromising on quality whilst our voids process was further refined without extra resource. The additional benefit to achieving quicker turnaround times was a reduction in the amount of income lost due to void periods.

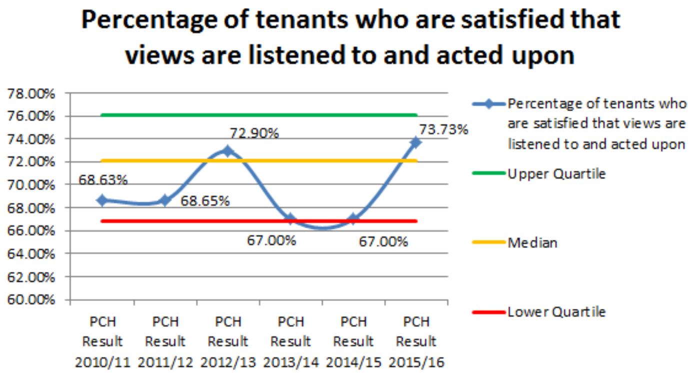
The cost per property of delivering major and cyclical works is still much higher than the amount spent by other landlords in our peer groups. The majority of this cost is associated with the major improvement programme described earlier, and we have seen a reduction in spend during 2015/16. We aim to reach the median position for this indicator because we want to maintain excellent quality homes for residents.

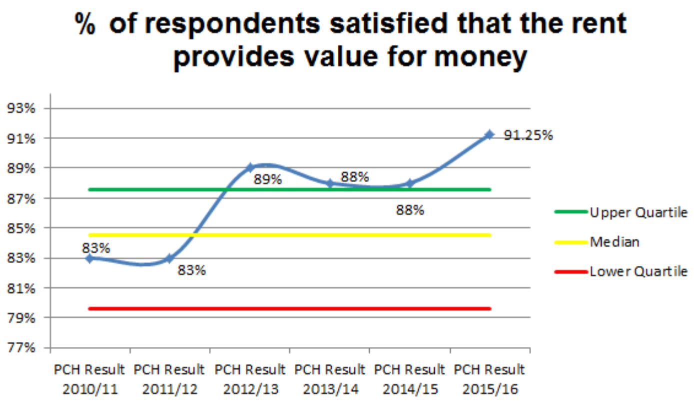
In 2016, we asked our residents for their perceptions on our services, and we compared them against all landlords using HouseMark's STAR benchmarking. A summary of the results relating to our core housing services are below:

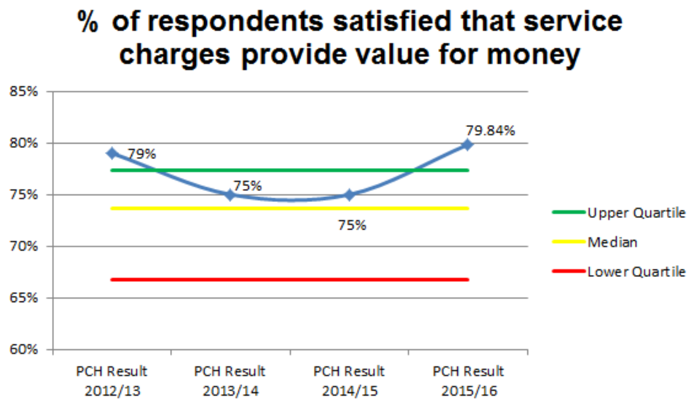


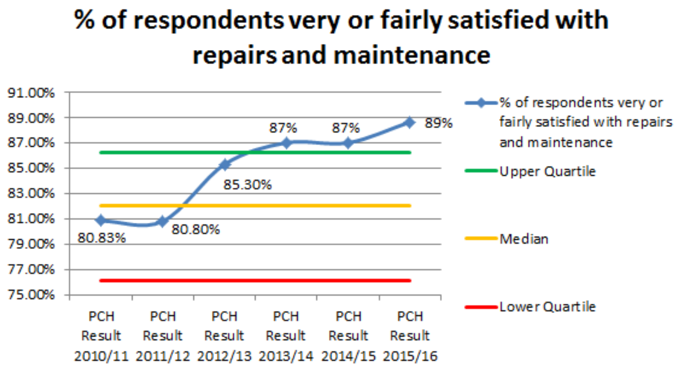












Our first survey in 2010 told us that we performed worse than most of our comparator landlords. The graphs above show our journey towards improvement as Plymouth Community Homes established itself as a new landlord.

In 2016 we are proud to be one of the highest performing landlords in terms of resident satisfaction and this has been achieved through significant investment in the homes and by transforming the way we deliver services.

Value for Money Reviews

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

A thorough review was undertaken during 2015 to identify any savings that could be achieved across the whole of the organisation culminating in over £3m in reduced spend, made up of c.£1.2m of employee cost savings and non-pay reductions of c.£1.8m. We are confident these savings can be achieved as nearly £1m of employee savings were achieved against budget in 2015/16.

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

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

Note excludes general procurement savings

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

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

Major & Cyclical works - The block refurbishment contracts assume reduced expenditure per unit whilst maintaining a programme to meet our objectives. The disabled adaptations budget was reduced by £100k per year. These vital works will continue albeit through an external funding stream (Disabled Facilities Grants).

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

Our Assets

Our business is all about managing our homes, our business assets and our socio-commercial assets effectively.

A summary of our assets and their valuation is in the table below:

Asset Type	Number of Units	Valuation (£)
Socially-rented homes (EUV-SH)	14,200	EUV-SH - £357m / OMV £1.22bn
Shared-ownership homes	85	EUV-SH - £2.5m / OMV £8.9m
Land awaiting development	-	Existing use - £2.7m / OMV £12.4m
Corporate buildings (owned only)	1	£3.8m
Commercially-let shops	173	£13.6m
Garages and parking spaces	2,762	£6.3m

We have a varied social housing stock profile, which is concentrated within the city of Plymouth. Our stock is broken down as follows:

Property Type	Number of Units
Bedsits	233
House	6,007
Flat	5,974
Maisonette	483
Bungalow	1,513
Total	**14,200**

Following a £350m programme of works to bring the homes up to the Decent Homes Standard, our homes are in a good condition and provide high-quality accommodation for residents.

Almost 40% of our social housing stock is of a non-traditional build-type, most of which is in a good and sustainable state of repair.

In 2015, we took a decision to demolish or dispose of 24 non-traditional units within the North Prospect regeneration area in addition to the properties already being demolished. These units either required extensive refurbishment work or had reached the end of their lifecycle and therefore offered poor value for money. Including the 24 above, there are 329 homes awaiting demolition and replacement with new-build properties for rent and shared-ownership.

Our most recent stock condition survey was conducted by Savills Housing Consultancy in 2015. We hold a robust dataset that enables us to make evidence-based decisions about the future use of our housing assets.

Understanding our Assets

Measurement of Financial Return on Capital Employed (ROCE)

In this section we measure the financial return on capital employed in terms of both income return (yield)[3] and capital return[4]. 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 (OMV)** – 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*.

Our summary results are in the tables below:

Yield - net income/housing assets	March 2012	March 2013	March 2014	March 2015	March 2016	March 2017
EUV-SH	29.50%	5.72%	-0.60%	-0.14%	2.37%	1.52%
OMV	2.20%	0.70%	-0.19%	-0.05%	0.70%	0.43%

Capital return value/housing assets	March 2012	March 2013	March 2014	March 2015	March 2016	March 2017
EUV-SH	74.27%	123.97%	84.08%	76.02%	65.96%	70.46%
OMV	27.28%	16.52%	3.11%	2.75%	2.65%	2.66%

It continues to prove difficult to compare between years and with other housing associations because of the exceptional position of PCH since transfer in 2009. This is partly because up to March 2014 we received a £125m gap funding grant from Government which increased our income, and paid for significant spend on major works to complete our promises to tenants. This was the financial basis underpinning the creation of PCH. We continued to deliver our major works investment programme to meet our transfer promises to residents but no longer received gap funding explaining the negative yield in 2014 and 2015.

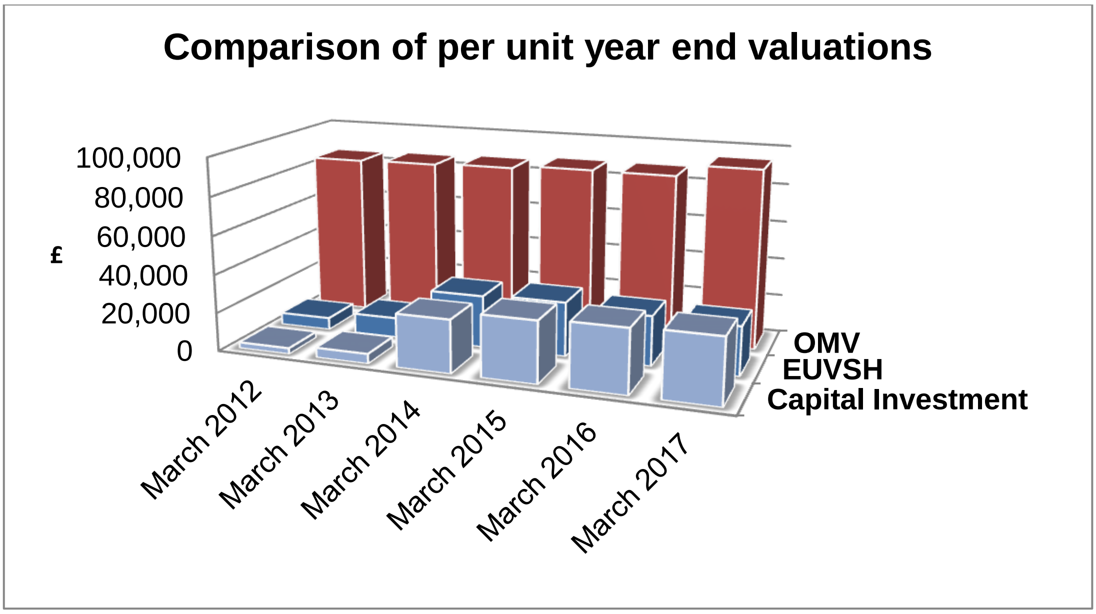
Now that our promises to residents are complete, we anticipate the income return on EUV-SH (voids re-let) at 31 March 2016 to be closer to 2% compared with our pre July 2015 budget forecast of 4%.

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

EUV-SH capital values for our homes increased year on year since we transferred in 2009. The average EUV-SH (voids re-let) increased from nearly £4,000 per property in March 2010, peaking to over £28,000 in March 2015. However, the impact of the 1% rent reduction now means that the average value has reduced to £26,000 per property.

The OMV is based on what we have spent on our properties to date compared with the market value at the time. This value is vulnerable to fluctuations in the local economy and housing market partly due to the uncertainty arising from an increase in stamp duty on buy-to-let properties, the impact of the EU referendum and also the reduction in our stock numbers due to protected Right-to-Buy sales (302 since transfer). This is further compounded by the properties we have demolished as part of the regeneration at North Prospect and Devonport. This has meant that the capital return against OMV has reduced but remained positive.

The yield is very low compared with other social landlords because our rents are much lower. During 2016/17 we will review our rent strategy and set out plans to increase the yield by potentially offering different types of property for rent. 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.



	March 2013	March 2014	March 2015	March 2016	March 2017
	£'000	£'000	£'000	£'000	£'000
EUV-SH (voids re-let)	151,876	396,695	405,270	369,053	360,736
Open Market Value	1,241,857	1,251,123	1,253,867	1,246,442	1,271,371
Capital Investment	75,179	402,000	455,926	470,543	480,110

The above table shows that because the existing use values are largely driven by rental cash-flows then we can no longer assume that the value of our existing homes will gradually increase in the future. This has had a significant impact on our ambitions of using our asset values to build more homes within the Plymouth area. It does mean however that we need to seek innovative ways to support our ambitions for developing more homes in North Prospect and elsewhere in Plymouth.

Managing our Assets

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

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

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

We have developed an asset evaluation tool which we use to assess each home annually. In doing so we use information on major works completions, stock condition survey data, qualitative data relating to housing management and the rental income due over a 30-year period.

This tool allows us to understand the performance of our homes to ensure they continue to offer good value for money. Using a simple scoring mechanism, we can easily identify underperforming stock and this information is then used to support decision-making around retention or disposal.

Asset Appraisal Evaluation 2015/16

In appraising our assets, we consider three key areas:

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

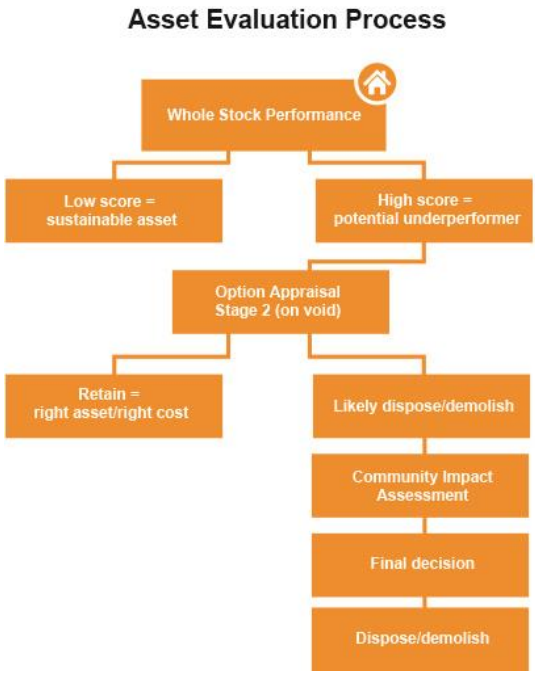
When the tenancy ends on underperforming assets, we carry out an in-depth options appraisal and community impact assessment. This considers properties in terms of social, economic and environmental performance and includes wider factors such as accessibility and local infrastructure.

Each property is given a score against each factor which is then totalled to give an overall score.

Once the assessment is complete, there could be one of two outcomes:

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

The process is illustrated below:

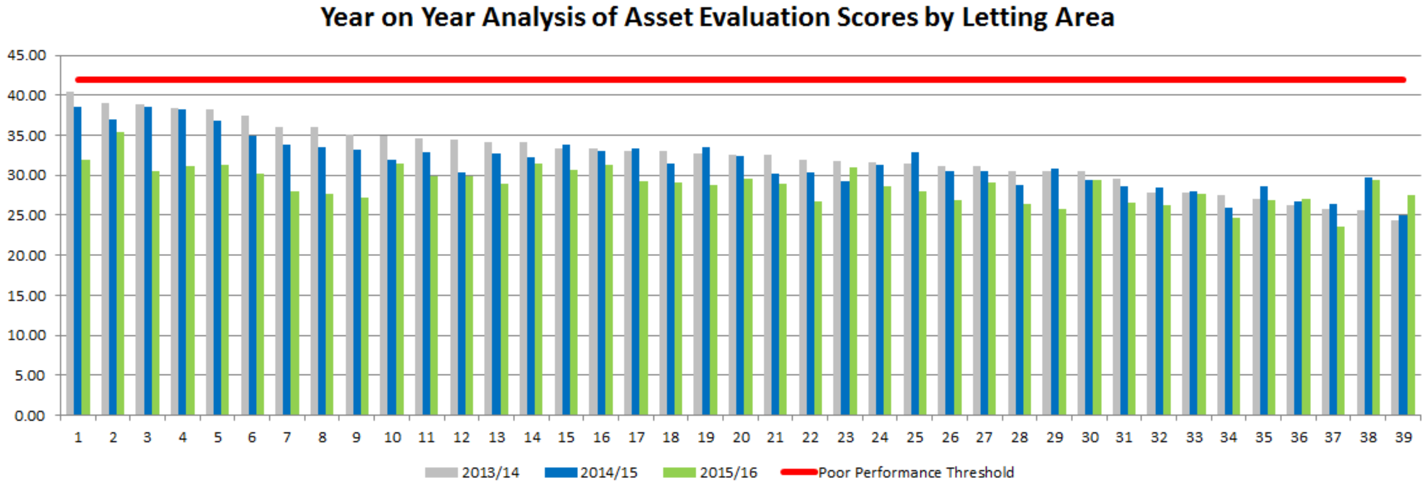


We have sold 18 homes on the open market at a value of £1.5m of which £759k was used to support delivery of our North Prospect regeneration scheme and another new-build project in Hope Woods.

It should be noted that 75 homes were sold to tenants under the protected Right-to-Buy scheme, however the capital receipt was paid in full to Plymouth City Council as part of the stock transfer agreement.

Asset Evaluation Results

During 2015/16 we evaluated our assets using the criteria set out above and a summary of the results for our 39 lettings areas is shown below:



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

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

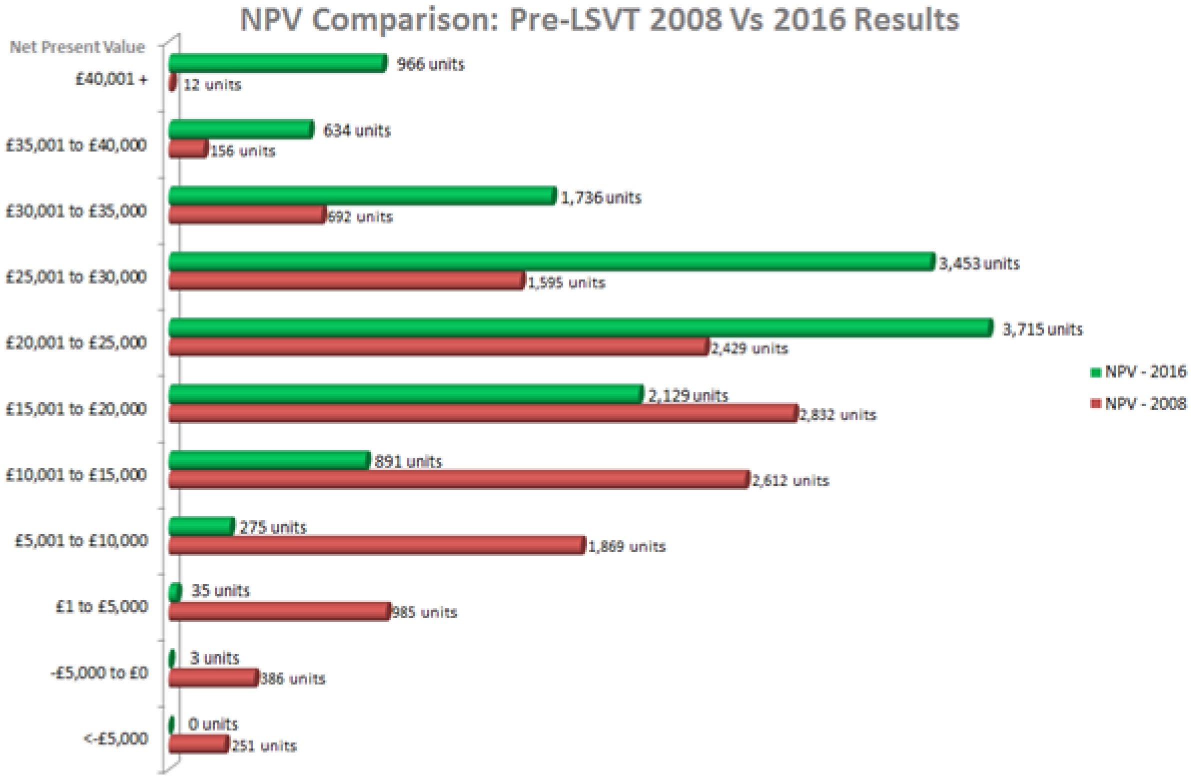
Net Present Value Analysis

Our asset evaluation tool allows us to analyse the net present value (NPV) of our stock at individual property level.

We have NPVs for 13,837 of our 14,200 homes. The remaining 363 units are excluded because we have already made a decision about their future, which is shown below:

Future Use	Number of Homes
North Prospect regeneration (demolition/disposal)	329
Clowance Street (severely fire damaged flats – future reinstatement funded by insurance)	22
Flats awaiting disposal	4
Exchanged contracts as protected right-to-buy sales (sold April 2016)	8
	363

The graph below depicts the change in net present value since before our homes transferred from Plymouth City Council.



In 2008, over 6000 homes had an NPV of less than £15,000 and by the end of 2015/16 this had reduced to 1,204 units.

The positive movement in NPV demonstrates that the 2009-2015 major works programme to bring our properties up to the Decent Homes Standard was effective in terms of providing a positive net income. Additionally, the NPV of some assets has increased because we have converted a number of homes to affordable rents to support new-build development.

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

Business Assets

We have purchased our headquarters building, we own the shop where our city centre office is based, and we purchase our vehicles and IT equipment outright.

We have two leased premises – Prince Rock Depot where our Manufacturing Team is based and a small industrial unit for our Environmental Services team.

Our main business asset is the headquarters building which was purchased in 2012, and underwent a multi-million pound refurbishment which has significantly increased the value of the asset – this now stands at £3.8million. Plymouth Community Homes occupies 2.5 floors of the building, with 1.5 floors being leased to external companies and the ground floor and annexe used as shared space for the building's occupants. We continue to review PCH's occupation density in order to maximise income yield for this asset.

In 2014, we closed our area housing offices and during 2015/16 we either leased the buildings as commercial lettings or converted suitable offices back into dwellings for social rent.

Social Commercial Assets

Our socio-commercial assets are our shops, solar panels and manufacturing equipment. We describe them in this way because the income they bring into PCH is used to deliver services for residents.

Our 173 shops are part of our housing business. Many of our shops provide vital services such as post offices and grocery stores. Our shops are popular and we hold a waiting list of prospective tenants. Due to this we have the benefit of ensuring the right types of businesses operate from our shops – for example we do not let to payday loan companies nor do we let to betting shops. This helps ensure that our commercial estate supports our communities.

The manufacturing equipment is owned by PCH and is used as a vertical supply chain to provide windows, doors, fences, railings and much more across our homes and neighbourhoods.

Our solar panels provide an overall positive NPV during their lifecycle and bring in a financial return. To date, we have installed 2,383 sets of solar panels (after allowing for removals from right-to-buy properties). Our programme is one of the largest in the sector although the installation programme has been curtailed due to a significant reduction in Feed-In-Tariff which means that upcoming programmes are no longer viable.

The solar panels save residents up to £180 per year on their electricity bills as well as reducing the environmental impact of the homes.

The following table shows the indicative benefits of our solar panel programme:

	At 31/03/2016	**Revised Scheme Target Over 20 Years**	***Previously Reported Targets Over 20 Years***
Financial investment:	£9.9m	£9.9m	*£14.4m*
Cumulative profit:	£100k	£2,345m	£4.5m
Cumulative carbon saving:	4,742 tonnes	56k tonnes	75k tonnes
Average Estimated Household saving:	£180	£3.6k	£4.2k

The surplus we made on the solar panels was below the target of £388k. In 2015 the electricity district network operator for the South West imposed restrictions on the number of panels we could install on each property due to potential overload on the infrastructure. The restriction meant that the amount of electricity we could generate was reduced and this was further compounded by a delay in achieving the consents required on a property-by-property basis to install solar panels. In experiencing these delays, our installation programme fell behind schedule and when the Feed-In-Tariff reduced in January 2016 it was no longer viable to continue installing new panels. The scheme targets have also been reduced down to reflect the reduction in planned installations.

Our Proudest Moments of 2015/16

Making the best use of our assets:

- The valuation of our homes is £26k per property which is lower than last year but is a reflection of our major investment programme. In 2009 the properties were worth an average of £4,000 each but many were in negative equity.
- We have maintained 100% compliance with the Decent Homes Standard.
- We developed 70 new homes in North Prospect and made plans to build on other sites.
- We have made more of our headquarters building available for letting by increasing staff occupation density. This will bring extra income into the organisation.

Achieving added social value:

- We responded to the announcement that social rents would be cut 1% per year for four years by protecting core services and maintaining viability.
- We invested £378k in resident-led projects by providing additional security, improved green spaces and other community facilities.
- We ran a “Learn for Free” training programme where residents could access vocational and life-skills training to support their wellbeing.
- Installed 469 sets of solar panels which provide the occupants with free electricity helping to reduce fuel poverty as well as generating an income for PCH.

Achieving added financial value:

- Our income collection and rent arrears levels are the best they have ever been.
- The time taken to re-let empty homes has significantly reduced meaning that our tenants move in quicker and the amount of income lost from empty homes is minimised.
- We charge the lowest rents in Plymouth and 5th nationally whilst delivering a top-class service for residents.

Achieving added environmental value:

- The average energy efficiency level of our homes has increased to 72.
- We opened our innovative Reuse Centre for Environmental Services and doubled the amount of waste we recycle and saved £30k.
- As a result of a new corporate waste disposal contract, we anticipate making savings of £30k per annum and £121k over the lifetime of the contract. For the waste we generate within PCH we are now a zero to landfill organisation.
- The energy supply for our headquarters building is generated using renewable sources.

External Recognition

- We have been recognised externally for our achievements, namely:
    - Resident Involvement Accreditation – TPAS (awarded 2016)
    - Health and Safety “Sword of Honour” – British Safety Council
    - Investors in People Silver
    - Two-Ticks Disability accreditation
    - ISO14001Environmental Management and ISO9001 Quality Management
    - SHIFT Silver – Environmental benchmarking (awarded 2016)

All of these examples go towards demonstrating our business effectiveness; it means that our residents live in high-quality, affordable homes and have a great landlord service. The work we do to protect the value of our assets means that we have access to better borrowing for building more homes. All of this combined gives us a good standing within the affordable housing sector and a competitive position as a leading provider.

Progress against Our Business Objectives

This section is all about how we have performed against our business objectives set out in our 2013-18 Business Plan.

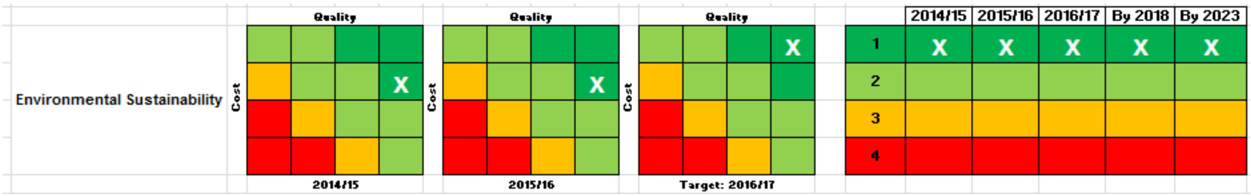
It demonstrates how we have delivered business effectiveness in running and developing our business by comparing our costs and performance against other similar landlords.

Our Environment

We will make our homes and our business environmentally sustainable

Our impact on the environment is significant and to reduce that impact, we work with residents and staff to implement practical solutions to make us a greener organisation and reduce costs where possible.

Value for Money Self-Assessment



In our 2015 value for money statement we said we wanted to move to low cost and excellent service quality. We believe that we have met that aim through a combination of project delivery, cost reduction exercises, partnership working and investing to save.

Our Measures of Success

The table below shows the performance indicators for this business objective:

	2015	Benchmark	2016	2016 Target	2017 Target
PCH Carbon Footprint	3,262t		2,805t	8,000t	
PCH Waste Recycled	30.29%		46.97%	70%	70%
Cost of Waste Disposal	£395k		£303k	£397k	
Percentage Homes with Solar Panels	13%		16%	23%	-
Percentage of Hard-to-Treat homes with external wall insulation	57%			79%	
Value of External Wall Insulation (EWI) funded from external sources	£15.8m		£12m	£15.4m	-

	2015	Benchmark	2016	2016 Target	2017 Target
Average energy efficiency rating of homes (SAP)	71	1st	72	72	72
Number of pollution incidents	0		0	0	0

Please note that the carbon footprint for 2014/15 is lower than previously reported because the energy usage information was based on assumptions and we now have the actual data from the energy company.

What Did We Do?

The section below sets out what we have achieved in 2015/16:

Carbon and Utilities

- We have a green energy provider for our headquarters building so the electricity comes from renewable sources at no additional cost.
- We spent £136,343 upgrading communal lighting to LEDs in 10 blocks of flats. This programme is significantly reduced due to the impact of the 1% rent reduction.
- Planning permission was granted for 72 new homes built to the Passivhaus standard. This design type provides the highest possible energy efficiency rating.
- Purchased two hybrid vehicles to be used as pool cars for business travel. Through procurement, we saved over £6,000 off the purchase price of each car and we are no longer paying hire charges. Due to the nature of the vehicles, they are economical to run and have a much reduced environmental impact.
- Embarked on a project to monitor the impact of our external wall insulation programme looking at temperature change and the humidity of properties that have had new insulation applied.

Waste Management

- We re-tendered our waste collections into one combined contract and anticipate savings of around £30k as a result. We are now a zero-to-landfill organisation.
- We opened our Reuse Centre to deal with the items from empty homes and estate management activity collected by Environmental Services. These items account for half of PCH’s waste by weight, and everything was previously being sent to landfill.

Green Space and Biodiversity

- We planted more trees in and around our neighbourhoods taking the total to almost 1000 since November 2009.
- We made a commitment to ensure that our new development schemes are hedgehog-friendly.
- We secured external funding through Bug Life so that we can plant more wildflower lawns in our neighbourhoods and support Bug Life's aim to create a bee corridor across Plymouth.

Procurement, Pollution and Water

- We had two minor environmental incidents – one at Plumer House which involved a small chemical spill from a contractor's vehicle and the other where sediment ran-off one of our development sites into a public sewer. Both incidents were contained and cleaned up quickly which demonstrated the effectiveness of our environmental management system.
- One of our contractors donated six tonnes of top soil to one of our Money Tree Fund projects in the city centre, which was achieved through procurement aligned to the Social Value Act 2012.

In addition to the above we have had successful ISO14001 audits from the British Standards Institute and were awarded Silver SHIFT certification from Sustainable Homes, we were only 6 points away from achieving gold status.

We plan to:

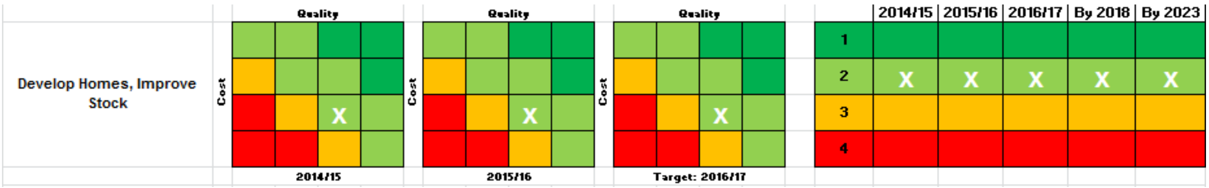
- Start our transition towards the ISO14001:2015 standard and achieve re-certification of our Environmental Management System in autumn 2017.
- Further improve the processes at the Reuse Centre to achieve even higher recycling rates and reduced costs.
- Install external wall insulation on more of our homes.
- Revise our environmental sustainability strategy to set new environmental targets and aspirations.
- Increase recycling rates within our Building and Technical Services department to support our overall target of 70% waste reduced, reused or recycled.
- Introduce the use of recycled paper in our offices to reduce the environmental impact of our printing activities.
- Safely decommission our timber treatment plant to reduce running costs for our Manufacturing department.
- Work with South West Water to promote water efficiency in the home.

Our Homes

We will develop more homes and improve our existing housing stock

The core purpose of our business is to provide high quality, affordable housing for rent or shared ownership. We believe that everyone has the right to a decent home so we continue to improve our existing homes and build more homes for people to lay down roots in Plymouth.

Value for Money Self-Assessment



In 2015, we said that we deliver a medium-high quality regeneration and development service with higher than average investment costs.

During 2016, our investment costs on the existing homes reduced while we re-profiled our business plan following the July 2015 budget announcement that social rents would be reduced by 1%. Therefore the overall costs for this year are much less because we spent less money on major works and responsive repairs. The quality of the homes has not reduced because we are compliant with, and exceed, the minimum Decent Homes Standard.

Our Measures of Success

	2015	Benchmark	2016	2016 Target	2017 Target
Percentage of tenants satisfied with the quality of their home (STAR)	90%	1st	92.02%	-	-
Percentage of residents satisfied with the quality of the new-build home	100%	-	80%	95%	100%
Percentage of residents satisfied with the repairs and maintenance service (STAR)	87%	1st	88.63%	-	-
Percentage of homes meeting the Decent Homes Standard	100%	1st	100%	100%	100%

	2015	Benchmark	2016	2016 Target	2017 Target
Number of new homes delivered (affordable rent and shared ownership)	56		70	81	70
Affordable rent income received	£925k		£1.3m	£1.1m	£1.6m
Cost per property of major works and cyclical maintenance	£2,982	4th	-	-	-
Cost per property of responsive repairs	£420	1st	-	-	-

What Did We Do?

The section below sets out what we have achieved in 2015/16:

Major Works

- Continued with our solar panel installation programme for the first part of the year however this was curtailed with the reduction of Feed-in-Tariff payable for generating renewable energy.
- Completed the ECO-funded external wall insulation programme, with £30m removed from our financial model which can be spent on other projects.
- Completed the whole-property refurbishment programme in North Prospect, bringing them up to a standard which exceeds the minimum Decent Homes Standard and extends their life for another 30 years.
- Worked with Plymouth University to start a research project to measure the effectiveness of the external wall insulation in respect of temperature, humidity and draughts. This project will conclude in late-Summer 2017.

Responsive Repairs

- Reviewed the efficiency of the overall repairs service and restructured the management & supervision teams to further improve value for money in this area. We removed £660k of budgets as a result without compromising quality of service. Please note that these budget savings only had a very limited impact on 2015/16 as they were introduced mid-way through the year and there were significant associated one-off costs. The full impact will be shown in 2016/17 onwards.

- Started the process to purchase a new repairs management system in order to further streamline the way we deliver repairs.

Voids

- Further reduced the time taken to re-let empty homes by continuing to refine the processes. Savings have been made by combining the voids and repairs teams and reducing the number of managers and supervisors.

Cyclical Maintenance

- Achieved 99.97% of homes with a valid landlord’s gas safety check. 99.44% of these were done within the 12-month deadline.

Development

- Progressed our major regeneration project in North Prospect, and completed 39 new units in phase 2.1b and 11 in phase 2.2. There are a further 50 units due for completion as phase two comes to an end – 34 for rent and 16 for shared-ownership.

- Planning permission was granted for building 112 units in North Prospect phase three and work started on-site on 31st March 2016.

- Re-profiled our development programme in consultation with residents and switched phases four and five around in order to protect viability of the regeneration project in light of the reduction in social rents and loss of grants for new rented homes.

- Started the programme to actively manage some of our Dorlonco-build properties in North Prospect – 10 units have been demolished and 12 new homes will be built in their place, two of which will be suitable for wheelchair users. A further two Dorloncos have been sold on the private market with the condition that the homes are refurbished and brought back into use.

- Two non-traditionally built properties in Laurel Road, North Prospect were demolished and replaced with three new homes for rent.

- Completed 17 units for affordable rent or shared ownership on the Hope Woods site.

- Two houses with severe structural damage were demolished in Plympton and will be replaced with two new homes for wheelchair users.

- Sought planning permission for the ex-Southway comprehensive school site to build 42 homes for rent and 25 for shared ownership. This is our first large build programme outside of North Prospect.

- Achieved planning permission for a 72-unit Passivhaus development in Whitleigh, which will start on site during 2016. The Passivhaus standard currently represents the highest level of energy efficiency in the construction industry.

We plan to:

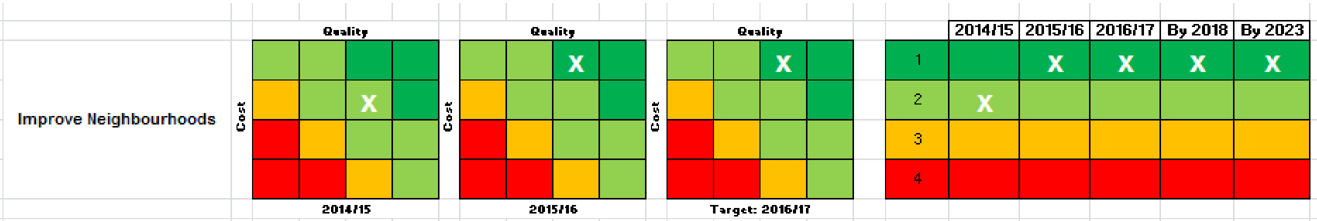
- Review our Asset Management Strategy to cover the period up to 2022.
- Start a project to refurbish the communal areas in our blocks of flats which will not only extend the life of the blocks but also improve the appearance of them.
- Further roll out the external wall insulation programme to improve the energy efficiency of our stock and support a reduction in levels of fuel poverty.
- Review our contract management procedures to ensure our planned investment programme is delivered in the most efficient and effective way.
- Identify areas or sites for regeneration or development to grow our business.
- Review our Development Strategy.
- Continue with our new-build programme in North Prospect and start on new sites across the city.
- Consider building homes with alternative tenures so that we can exploit different housing markets.

Our Neighbourhoods

We will improve the appearance and safety of our neighbourhoods

The appearance and safety of our neighbourhoods plays an essential role in creating places where people want to live. We have come a long way since 2009 – many of our homes have been over-clad or painted, we have carried out environmental improvements in a number of our neighbourhoods and as a result of our partnership work with the Police and Plymouth City Council, anti-social behaviour is at an all-time low.

Value for Money Self-Assessment



In our last value for money statement, we said that we were operating at a medium-high cost and a medium-high quality service. Over the past year we have continued to reduce the cost whilst continuing to maintain and improve the quality.

Our Measures of Success

	2015	Benchmark	2016	2016 Target	2017 Target
Annual spend from the Money Tree Fund	£815k	-	£378k	£400k	£100k
Average score of our community walkabouts	84.18%	-	84.2%	82%	85%
Percentage of homes with a valid landlord's gas safety check	99.98%	3rd	99.97%	100%	100%
Gas safety checks within 12 months	99.57%	3rd	99.44%	100%	100%
Percentage of residents satisfied with the outcome of their anti-social behaviour complaint	82.14%	1st	87.71%	80%	85%
Percentage of residents satisfied with their neighbourhood as a place to live	82%	1st	89.10%	-	-

	2015	Benchmark	2016	2016 Target	2017 Target
Cost per property of dealing with anti-social behaviour	£40.96	2nd	-		
Cost per property of estate services	£198.12	3rd	-		

What did we do?

The section below sets out what we have achieved in 2015/16:

Anti-Social Behaviour:

- Considered how we may need to change our procedures to meet the requirements of the Anti-Social Behaviour, Crime and Policing Act 2014.
- Continued to deliver a robust ASB service to support the people living in our communities.

Environmental and Landscaping Works:

- Planted 4,000 daffodil bulbs across our neighbourhoods, sowed wildflower seeds in two areas and set aside four parcels of land to grow into meadow-style lawns. All of these activities attract wildlife by providing food and natural habitats whilst improving the appearance of otherwise unused land.
- Continued to actively manage our trees, ensuring that they are safe and healthy. We planted another 400 trees as part of our commitment to improve the quality of our green spaces. Since transfer we have planted almost 1000 new trees in and around our neighbourhoods.
- Started to consult on and develop grounds maintenance plans for areas without one.
- Agreed a refurbishment programme to improve the appearance of our blocks of flats.
- Built a woodland path along our Abbotsbury Way Community Orchard to make it more accessible for local residents.

Neighbourhood Management:

- Further developed our neighbourhood plans in conjunction with local residents so we can put improvements in place to enhance appearance and safety.
- Started to review the process of community walkabouts in order to evaluate the way we work, how we can engage communities more, how neighbourhoods are scored and how often they are carried out.
- Implemented joint visits between Housing Officers and Environmental Services staff to engage with local communities and help combat fly-tipping on land surrounding our homes.

Money Tree Fund Projects:

- Concluded our “Ernemetal” regeneration project to improve the shopping parade in Ernesettle. Children from the local school designed railings and wall panels which were manufactured in our own metal fabrication unit.
- Redesigned the access to one of our bungalow schemes in Crownhill Road to prevent vehicles from using the path.
- Improved parking facilities for residents in Kings Tamerton by adding lines and boulders to indicate where parking is permitted.

We Plan To:

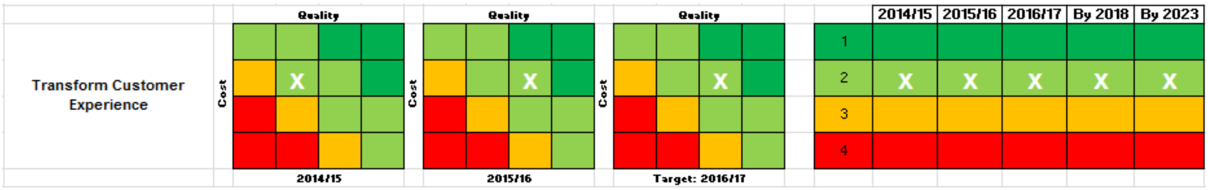
- Further strengthen our anti-social behaviour service by implementing recommendations arising from a review carried out by the Resident Scrutiny Team.
- Speak to residents about how we progress neighbourhood plans, ensuring that they meet the community needs.
- Relaunch our Community Walkabout estate inspection programme to improve the way we capture issues whilst we are out and about in our neighbourhoods.
- Implement policies to help combat fly-tipping on our land.

Our Customers

We will transform our customer experience

We are a customer focussed organisation and we value the choice that people make to do business with us. It is important that our customers can speak to us when they need to ask a question or get help and we have been putting steps in place to make it even easier to do just that.

Value for Money Self-Assessment



In our last value for money self-assessment we said we were medium-high on cost and medium-low on quality for our customer experience. We believe that for 2015/16 we are still medium-high on cost and medium for quality.

Our Measures of Success

	2015	Benchmark	2016	2016 Target	2017 Target
Number of new stage 1 complaints received	298	--	243	-	-
Percentage of residents satisfied with overall services (STAR)	88%	1st	90.51%	-	-
Cost Per Property of Resident Involvement	£65.46	4th	-	-	-
Percentage of respondents very or fairly satisfied with the way their complaint was handled	66%	3rd	63.89%	-	-
Percentage of customers who said that it is easy to get hold of the right person	69%	-	78.94%	-	-

What did we do?

- Our project to improve the way we handle customer enquiries has moved on significantly. Residents told us they wanted to ring one number and have their query resolved without being passed around the organisation. Our customer contact centre is now able to handle calls about repairs, tenancy management and buying a home. As a result of this change, 75% of enquiries are fully resolved in one call.
- By re-configuring our housing management system to act as a customer relationship management tool this resulted in a cost-avoidance of £122k. Staff across the organisation have better access to key customer information, including a history of previous contacts.
- We reviewed the staffing levels in our contact centre, making a saving of almost £20k without impacting on the quality of service delivery.

We plan to:

- Implement a new way of collecting customer satisfaction information to ensure that we have the right information to help inform our future plans.
- Review our ISO9001 certified quality management system to ensure it is fit for purpose and ready to meet the requirements of the new 2015 standard. This ensures our customers receive consistency of service every time they interact with us.
- Start working towards achieving the Customer Service Excellence standard, which would demonstrate our commitment to providing outstanding customer service to our residents.

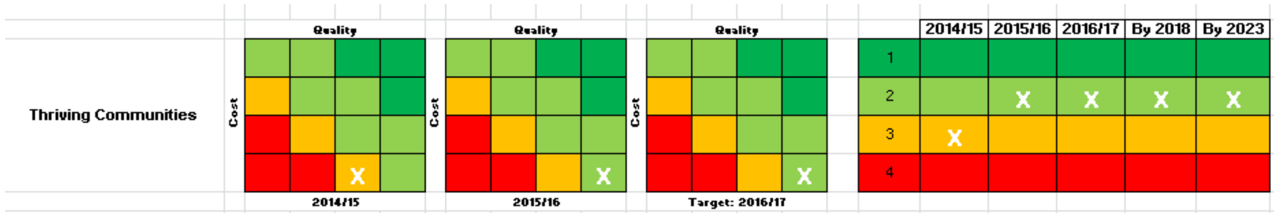
Our Communities

We will work with other agencies to help our communities thrive

A key part of our work is to help communities to prosper. To achieve this, we support working-age residents to find paid employment, offer financial education and help with getting online.

Universal Credit is being rolled out in the Plymouth area as well as other changes to the way that welfare benefits are paid such as the spare room subsidy. These changes are continuing to have an impact on many of our residents so we are working hard to provide support in budget management, home moves and employability skills.

Our Value for Money Self-Assessment



In our last value for money self-assessment we said we were high cost and medium quality. We believe that whilst costs in this area have remained higher than average, the service quality is high. This has been achieved through a further reduction in the amount of rent arrears outstanding, reduced void turnaround times and void rent loss and a high level of tenancy sustainment as a result of the support we offer to tenant facing difficulty.

Our Measures of Success

	2015	Benchmark	2016	2016 Target	2017 Target
Current tenant arrears as a percentage of annual debit	1.73%	1st	1.47%	2%	2%
Percentage of income lost due to vacant properties	1.21%	1st	0.39%	0.8%	0.8%
Percentage of rent collected (excluding arrears brought forward)	100.41%	1st	101.07%	100%	100%
Percentage of tenancies sustained after 2 years	98.64%	-	95.43%	95%	95%

What did we do?

- We achieved TPAS Landlord Accreditation in Resident Involvement, which demonstrates PCH's commitment to working with residents in direction setting as well as the day-to-day running of the business.

- Reduced the amount of rent arrears outstanding by £126k taking the overall percentage outstanding down to 1.47% out lowest ever figure.

- Kept evictions for rent arrears at an all-time low position of 13 out of over 14,200 tenancies.

- Worked in partnership with Plymouth City Council and Learn Direct to support job clubs around the city where the unemployed can access support for job searching, CV writing, interview preparation and much more. We have seen a number of our residents find paid employment through this route.

- Introduced volunteer roles within PCH in partnership with the Plymouth Guild Volunteer Centre. These roles will be used to support community events such as Ernesettle Tea and Toast and activities in our housing with support schemes.

We plan to:

- Continue supporting residents in sustaining their tenancies as further changes to welfare benefits take effect. This includes the reduction of the benefit cap from £26k per year to £20k per year and the wider roll-out of Universal Credit.

- Further implement our Resident Involvement Strategy and menu of involvement to ensure that residents' views are at the heart of decision making.

- Deliver our Learn for Free training scheme with a focus on digital inclusion and giving people skills to find work or higher paid work.

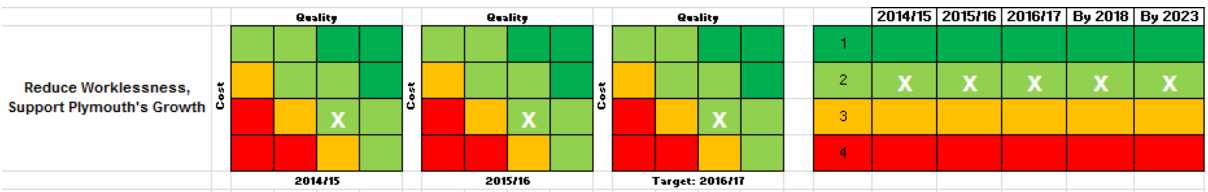
- Research and develop external funding and partnership opportunities so we can continue to deliver community projects beyond the core landlord responsibilities.

Our City

We will work in partnership with other organisations to reduce worklessness and contribute to the city's growth agenda

Plymouth Community Homes has a significant role to play in the city's economy – we spent almost £39m during the 2015/16 of which £22m went to businesses in the Plymouth area and almost £10million was with local small and medium-sized enterprises (SMEs). We are proud to be a social enterprise meaning that we invest any surpluses back into running our business.

Our Value for Money Self-Assessment



In our last value for money self-assessment we said we were medium cost and medium quality. We continue to achieve a high level of spend in the Plymouth postcode area and at least £11 million, 27% of our spend with Small and Medium Enterprises (SME's) with a small procurement team. There have also been a number of social value benefits to our community, these are detailed below.

Our Measures of Success

	2015	Benchmark	2016	2016 Target	2017 Target
Amount of PCH money spent on goods, services and works within the Plymouth postcode area (% of overall spend)	£27m (44%)	-	£22m (57%)	40%	40%
Number of commercial shops vacant for 3+ months	1	-	2	5	5
Current commercial tenant arrears	£39k	-	£21k	-	-
Commercial void rent loss	£43.6k	-	£24.3k	-	-

What did we do?

- Further rolled out our Social Value Toolkit which helps staff to procure contracts with added social value. Examples include cash donations from contractors for community activities, donations of building materials for community centre refurbishment and support for our Christmas fayres by purchasing gifts to give to residents.
- As a result of our regeneration programme in North Prospect, we developed a partnership with Kier Construction called the Kier Academy. This programme delivers construction skills training targeting opportunities at PCH tenants. Our first event saw 43 tenants sign up and successfully complete the course.
- Secured new lease arrangements with some of our shop leaseholders where their lease had expired. This gives security for both the shopkeeper and for PCH, and gave us the opportunity to review the shop rents we charged. Some of our shops provide vital local services to our communities for example pharmacies, grocery stores and post offices.
- From procurement activities such as tendering, we have received a number of benefits for our communities such as; decorating and tidying up an ill tenants hallway, providing selection boxes and toys for our annual children's Xmas fayre, providing us with a monetary donation of £1500 plus to undertake small one off requests of help/support for our tenants.

We plan to:

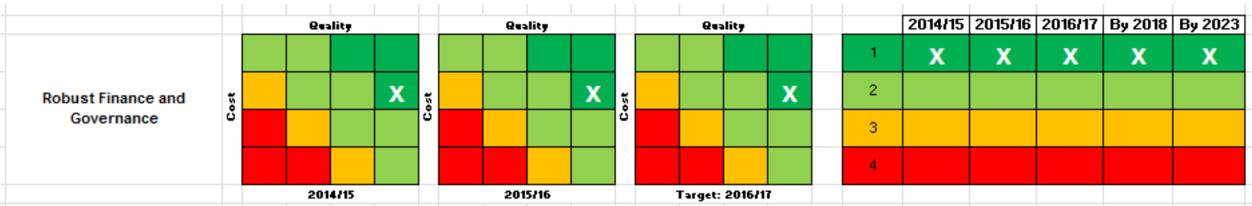
- Continue supporting work clubs across Plymouth where our residents can access a range of services to help with finding a job.
- Work with SMEs and other local businesses to help them become part of our supply chain.
- Work with partners at a strategic level to help support Plymouth's economic growth agenda through delivery of our own business objectives.

Our PCH

We will ensure our business is strong and financially secure, and our governance arrangements provide the highest levels of assurance.

Maintaining a strong and growing business is essential for PCH to be able to deliver exceptional quality services to current and future residents. This can only be achieved with a combination of excellent governance and financial management that ensures we comply with the Homes and Communities Agency's Regulatory Framework for Social Housing in England.

Our Value for Money Self-Assessment



In our 2014/15 self-assessment we said we were medium-high cost and high quality. We believe that this is the same for 2015/16 because we have retained our G1 and V2 compliance ratings with the HCA and we have controlled costs whilst investing in key service areas.

Value for money is integral to the way we run our business and we believe this is about doing the right thing, at the right time, at the right cost. This means that we deliver high quality services to our customers at a great price – sometimes we pay more for a higher standard but this usually results in efficiencies over time.

Our Measures of Success

	2015	Benchmark	2016	2016 Target	2017 Target
Growth in turnover	5%	-	10%	5%	3%
Operating surplus as a percentage of turnover	-1%	-	13%	-	-
Percentage of tenants who think their rent offers good value for money	88%	1st	91.25%	-	-

	2015	Benchmark	2016	2016 Target	2017 Target
Percentage of tenants who think their service charges offer good value for money	75%	1st	79.94%	-	-
Percentage of current tenant arrears outstanding	1.74%	1st	1.47%	2%	2%
Cost per property of housing management	£438.76	2nd	£432	£483	£451
Cost per property of repairs and voids	£757	2nd	£680	£797	£738
Cost per property of major works	£2,698	4th	£1,848	£2,108	£1,862

Note: Benchmarking quartile positions relate to the 2015 data – currently awaiting 2015/16 Benchmark Report from HouseMark

What did we do?

- Following the Government's announcement to reduce social rents by 1% we undertook a major budget re-profiling exercise to avoid impacting upon frontline services for residents. This means that we have taken the following steps to ensure ongoing compliance with the HCA's Financial Viability Standard:

  - Extended the time-frame for some of our major works programmes meaning that we will spend the same amount of money but over a longer period of time.
  - Put a freeze on staff pay and imposed restrictions on new recruitment.
  - Reduced the amount of office space we occupy in our headquarters building and started the process of letting the vacant space to external organisations.
  - Embarked on a major sales campaign for our Manufacturing business to generate additional income into the organisation.
  - Switched phases 4 and 5 of our North Prospect regeneration programme to maintain the viability of delivering the scheme.

- In February 2016, achieved G1 and V2 ratings from the Homes and Communities Agency which represent the highest rating for Governance and the second-highest rating for Financial Viability.

- We achieved a British Safety Council Five Star Occupational Health and Safety rating.

- We updated our board succession planning process, using a skills-based approach. We also recruited new people with additional skills to our Board to further strengthen its effectiveness.
- We further revised the Board and committee structure to support streamlined decision making.
- We reviewed the delegations from the Board to both the committees and to the Executive Management team, to remove any duplication and improve clarity.
- We recruited a new Resident Scrutiny Team which completed a review of Anti-Social behaviour in 2015, using a 'Quality Assured Scrutiny' methodology. The team aims to complete two scrutiny reviews in 2016/17.
- Our Strategic Risk Register was 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.
- The established risk-appetite continues to be embedded through integration of appetite scoring into the risk register and Board reporting cover sheet alongside the development of an opportunity risk management approach to achieve balanced decision making on the risks and rewards of new initiatives.

We plan to:

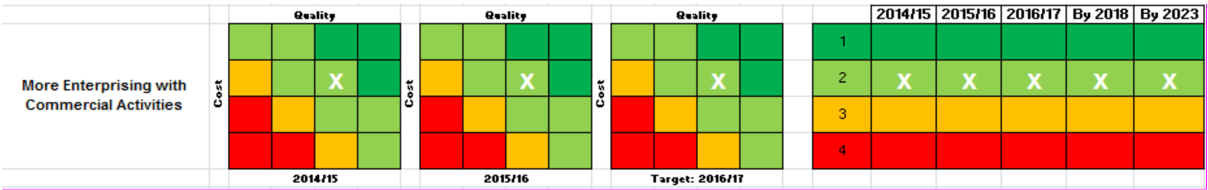
- Deliver a new business plan and suite of strategies so that our organisation can grow and improve in spite of a loss of rental income.
- Decide how we will optimise financial return on our assets whilst ensuring that the rents for our homes are affordable for the communities we serve.
- Refinance our debt so that we reduce interest costs and create more flexibility within our financial model.
- Continue with strict cost controls and delivery of identified value for money efficiencies.

Our Creativity

We will be enterprising and invest surpluses in our communities

We are one of the largest social enterprises in Plymouth and this means we invest our surpluses into our work across the city. This means that we are able to transform our homes and communities into thriving neighbourhoods. We have three areas of commercial business – PCH Manufacturing, shop lettings and solar panels.

Value for Money Self-Assessment



In our last value for money self-assessment we said we were medium-high quality and medium-high for cost. We believe that this has remained the same as last year.

Our Measures of Success

	2015	Benchmark	2016	2016 Target	2017 Target
Total overall surplus made by Plymouth Community Homes	£0.88m	-	£1.32m	£1.46m	£1.15m
Total annual surplus made by PCH Manufacturing	£109k	-	£265k	£142k	£62k
Total annual income from our shops	£757k	-	£932k	£924k	£931k
Total annual surplus on PCH Energy	£12k	-	£123k	£388k	£157k

What did we do?

- Embarked on a marketing campaign for our PCH Manufacturing Company to include a new website: www.pchmanufacturing.co.uk , flyers delivered to householders across Plymouth along with radio and local press advertisements.
- Renewed the expired leases to a number of commercial shops which meant that we could review the rental charges and optimise the value of the assets.

- Ended our solar panel programme in January 2016 as a result of the reduction in Feed-In-Tariff available for new installations. Our surplus on solar panels was much lower than anticipated because of the curtailment, and actual programme delivery was much slower than planned because every installation required individual authorisation from the district network operator.
- Started commercial and legal negotiations on the leasing of office space in our headquarters building Plumer House. This will bring significant income into PCH and reduce our overall building running costs.

We plan to:

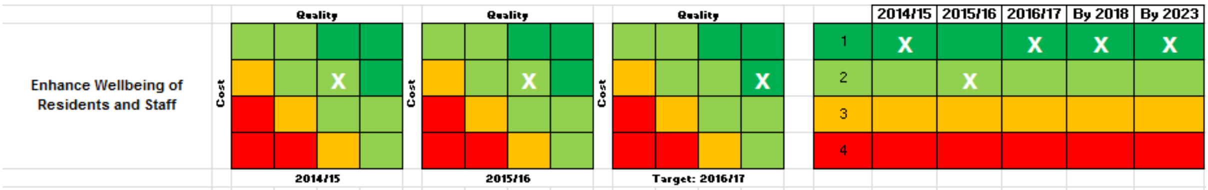
- Further promote PCH Manufacturing through attendance at local business shows, targeted marketing campaigns and tendering for advertised contract work.
- Continue our focus on reducing commercial rent arrears, ensuring that we gain the maximum value out of our commercial portfolio whilst supporting shopkeepers to sustain their lease.
- Implement the findings of our commercial stock condition survey, ensuring that all of our shops meet the required minimum health and safety standards and that the asset is maintained in a good condition.
- Complete the legal process for letting out office space in Plumer House and re-assess our accommodation strategy to identify other potential areas that could be let to commercial tenants.

Our Wellbeing

We will enhance the wellbeing of our residents and staff

We have a number of initiatives in place to help optimise the wellbeing of our residents and staff because we understand that being healthy is a key part of being happy in your home and in work.

Value for Money Self-Assessment



In our last value for money self-assessment, we said we were medium-high quality and medium-high for cost. This rating remains the same for 2015/16.

Our Measures of Success

	2015	Benchmark	2016	2016 Target	2017 Target
Average number of days sickness per FTE	10	3rd	8.44	8	8
Total cost of sickness to PCH	£804k	-	£666k	£655k	£637k
Average salary and on-costs per employee	£32,758	-	£33,402	£32,958	£32,343
Average cost of training per FTE	£648	-	£308	£636	£424

What did we do?

- Continued to actively manage sickness absence and brought the average length of time taken by staff down to 8.44 days.
- Implemented well-person checks in conjunction with the NHS for all employees over 40 who wish to have a check. This involves assessing employees' risk of developing heart disease, stroke, kidney disease or diabetes and the opportunity to receive personalised advice on what can be done to stay healthy.

- For the third year running, offered all staff a voucher to obtain a free flu immunisation.
- Invited residents to use the gym at Plumer House without the need to pay for expensive gym memberships. A personal trainer is on-site during opening hours to ensure that our gym-users get the best from their workout.
- Delivered our Nesta-funded partnership programme called Grow-Share-Cook which encourages people to grow and use fresh produce in healthy cooking. Through this programme, we worked with Plymouth City Council and Tamar Grow Local to provide free weekly vegetable bags for 100 residents, healthy cooking on a budget courses and support for developing community gardens or allotments.
- Implemented a revised staff recognition scheme where residents and other staff members can nominate an employee for exceptional work in a variety of categories. The winners of each category will be announced annually in December.

We plan to:

- Further reduce sickness absence where possible to ensure that we maximise the amount of productive time available for working, and reduce the cost of sickness to the organisation.
- Promote wellbeing opportunities available to employees and residents.
- Roll-out a pilot project that initially saw six residents become volunteers for PCH and reported that their wellbeing had improved whilst providing vital help for PCH out in the community.
- Implement a method of evaluating the impact of our community development work on residents and the wider neighbourhoods. This would include measuring social value and value for money gains.

(G) Valuation of Property Assets

Both EUV-SH are based on the valuation of social housing - completed housing properties were valued as at 31 March 2016 by Bruton Knowles Ltd. Valuation Basis 1 assumes that the properties will be re-let as social housing and the figure is £369.053m (£405.270m in 2015).

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: £625.572m (£654.1m in 2015). The reason for the decline is partly due to the rent reduction and the reduction in properties through RTBs and demolitions.

(H) Share Capital

During the year, 8 shares were issued and 5 were cancelled leaving a balance in the share capital of the company of £46 (2015: £43).

(I) The Board

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

(J) Statement of Compliance

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

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

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

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

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

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

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

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

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

The Board's Report on Internal Controls Assurance

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

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

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

There is 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 2016 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 14 planned internal audit reviews during the year. These identified 0 high, 7 medium and 20 low risk findings to improve controls.

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

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

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

Disclosure of information to auditor

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

Auditor

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

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

By order of the Board

Elaine Pellow, Chair Date : **2 August 2016**

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 2016 set out on pages 73 to 122. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102. The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

This report is made solely to the Association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 68, 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 2016 and the surplus of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

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

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

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

11 August 2016

Statement of Comprehensive Income for the year ending 31 March

Continuing Activities	notes	Group 2016 £000's	Group 2015 £000's	Association 2016 £000's	Association 2015 £000's
Turnover	3	66,841	62,904	64,585	61,589
Cost of sales	3	(2,922)	(1,584)	(1,927)	(946)
Operating costs	3	(55,177)	(61,898)	(54,293)	(61,319)
Operating surplus / (deficit)		**8,742**	**(578)**	**8,365**	**(676)**
(Loss)/Gain on sale of :					
Properties	10	(1,782)	(1,113)	(1,782)	(1,113)
Fixed assets		60	30	60	30
Interest receivable	11	37	335	33	330
Interest payable and similar charges	12	(5,031)	(4,974)	(5,031)	(4,974)
Change in value of investment property	15	(889)	629	(889)	629
Gift aid receivable		-	-	668	548
Surplus / (deficit) before taxation		**1,137**	**(5,671)**	**1,423**	**(5,226)**
Tax	13	32	(41)	31	(31)
Surplus / (deficit) for the year		**1,169**	**(5,712)**	**1,454**	**(5,257)**
Other Comprehensive Income					
Movement of the net defined pension benefit liability	25	12,106	(10,232)	12,106	(10,232)
Total (Deficit)/surplus recognised for the year		**13,275**	**(15,944)**	**13,560**	**(15,489)**

Statement of Financial Position at 31 March 2016

	Note	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Fixed Assets					
Tangible assets					
Housing Properties	14	468,721	456,306	461,628	450,057
Other tangible assets	14	13,867	14,044	13,867	14,158
Investments in subsidiary		-	-	9,900	7,900
Investments in Plym Energy	15	40	40	40	40
Commercial Property	15	13,588	14,477	13,588	14,477
		496,216	484,867	499,023	486,632
Assets *: amounts receivable after more than one year*					
Development debtor	19	12,592	16,272	12,592	16,272
Current assets					
Shared ownership completed properties		-	288	-	288
Shared ownership properties in progress		813	1,783	813	1,783
Stock	18	726	769	726	769
Debtors	19	8,703	6,774	8,880	7,080
Cash at bank and short term deposits	20	14,467	9,460	12,453	7,982
		24,709	19,074	22,872	17,902
Creditors : amounts falling due within one year	21	(13,800)	(13,399)	(12,845)	(12,353)
Net current assets		**10,909**	**5,675**	**10,027**	**5,549**
Creditors : amounts falling due after more than one year					
Loans	22	(62,880)	(60,986)	(62,879)	(60,986)
Grant funding	22	(21,323)	(11,550)	(21,323)	(11,550)
Other creditors	22	-	(33)	-	(33)
Development creditor	19	(12,592)	(16,272)	(12,592)	(16,272)
Disposal proceeds fund	24	-	(123)	-	(123)
Pension liability	28	(11,485)	(19,688)	(11,485)	(19,688)
		(108,280)	(108,652)	(108,279)	(108,652)
Net assets		**411,437**	**398,162**	**413,363**	**399,801**

	Note	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Capital and reserves					
Share capital		-	-	-	-
Restricted reserves		39	627	39	627
Designated reserves		798	627	798	627
Revenue reserve		128,321	116,258	130,247	117,897
Revaluation reserve		293,764	300,338	293,764	300,338
Pension fund reserve	28	(11,485)	(19,688)	(11,485)	(19,688)
Total Funds		**411,437**	**398,162**	**413,363**	**399,801**

The financial statements and related notes on pages 78 to 122 were approved by the Board on 2 August 2016 and were signed on its behalf by:

Chair:

Elaine Pellow 2 August 2016

Chair of Audit and Risk Committee:

Simon Ashby 2 August 2016

Secretary:

Belinda Pascoe 2 August 2016

Consolidated Statement of Changes In Equity

Association	Restricted Reserve	Designated Reserve	Revaluation Reserve	Revaluation Reserve	**Property Related Reserves**	Revenue Reserve	Pension Fund Reserve	**Total Equity**
			Housing	*Commercial*				
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Balance at 1 April 2015 as previously reported	627	627	-	-	**1,254**	66,998	(19,688)	**48,564**
Effects of adoption of FRS102	-	-	285,861	14,477	**300,338**	50,899	-	**351,237**
Balance at 1 April 2015 (restated)	627	627	285,861	14,477	**301,592**	117,897	(19,688)	**399,801**
Total comprehensive income for the period	-	-	-	-	**-**	5,357	(3,903)	**1,454**
Reserves transfer	-	-	(5,686)	(889)	**(6,575)**	6,575	-	**-**
Reserves transfer	(588)	171	-	-	**(417)**	417	-	**-**
Actuarial Gains	-	-	-	-	**-**	-	12,106	**12,106**
Balance at 31 March 2016	39	798	280,175	13,588	**294,600**	130,246	(11,485)	**413,361**

Group	Restricted Reserve	Designated Reserve	Revaluation Reserve	Revaluation Reserve	**Property Related Reserves**	Revenue Reserve	Pension Fund Reserve	**Total Equity**
			Housing	Commercial				
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Balance at 1 April 2015 as previously reported	627	627	-	-	**1,254**	65,359	(19,688)	**46,925**
Effects of adoption of FRS102	-	-	285,861	14,477	**300,338**	50,899	-	**351,237**
Balance at 1 April 2015 (restated)	627	627	285,861	14,477	**301,592**	116,258	(19,688)	**398,162**
Total comprehensive income for the period	-	-	-	-	**-**	5,072	(3,903)	**1,169**
Reserves transfer	-	-	(5,686)	(889)	**(6,575)**	6,575	-	**-**
Reserves transfer	(588)	171	-	-	**(417)**	417	-	**-**
Actuarial Gains	-	-	-	-	**-**	-	12,106	**12,106**
Balance at 31 March 2016	39	798	280,175	13,588	**294,600**	128,322	(11,485)	**411,437**

Group Cash Flow Statement
For the year ended 31 March 2016

	2016	2015
	£'000	£'000
Cashflows from operating activites		
Profit for the year	1,168	(5,712)
Depreciation	11,718	10,538
Interest receivable	(37)	(335)
Interest payable	5,031	4,974
Profit on sale of PPE	1,782	1,113
Profit on sale of other FA	(60)	(30)
Taxation	(31)	41
Change in FV of investment properties	889	(629)
Decrease / (increase) in stock	1,301	588
(Increase) / decrease in debtors	(2,274)	1,021
(Increase) / decrease in creditors	4,252	(340)
Difference between pension charge and cash contributions	1,606	912
Grant amortised	(37)	-
Tax paid	**31**	**-**
Net cash from operating activities	**25,339**	**12,141**
Cashflows from investing activities		
Grants Received and land proceeds	9,810	2,955
Acquitisions to housing properties	(37,710)	(40,764)
Sale of housing properties	13,187	4,453
Acquisitions to other fixed assets	(1,691)	(2,099)
Sale of other fixed assets	132	31
Payment to PCC	(2,865)	(1,576)
Net cash from investing activities	**(19,137)**	**(37,000)**
Cash flows from financing activities		
Interest received	37	66
Interest paid	(2,963)	(5,003)
Repayment of loans	5,000	29,000
Sale of investments	(3,269)	(20)
Net cash from financing activities	**(1,195)**	**24,043**
Net (decrease)/increase in cash and cash equivalents	**5,007**	**(816)**

Notes to Financial Statements

1. Principal Accounting Policies

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

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

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

Basis of Consolidation

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

Transition to FRS 102

An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Group and Association is provided in Note 37 and Note 38.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102 in the transition period. The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included.
- Key Management Personnel compensation has not been included a second time.
- Fair value or revaluation as deemed cost – The fair value at 1 April 2014 has been used as deemed cost for housing assets (as explained overleaf).
- For leases commenced before 1 April 2014 the Association continued to account for lease incentives under previous UK GAAP.

1. Principal Accounting Policies (continued)

Key Estimates and Judgements

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

First time adoption of FRS 102

On transition to FRS 102, PCH has chosen to apply measurement adjustments as set out in FRS 102 section 35.10 (c) by using fair value as deemed cost on a selection of its housing properties to reflect a costs basis that is in line with their existing use value for social housing (EUV-SH). Any uplift from historic cost to fair value deemed cost has been allocated to land and structure based on the Valuer's apportionment. Leasehold interest properties with no freehold land component have not been revalued. The fair value used as deemed cost is the EUV-SH valuation calculated on discounted cash flows to 1 April 2014 as obtained independently from a qualified RICS Chartered Surveyor. The EUV-SH valuation will be applied to all our freehold housing properties at 1 April 2014, with the exception of PCH new build properties (mainly at North Prospect) and properties bought by PCH. New build and bought properties will continue to be held at cost as this more fairly reflects their value.

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

Measurement convention

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

Going concern

The Association and Group have sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Board believes that the Association and Group are well placed to manage their business risks successfully. Following the July 2015 budget the Business Plan was updated and the Board has a reasonable expectation that the Association and Group have adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing these financial statements.

1. Principal Accounting Policies (continued)

Basic financial instruments

Tenant Arrears, Trade and other debtors

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

Trade and other creditors

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

Bank loans classified as basic financial instruments

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

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

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

Tangible fixed assets

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

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

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

1. Principal Accounting Policies (continued)

Housing Properties

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

Depreciation

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

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

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

Non component works to existing properties

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

1. Principal Accounting Policies (continued)

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31st March 2016, interest has been capitalised at an average rate of 2.67% (2015: 2.60%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments

Other fixed assets

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

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

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

Intangible assets

Software is held at cost less any accumulated depreciation.

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

Grants

Social Housing Grant

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

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

1. Principal Accounting Policies (continued)

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

Other Government Grants

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

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

Non-Government Grants

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

Investment property

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

Subsequent to initial recognition

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

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

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

Properties held for sale and work in progress

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

1. Principal Accounting Policies (continued)

Impairment excluding investment properties

Financial assets (including trade and other debtors)

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

Non-financial assets

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

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

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

Employee benefits

Defined contribution plans and other long term employee benefits

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

Defined benefit plans

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

1. Principal Accounting Policies (continued)

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

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

Devon County Council Local Government Pension Scheme

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

Social Housing Pension Scheme

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

Provisions

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

Turnover

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

1. Principal Accounting Policies (continued)

Expenses

Cost of sales

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

Operating lease

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

Finance lease

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

Interest receivable and Interest payable

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

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

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

Taxation

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

2. Social Housing- lettings

	2016				2015
	General Needs £'000	Supported Housing £'000	Shared Ownership £'000	Total £'000	Total £'000
Rents	48,296	6,356	145	54,797	53,195
Service Charges	2,785	417	-	3,202	2,753
Net Rents receivable	**51,081**	**6,773**	**145**	**57,999**	**55,948**
Gap Funding Capital Release	-	-	-	-	1
British Gas Funding Release	358	-	-	358	(83)
Total Income from Lettings	**51,439**	**6,773**	**145**	**58,357**	**55,866**
Expenditure on lettings					
Management	(7,183)	(835)	(7)	(8,025)	(8,417)
Services	(3,421)	(498)	-	(3,919)	(3,588)
Response Repairs	(9,105)	(850)	-	(9,955)	(10,952)
Cyclical & Planned Maintenance	(5,151)	(175)	-	(5,326)	(5,149)
Major Repairs	(11,629)	(82)	-	(11,711)	(19,092)
VAT Recovered	207	30	-	237	344
Bad debts	(84)	-	-	(84)	(283)
Depreciation Housing Properties	(9,125)	(1,321)	-	(10,446)	(9,514)
Depreciation Other	(537)	(78)	-	(615)	(661)
Pension charges	(1,403)	(203)	-	(1,606)	(912)
Office moves transitional costs	(4)	-	-	(4)	(66)
Total Expenditure on lettings	**(47,435)**	**(4,012)**	**(7)**	**(51,454)**	**(58,290)**
Operating Surplus / (Deficit) on lettings	**4,004**	**2,761**	**138**	**6,903**	**(2,424)**
Void loss	**(227)**	**-**	**-**	**(227)**	**(595)**

3. Social Housing: Group

Group	2016 Turnover	2016 Cost of Sales	2016 Operating Costs	2016 Operating (Deficit) / Surplus FRS 102 Basis	2015 Turnover	2015 Cost of Sales	2015 Operating Costs	2015 Restated Operating (Deficit) / Surplus FRS 102 Basis
Social Housing Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Needs	51,439	-	(47,435)	4,004	49,041	-	(53,975)	(4,934)
Supported Housing	6,773	-	(4,012)	2,761	6,733	-	(4,315)	2,418
Low Cost Home Ownership	145	-	(7)	138	92	-	-	92
	58,357	**-**	**(51,454)**	**6,903**	**55,866**	**-**	**(58,290)**	**(2,424)**
Other Social Housing Activities								
Shared Ownership Sales	1,927	(1,838)	-	90	929	(903)	-	26
Development not Capitalised	-	-	(723)	(723)	-	-	(1,285)	(1,285)
Community Involvement	-	-	(772)	(772)	-	-	(667)	(667)
Supporting People	369	-	(586)	(217)	369	-	(503)	(134)
Garage Lettings	1,334	-	(216)	1,118	1,305	-	(159)	1,146
Social Housing Grant release	37	-	-	37	-	-	-	-
Proceeds from Land Sales	1,090	-	-	1,090	1,596	-	-	1,596
Other	71	-	(28)	43	74	-	(29)	45
	4,828	**(1,838)**	**(2,325)**	**665**	**4,273**	**(903)**	**(2,643)**	**727**
Non-Social Housing Activities								
Commercial Properties	1,300	-	(513)	787	1,237	-	(386)	851
External Sales	2,356	(1,084)	(885)	387	1,528	(681)	(579)	268
	3,656	**(1,084)**	**(1,397)**	**1,174**	**2,765**	**(681)**	**(965)**	**1,119**
Total Year ended 31 March 2016	**66,840**	**(2,922)**	**(55,176)**	**8,742**	**62,904**	**(1,584)**	**(61,898)**	**(578)**

Association	2016 Turnover	2016 Cost of Sales	2016 Operating Costs	2016 Operating (Deficit) / Surplus FRS 102 Basis	2015 Turnover	2015 Cost of Sales	2015 Operating Costs	2015 Operating (Deficit) / Surplus FRS 102 Basis
Social Housing Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Needs	51,439	-	(47,435)	4,004	49,041	-	(53,975)	(4,934)
Supported Housing	6,773	-	(4,012)	2,761	6,733	-	(4,315)	2,418
Low Cost Home Ownership	145	-	(7)	138	92	-	-	92
	58,357	**-**	**(51,454)**	**6,903**	**55,866**	**-**	**(58,290)**	**(2,424)**
Other Social Housing Activities								
Shared Ownership Sales	1,927	(1,838)	-	90	929	(903)	-	26
Development not Capitalised	-	-	(723)	(723)	-	-	(1,285)	(1,285)
Community Involvement	-	-	(772)	(772)	-	-	(667)	(667)
Supporting People	369	-	(586)	(217)	369	-	(503)	(134)
Garage Lettings	1,334	-	(216)	1,118	1,305	-	(159)	1,146
Social Housing Grant release	37	-	-	37	-	-	-	-
Proceeds from Land Sales	1,090	-	-	1,090	1,596	-	-	1,596
Other	71	-	(28)	43	74	-	(29)	45
	4,828	**(1,838)**	**(2,325)**	**665**	**4,273**	**(903)**	**(2,643)**	**727**
Non-Social Housing Activities								
Commercial Properties	1,300	-	(513)	787	1,237	-	(386)	851
External Sales	101	(89)	(2)	10	213	(43)	-	170
	1,401	**(89)**	**(514)**	**797**	**1,450**	**(43)**	**(386)**	**1,021**
Total Year ended 31 March 2016	**64,585**	**(1,927)**	**(54,293)**	**8,365**	**61,589**	**(946)**	**(61,319)**	**(676)**

4. Housing Stock

	Group 2016 No.	Group 2015 No.	Association 2016 No.	Association 2015 No.
Under development at end of period:				
Housing accommodation	179	115	179	115
Shared ownership	72	41	72	41
	251	**156**	**251**	**156**
Under management at end of period:				
Housing accommodation	12,196	13,652	12,196	13,652
Supported housing	1,775	417	1,775	417
Shared ownership	85	62	85	62
Long leaseholders	1,541	1,518	1,541	1,518
Unavailable for letting	221	197	221	197
	15,818	**15,846**	**15,818**	**15,846**
Managed but not owned:				
Supported housing (Brock Trust)	8	8	8	8
	15,826	**15,854**	**15,826**	**15,854**

All owned properties are freehold.

5. Expenses and Auditor's remuneration

	Group 2016 £'000	Group 2015 £'000
Impairment loss on other debtors prepayments	-	13
Depreciation on housing properties	9,922	8,483
Depreciation on other fixed assets	1,796	1,821
Restructuring costs expensed as included in administrative expenses	166	214
Loss on sale of housing properties	(1,782)	(1,113)
Surplus on sale of other fixed assets	60	30
Change in fair value of investments	(889)	629
	9,273	**10,077**
External Auditors Remuneration (exclusive of VAT)		
Audit of these financial statements	40	25
Audit of financial statements of subsidiaries	8	12
Tax compliance	8	11
Other tax advisory services	4	13
Other assurance services	9	9
	69	**70**
Internal Audit related assurance services	**40**	**72**

6. Staff and employee costs

	2016 No.	2015 No.
(Group & Association)		
The average number of persons employed during the period (full time equivalents of 37 hours) was:	**617**	**641**

Full Time Equivalents at 31 March	2016 No.	2015 No.
Corporate & Manufacturing Services	115	148
Homes, Neighbourhoods & Regeneration	410	416
Business Services & Development	77	81
	602	645

7. Staff Costs

	2016 £'000	2015 £'000
Wages and salaries	17,082	17,592
Social security costs	1,347	1,407
Other pension costs	2,180	1,969
Past service cost adjustment (note 25)	-	-
Restructure costs	166	214
TOTAL	**20,775**	**21,182**

8. Full Time Equivalent Staff

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

	2016 No.	2015 No.
£60,001 to £70,000	5	10
£70,001 to £80,000	8	1
£80,001 to £90,000	1	-
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	2
£120,001 to £130,000	-	-
£130,001 to £140,000	2	1
£140,001 to £150,000	-	-
£150,001 to £160,000	1	-
£160,001 to £170,000	-	-
£170,001 to £180,000	-	1
£180,001 to £190,000	1	1

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

9. Board members and Executive directors

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	2016	2015
	£	£
Elaine Pellow (Chair)	15,000	15,000
Nigel Pitt (Vice Chair)	5,828	5,500
Simon Ashby	7,500	3,733
Susan Dann	5,500	5,500
Maureen Alderson	6,667	7,500
Jack Thompson	6,028	7,500
Graham Stirling	6,750	6,239
Katie Pratt	6,333	5,500
Nigel Churchill	5,500	3,608
Tina Tuohy	5,500	3,608
Alan Clifford	2,628	6,767
Graham Clayton	2,887	n/a
Debbie Roche	1,612	n/a
John Bowhay	779	n/a

The emoluments of the Executive Management Team were as follows

	2016	2016	2016	2015
	Basic Salary & Car Allowance	Employer Pension Contributions	Total	Total
	£'000	£'000	£'000	£'000
John Clark (Chief Executive from 26 Feb 2016)	38	5	43	-
Clive Turner (Chief Executive until 26 Feb 2016)	161	20	181	196
Nicholas Jackson	139	16	155	154
Gillian Martin	122	15	137	126
Susan Shaw	122	14	136	125
Mike Knowles	-	-	-	107

The previous Chief Executive, Clive Turner, was a member of the Local Government Pension Scheme. No enhanced or special terms apply and there were no additional pension arrangements in place. Pension contributions of £20,380 (2015: £22,013) were made by the Association during the period. He was also the highest paid Director of the group in both 2015 and 2016 above. He resigned his position with effect from 26th February 2016, therefore the 2016 value above contains 11 months only.

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

The aggregate emoluments paid to or receivable by Executive Directors:

(Group & Association)	**2016 £'000**	**2015 £'000**
Basic Salary	582	695
Employers Pension	70	76
	652	771
Compensation for loss of office	28	28
TOTAL	680	799

10. Surplus on disposal of fixed assets and other investments	**Group 2016 £'000**	**Group 2015 £'000**	**Association 2016 £'000**	**Association 2015 £'000**
Right to Buy sales	3,682	3,904	3,682	3,904
Open Market sales	781	306	781	306
Shared Ownership Staircasing	41	-	41	-
Cost of Sales	(141)	(75)	(141)	(75)
Net Book Value of Components removed on Disposal	(767)	(477)	(767)	(477)
Net Book Value of Land & Structure removed on Disposal	(2,498)	(3,138)	(2,498)	(3,138)
PCC Share under the clawback	(2,865)	(1,576)	(2,865)	(1,576)
Components written out on disposal of demolished properties	(15)	(57)	(15)	(57)
TOTAL	**(1,782)**	**(1,113)**	**(1,782)**	**(1,113)**

11. Other interest receivable and similar income	**2016 Group £'000**	**2015 Group £'000**	**2016 Association £'000**	**2015 Association £'000**
Bank interest receivable	37	66	33	61
Net interest income on net defined benefit pension liabilities	-	269	-	269
Total Interest Received and similar income	**37**	**335**	**33**	**330**

12. Interest Payable and Similar Charges	2016 Group £'000	2015 Group £'000	2016 Association £'000	2015 Association £'000
Interest	1,879	4,114	1,879	4,114
Non utilisation fee	724	703	724	703
Amortisation of arrangement fees	164	158	164	158
Interest capitalised on NP Development	(124)	(141)	(124)	(141)
Legal, Professional & Bank Fees	91	140	91	140
Net interest expense on net defined pension benefit liabiliites	2,297	-	2,297	-
Total other interest payable and similar charges	**5,031**	**4,974**	**5,031**	**4,974**

13. Tax on Surplus on Ordinary Activities for the Period

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

	2016 Group £'000	2015 Group £'000	2016 Association £'000	2015 Association £'000
Current Tax				
Current tax on income for the period	(32)	41	(31)	31
Adjustment in respect of prior periods	-	-	-	-
Total current tax	(32)	41	(31)	31
Deferred Tax				
Origination and reversal of timing differences	-	-	-	-
Change in tax rate	-	-	-	-
Total deferred tax	-	-	-	-
Total tax	(32)	41	(31)	31

Tax on Surplus on ordinary activities cont.

Group		**2016**			**2015**	
Tax	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Current	**Deferred**	**Total**	**Current**	**Deferred**	**Total**
Recognised in P & L account	(32)	-	(32)	41	-	41
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total group tax	(32)	-	(32)	41	-	41

Association		**2016**			**2015**	
Tax	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Current	**Deferred**	**Total**	**Current**	**Deferred**	**Total**
Recognised in P & L account	(31)	-	(31)	31	-	31
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total group tax	(31)	-	(31)	31	-	31

Reconciliation of effective tax rate	**2016 Group £'000**	**2015 Group £'000**	**2016 Co 10 £'000**	**2015 Co 10 £'000**
Profit for the year	**1,137**	**(5,671)**	**1,423**	**(5,226)**
Total tax expense	**-**	**-**	**-**	**-**
Profit excluding taxation	**1,137**	**(5,671)**	**1,423**	**(5,226)**
Tax using the UK corporation tax rate of 20% (2015: 21%)	227	(1,191)	285	(1,097)
Effect of capital allowances	(25)	-	-	-
Tax exempt revenues	(234)	1,230	(316)	1,128
Losses carried forward	-	2	-	-
Total tax expense included in profit and loss	(32)	41	(31)	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. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 16 October 2015. This will reduce the company's future current tax charge accordingly. The March 2016 Budget announced that the rate will further reduce to 17% (effective from 1 April 2020). This will further reduce the company's future current tax charge.

14. Housing Fixed Assets: Association

	Housing Property General Needs	Completed Leasehold Shared Ownership Property	Development Leasehold Shared Ownership Property under Construction	Development Property under Construction	Total Housing Properties
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2015	**446,503**	**4,181**	**1,947**	**13,769**	**466,400**
Additions	22,568	0	3,198	7,507	33,273
Completed properties	2,036	0	0	(2,036)	0
Completed SO properties	0	4,100	(4,100)	0	0
Disposals	**(10,484)**	**(1,848)**	**0**	**0**	**(12,332)**
At 31 March 2016	**460,623**	**6,433**	**1,045**	**19,240**	**487,341**
Depreciation					
At 1 April 2015	**(16,342)**	**0**	**0**	**0**	**(16,342)**
Depreciation Charge for period	(9,478)	0	0	0	(9,478)
Disposals	105	0	0	0	105
At 31 March 2016	**(25,715)**	**0**	**0**	**0**	**(25,715)**
Net book value at 31 March 2016	**434,908**	**6,433**	**1,045**	**19,240**	**461,626**
Net Book Value at 1 April 2015	**430,161**	**4,181**	**1,947**	**13,769**	**450,058**

14. All Fixed Assets: Association

	Total Housing Properties	Freehold Offices	Vehicles	Equipment & Furniture	Computers & Software	Investment in Plymouth Community Homes Energy	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2015	**466,400**	**10,835**	**2,744**	**1,962**	**3,786**	**7,900**	**493,627**
Additions	33,273	718	259	228	375	2,000	36,853
Disposals	(12,332)	0	(304)	0	(27)	0	(12,663)
At 31 March 2016	**487,341**	**11,553**	**2,699**	**2,190**	**4,134**	**9,900**	**517,817**
Depreciation							
At 1 April 2015	**(16,342)**	**(281)**	**(1,549)**	**(869)**	**(2,470)**	**0**	**(21,511)**
Charge for period	(9,478)	(215)	(513)	(377)	(691)	0	(11,274)
Disposals	105	-	232	0	27	0	364
At 31 March 2016	**(25,715)**	**(496)**	**(1,830)**	**(1,246)**	**(3,134)**	**0**	**(32,421)**
Net book value at 31 March 2016	**461,626**	**11,057**	**869**	**944**	**1,000**	**9,900**	**485,396**
Net Book Value at 1 April 2015	**450,058**	**10,554**	**1,195**	**1,093**	**1,316**	**7,900**	**472,116**

14. Housing Fixed Assets: Group

	Housing Property General Needs	Completed Leasehold Shared Ownership Property	Development Leasehold Shared Ownership Property under Construction	Development Property under Construction	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2015	454,618	3,945	1,875	12,527	472,965
Additions	24,373	0	3,076	7,115	34,564
Completed properties	2,036	0	0	(2,036)	0
Completed SO properties	0	4,100	(4,100)	0	0
Disposals	(10,484)	(1,848)	0	0	(12,332)
At 31 March 2016	**470,543**	**6,197**	**851**	**17,606**	**495,197**
Depreciation					
At 1 April 2015	(16,659)	0	0	0	(16,659)
Charge for period	(9,922)	0	0	0	(9,922)
Disposals	105	0	0	0	105
At 31 March 2016	**(26,476)**	**0**	**0**	**0**	**(26,476)**
Net book value at 31 March 2016	**444,067**	**6,197**	**851**	**17,606**	**468,721**
Net Book Value at 1 April 2015	**437,959**	**3,945**	**1,875**	**12,527**	**456,306**

14. All Fixed Assets: Group

	Total Housing Properties	Freehold Offices	Vehicles	Equipment & Furniture	Computers & Software	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Cost						
At 1 April 2015	**472,965**	**10,722**	**2,744**	**1,962**	**3,786**	**492,179**
Additions	34,564	829	259	228	375	36,255
Disposals	(12,332)		(304)		(27)	(12,663)
At 31 March 2016	**495,197**	**11,551**	**2,699**	**2,190**	**4,134**	**515,771**
Depreciation						
At 1 April 2015	**(16,659)**	**(281)**	**(1,549)**	**(869)**	**(2,470)**	**(21,828)**
Charge for period	(9,922)	(215)	(513)	(377)	(691)	(11,718)
Disposals	105	0	232	0	27	364
At 31 March 2016	**(26,476)**	**(496)**	**(1,830)**	**(1,246)**	**(3,134)**	**(33,182)**
Net book value at 31 March 2016	468,721	11,055	869	944	1,000	482,589
Net Book Value at 1 April 2015	456,306	10,441	1,195	1,093	1,316	470,351

Following the Government's rent reduction in July 2015 a full impairment review has been undertaken at the year end, no impairments were recorded as a result, see Note 36.

15. Fixed Asset Investments

The total expenditure on works to existing housing properties during the year to 31 March 2016 for the Group and Association was as follows: capitalised £24,373,000 (2015: £18,027,000); charged to Income and Expenditure: £11,711,000 (2015: £19,166,000).

Interest of £123,575 (2015 : £141,245) was capitalised (both Group and Association), based on an average interest rate of 2.67% (2015: 2.60%). Cumulative interest of £358,620 (2015: £235,045) has been capitalised to 31 March 2016. This was incurred on new build housing developments.

15. Fixed asset investments	Group				Association			
	Shares in group undertakings	Investment in Commercial Property	Other investments	Total	Shares in group undertakings	Investment in Commercial Property	Other investments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost (or valuation)								
At beginning of year (restated)	-	14,477	40	14,517	7,900	14,477	40	22,417
Additions	-	-	-	-	2,000	-	-	2,000
Disposals	-	-	-	-	-	-	-	-
Revaluation	-	(889)	-	(889)	-	(889)	-	(889)
Transfer between items	-	-	-	-	-		-	-
At end of year	-	13,588	40	13,628	9,900	13,588	40	23,528
Net book value								
At 31 March 2016	-	13,588	40	13,628	9,900	13,588	40	23,528
At 31 March 2015	-	14,477	40	14,517	7,900	14,477	40	22,417

During the year Plymouth Community Homes Ltd purchased a further £2,000,000 in shares in Plymouth Community Homes Energy Ltd. The total shareholding is now £9,900,000, being 100% of that company’s share capital.

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

16. Investments in Subsidiaries

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

	Cost of Investment £'000	Aggregate of capital and reserves £'000	Profit or loss for the year £'000	Country of Incorporation	Class of shares held	Ownership 2016 %	Ownership 2015 %
PCH Manufacturing Services Limited	-	50	265	UK	Ltd By Guarantee	100	100
PCH Regeneration Limited	-	-	403	UK	Ordinary	100	100
PCH Energy Limited	9,900	9,990	123	UK	Ordinary	100	100

All investments in subsidieries are held at fair value.

Net book value of property assets by tenure:

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

Valuation as at 31 March 2016 for security purposes:

Completed housing properties were valued as at 31 March 2016 by Bruton Knowles, Chartered Surveyors, on Basis 1: the Existing Use Value – Social Housing ('EUV-SH') assuming homes are re-let at a social rent and under the loan agreement, and Basis 2 which is a valuation calculated on Existing Use Value for Social Housing (EV-SH, Voids Sold) assuming an element of void properties being sold on the open market. The valuations were carried out in accordance with the RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended). The valuation of Plymouth Community Homes properties as at 31 March 2016 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 2016, is: £369,052,860 (2015: £405,270,000).

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 £625,572,138 (2015: £654,100,000).

The commercial properties were valued at £13,588,000 at 31 March 2016 (31 March 2015: £14,477,000).

17. Properties held for sale

	Group 2016 000's	Group 2015 000's	Association 2016 000's	Association 2015 000's
Low cost home ownership				
- Completed	-	288	-	288
- In the course of construction	813	1,783	813	1,783
	813	**2,071**	**813**	**2,071**

18. Stock

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Raw materials	652	636	652	636
Work in progress	74	133	74	133
	726	**769**	**726**	**769**

19. Debtors

Amounts falling due after one year	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Development debtor (VAT Shelter)	12,592	16,272	12,592	16,272
	12,592	16,272	12,592	16,272

Amounts falling due within one year	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Trade debtors	385	573	61	415
Current tenant arrears	2,668	2,438	2,668	2,438
Less provision for doubtful debts	(1,142)	(1,208)	(1,134)	(1,208)
Former tenant arrears	900	849	900	849
Less provision for doubtful debts	(900)	(849)	(900)	(849)
Prepayments and accrued income	4,603	1,832	4,603	1,832
Intercompany debtors	-	-	698	665
VAT	178	809	151	752
Other debtors	199	173	21	29
Development debtor	1,812	2,157	1,812	2,157
	8,703	6,774	8,880	7,080

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

20. Cash, cash at bank and short term deposits

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Cash at bank and in hand	14,467	9,460	12,453	7,982
Bank overdrafts	-	-	-	-
Cash and cash equivalents per cash flow statements	14,467	9,460	12,453	7,982

21. Creditors : amounts falling due within one year

	2016 Group £'000	2015 Group £'000	2016 Association £'000	2015 Association £'000
Trade creditors	3,072	2,619	2,069	1,668
Amounts owed to group undertakings	-	-	850	601
Taxation and social secuirty	377	464	377	464
Corporation tax	-	41	-	31
Pension contributions	226	248	226	248
VAT	-	20	-	-
Rent received in advance	1,961	1,454	1,961	1,454
Other creditors	407	313	402	321
Accruals and deferred income	5,822	6,083	5,025	5,409
Development creditor	1,812	2,157	1,812	2,157
Disposal proceeds fund	123	-	123	-
	13,800	13,399	12,845	12,353

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

22. Creditors: amounts falling after more than one year

	2016 Group £'000	2015 Group £'000	2016 Association £'000	2015 Association £'000
Bank loans				
- Due in five years or more	67,000	62,000	67,000	62,000
- Deferred loan costs	(851)	(1,014)	(852)	(1,014)
- THFC Holding account	(3,269)	-	(3,269)	-
Total housing loans	62,880	60,986	62,879	60,986
SHPS	-	33	-	33
Diposal Proceed Fund	123	-	123	-
Grant funding	21,323	11,550	21,323	11,550
	84,326	84,326	84,326	84,326

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%. Under current forecast loan repayments to RBS will start in 2022 with the loan fully repaid in 2040.

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

At 31 March 2016 the Group had undrawn loan facilities of £73m (2015: £78m) plus an additional £0.5m overdraft facility (2015: £0.5m) to finance future operating cash flows and investments

23. Disposal proceeds fund

	2016 Group £'000	2015 Group £'000	2016 Association £'000	2015 Association £'000
At beginning of the year	123	123	123	123
At end of the year	123	123	123	123
Disclosed as				
Creditor < 1 year	123	-	123	-
Creditor > 1 year	-	123	-	123
	123	123	123	123

24. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings

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

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

The loans have other revenue and net debt covenant requirements.

	2016 £'000	2015 £'000
Creditors falling due more than one year		
Secured bank loans		
- Due in five years or more	67,000	62,000
- Deferred loan costs	(851)	(1,014)
- THFC holding account	(3,269)	-
	62,880	60,986

25. Devon County Council Pension Scheme

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

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 is contracted out of the State Second Pension and currently provides benefits based on career averaged revalued salary and length of service on retirement.

Group and Association net pension liability:

	31 March 2016 £'000	31 March 2015 £'000
Present value of funded defined benefit obligations	(72,072)	(79,524)
Fair value of plan assets	60,587	59,836
Net Pension Liability	(11,485)	(19,688)

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

	31 March 2016 £'000	31 March 2015 £'000
Defined benefit obligation at 1 April	79,524	61,777
Current service cost	2,638	2,200
Interest cost	2,769	2,889
Actuarial (gains)/losses	(12,106)	12,760
Estimated benefits paid net of transfers in	(1,620)	(749)
Past service costs, including curtailments	260	0
Contributions by scheme participants	607	647
Defined benefit obligation at 31 March	72,072	79,524

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

	31 March 2016 £'000	31 March 2015 £'000
Fair value of scheme assets at 1 April	59,836	52,964
Interest on assets	2,100	2,463
Return on assets less interest	(1,628)	3,253
Other actuarial gains	0	0
Administration expenses	(24)	(30)
Contributions by employer (including unfunded)	1,316	1,288
Contributions by scheme participants	607	647
Estimated benefits paid net of transfers in (including unfunded)	(1,620)	(749)
Settlement prices received / (paid)	-	-
Fair value of scheme assets at 31 March	**60,587**	**59,836**

The total return on the fund assets for the year to 31 March 2016 is £472,000.

Expense recognised in the profit and loss account

	31 March 2016 £'000	31 March 2015 £'000
Current service cost	2,638	2,200
Employer Contributions	(1,316)	(1,288)
Other finance costs	2,581	(269)
Total	**3,903**	**643**

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

	31 March 2016 £'000	31 March 2015 £'000
Distribution expenses	-	-
Administrative expenses	1,606	912
Other interest receivable and similar income	-	(269)
Interest payable and similar charges	2,297	-
	3,903	**643**

The total gain recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gain is £12,106,000 *(2015: loss £10*,232,000*)*.

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

Employer Asset Share - Bid Value	**Assets at 31 March 2016 £'000**	**Assets at 31 March 2015 £'000**
Equities	14,568	14,750
Gilts	1,989	3,809
Overseas Equities	19,674	20,640
Property	6,699	5,981
Infrastructure	2,524	1,658
Cash	1,124	1,031
Target Return Portfolio	8,778	8,823
Other Bonds	1,741	2,080
Alternative assets	3,490	1,064
Total	**60,587**	**59,836**

Expected return on assets

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

Assumptions as at	31 March 2016 % p.a.	31 March 2016 Real	31 March 2015 % p.a.	31 March 2015 Real
RPI Increases	3.4%	-	3.4%	-
CPI Increases	2.5%	-0.9%	2.6%	-0.8%
Salary Increases	4.3%	0.9%	4.4%	1.0%
Pension Increases	2.5%	-0.9%	2.6%	-0.8%
Discount rate	3.8%	0.4%	3.5%	0.1%

These assumptions are set with reference to market conditions at 31 March 2016.

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

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

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

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

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

· Current pensioner aged 65: 22.9 years (male), 26.2 years (female).

· Future retiree upon reaching 65: 25.2 years (male), 28.6 years (female).

We have also assumed that:

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

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

· 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

History of plans

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

Balance sheet as at	31 March 2016	31 March 2015	31 March 2014
	£'000	£'000	£'000
Present value of scheme liabilities	(72,072)	(79,524)	(61,777)
Fair value of scheme assets	60,587	59,836	52,964
Deficit	**(11,485)**	**(19,688)**	**(8,813)**

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

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

26. Social Housing Pension Scheme

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

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

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

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

Tier 1 From 1 April 2016 to 30 September 2020:		£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:		£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum	(payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum	(payable monthly and increasing by 3.0% each year on 1st April)

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

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

		31 March 2015 (£s)	31 March 2014 (£s)
Present value of provision	-	33,212	32,942

PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

Provision at start of period	33,212	32,942
Unwinding of the discount factor (interest expense)	(1,247)	951
Deficit contribution paid	(197,266)	(2,674)
Remeasurements - impact of any change in assumptions	-	1,993
Remeasurements - amendments to the contribution schedule	165,301	-
Provision at end of period	-	33,212

INCOME AND EXPENDITURE IMPACT

Interest expense	(1,247)	951
Remeasurements – impact of any change in assumptions	-	1,993
Remeasurements – amendments to the contribution schedule	165,301	-

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ASSUMPTIONS

Rate of discount	2.06	1.92	3.02

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

27. Share Capital

Ordinary shares of £1 each. Allotted, called up and fully paid.	**2016 No.**	**2015 No.**
At 1 April	43	44
Issued during the year	8	4
Cancelled during the year	(5)	(5)
At 31 March	46	43

28. Operating Leases

	2016 Land and Buildings £'000	**2016 Other £'000**	**2015 Land and Buildings £'000**	**2015 Other £'000**
Less than one year	-	225		44
Between one and five years	23	84	39	180
More than five years	942	-	1,102	
	964	**309**	**1,142**	**224**

29. Leases as Lessor

	2016 £'000	**2015 £'000**
Less than one year	240	61
Between one and five years	1,375	1,818
More than five years	3,162	3,489
TOTAL	**4,777**	**5,368**

Leases relate to the length of commercial tenancies for shops

30. Commitments

	2016 Group £'000	2015 Group £'000	2016 Association £'000	2015 Association £'000
The Company contractual commitments to purchase tangible fixed assets at the year-end were	21,461	11,225	21,461	16,248
The Company has expenditure authorised by the Board but has not yet been contracted for of	27,354	46,064	27,354	46,064
TOTAL	**48,815**	**57,289**	**48,815**	**62,312**

These commitments are financed by grant and loan finance.

These commitments will be financed by grant and loan finance.

31. Contingencies

Social Housing Grant of £8,002,412 has been taken to income. Should the related properties be sold and the grant not reinvested in new properties this amount could be repayable to the Homes & Communities Agency.

32. Related Party Transactions

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

Two Board members are nominees of Plymouth City Council (PCC), both serving councillors. Two ex-councillors also sat on the Board in 2015/16, 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 Plymouth Community Homes and its non-regulated subsidiaries are charged at the cost of providing the service between the subsidiaries. Recharges are determined by an appropriate allocation depending on the nature of the cost, such as headcount, floor space and services.

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

PCH Manufacturing Services Ltd: costs incurred by PCH Manufacturing: £1,295,000 (2015: £876,000).

PCH Regeneration Company Ltd : service charge from PCH Ltd to PCH Regeneration: £309,197 (2015: £154,000); design & build work invoiced from PCH Regeneration to PCH Ltd : £7,540,805 (2015: £10,194,000)

PCH Energy Ltd: service charge from PCH Ltd to PCH Energy : £58,313 (2015: £57,500); charge from PCH Ltd to PCH Energy for lease of roofs : £99,731 (2015: £55,076). Charge from PCH Energy to PCH Ltd for electricity: £85,372 (2015: £30,883)

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

33. Subsequent Events

There were no subsequent events.

34. Accounting estimates and judgements

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

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

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

Pensions
FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the company's retirement benefit obligation and pension assets.

Valuation of housing properties
The company tests annually whether there are any impairment triggers that would require the company to undertake a full impairment review of housing properties under FRS 102. In July 2015 the government announced a 1% reduction for the next 4 years of rental income for social housing properties effective from 1 April 2016. This announcement has been identified as an impairment trigger and accordingly a full impairment review has been undertaken at the year end.

The recoverable value is assessed as the higher of fair value or value in use. The SORP considers depreciated replacement cost as a reasonable estimate for value in use taking into consideration the service potential of social housing. The valuation of housing properties at the year-end has therefore been assessed using depreciated replaced cost and EUV-SH Basis 2. These calculations require the use of assumptions and estimates, in particular in relation to the identification of cash generating units, expected replacement cost and the service potential of the asset. Professional valuers provided the valuation and the Association identified cash generating units at a scheme level.

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

35. Status

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

Plymouth Community Homes Group

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

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

36. Board members, Executives and Advisors

Jack Thompson, a very long standing and valuable member of the Board died on 20 January 2016. He will be remembered with fond affection and we express our thanks for the considerable contribution he made to PCH.

Members of the Board

Elaine Pellow	Chair of Plymouth Community Homes Ltd
Nigel Pitt	Vice Chair of Plymouth Community Homes Ltd from 10 June 2015 and Chair of Development Committee from 2 February 2016
Simon Ashby	Chair of Audit and Risk Committee
Graham Stirling	Chair of Plymouth Community Homes Manufacturing Services Board
Maureen Alderson	Chair of Customer Focus Committee to 27 October 2015
Katie Pratt	Chair of Customer Focus Committee from 27 October 2015
Jack Thompson	Chair of Plymouth Community Homes Regeneration Company and Chair of Plymouth Community Homes Energy to 9 June 2015. Chair of Development Committee until deceased 20 January 2016
Susan Dann	
Tina Tuohy	
Graham Clayton	Appointed 22 September 2015
Nigel Churchill	
Debbie Roche	Co-optee, appointed 16 December 2015
John Bowhay	Appointed 22 September 2015, Resigned 13 November 2015
Alan Clifford	Resigned 22 September 2015

Directors of Plymouth Community Homes Manufacturing Services Ltd:

Graham Stirling	Chair
Nigel Churchill	
Nicholas Jackson	Appointed 27 April 2015
Susan Shaw	Appointed 27 April 2015
Simon Ashby	Co-optee from 17 November 2015
Gillian Martin	Resigned 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 to 22 January 2016
John Clark	Chair from 22 January 2016
Susan Shaw	
Gillian Martin	Appointed 9 June 2015
Nick Jackson	Appointed 9 June 2015
Nigel Pitt	Resigned 9 June 2015
Susan Dann	Resigned 9 June 2015
Elaine Pellow	Resigned 9 June 2015
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 to 22 January 2016
John Clark	Chair from 22 January 2016
Susan Shaw	
Gillian Martin	Appointed 9 June 2015
Nick Jackson	Appointed 9 June 2015
Nigel Pitt	Resigned 9 June 2015
Susan Dann	Resigned 9 June 2015
Elaine Pellow	Resigned 9 June 2015
Graham Stirling	Co-optee 10 June 2014 to 9 June 2015

Audit and Risk Committee

Simon Ashby	Chair
Maureen Alderson	
Katie Pratt	Appointed 27 October 2015
Graham Clayton	Appointed 27 October 2015
Susan Dann	Appointed 27 October 2015
Alan Clifford	Resigned 22 September 2015
Nigel Pitt	Resigned 27 October 2015
Nigel Churchill	Resigned 27 October 2015

Customer Focus Committee:

Maureen Alderson	Chair to 27 October 2015
Katie Pratt	Chair from 27 October 2015
Elaine Pellow	
Tina Tuohy	
Debbie Roche	Co-optee, appointed 16 December 2015
Nigel Pitt	Appointed 27 October 2015, Resigned 2 February 2016
John Bowhay	Appointed 27 October 2015, Resigned 13 November 2015
Jane Filby	Independent co-optee from 22 September 2015

Development Committee:

Jack Thompson	Chair to 20 January 2016 (deceased)
Nigel Pitt	Chair from 2 February 2016
Elaine Pellow	
Graham Stirling	
Nigel Churchill	Appointed 27 October 2015
Susan Dann	Resigned 27 October 2015

Remuneration Panel

Susan Dann	Chair to 27 October 2015
Nigel Pitt	Appointed 27 October 2015, Chair from that date.
Elaine Pellow	
Alan Clifford	Resigned 22 September 2015

Financing Sub-Committee

Simon Ashby	Chair
Elaine Pellow	
Nigel Pitt	
Graham Clayton	
Nigel Churchill	
Tony McGregor	Independent co-optee from 1 June 2016

Resident Scrutiny Team

Joanne Bowden	
Susan Drury	
Mel Gallagher	
Diana Hill	
Mel Leonis	
Ron Gilley	Appointed 8 February 2016
Bridget Bimha	Appointed 8 February 2016
Patrick Gillespie	Appointed 8 February 2016
Chris Matthews	Appointed 8 February 2016
Sheila Cooper	Resigned 10 November 2015
Eleanor Whitehead	Resigned 27 June 2016
Mandy A'Lee	Resigned 27 January 2016
John Bowhay	Resigned 22 September 2015
Roger Lee-Smith	Resigned 29 May 2015
Derek Wheatley	Resigned 6 July 2015

Executive Management Team:

Clive Turner	Chief Executive to 22 January 2016
John Clark	Chief Executive from 22 January 2016
Nicholas Jackson	Director of Business Services and Development
Gillian Martin	Director of Corporate and Manufacturing Services
Susan Shaw	Director of Homes, Neighbourhoods and Regeneration

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	

37. Explanation of Transition to FRS 102 from Old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS102.

The accounting policies set out in note 1 and 2 have been applied in preparing the financial statements for the year ended 2016 and the comparative information presented in these financial statements for the year ended 2015.

In preparing its FRS 102 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS102 has affected the Company's financial position and financial performance is set out in the following tables [and the notes that accompany the tables].

GROUP		**31 March 2014**			**31 March 2015**	
Reconciliation of equity	UK GAAP	Effect of transition to FRS 102	FRS 102	UK GAAP	Effect of transition to FRS 102	FRS 102
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets						
Intangible assets						
Tangible assets	92,475	343,737	436,212	121,783	348,567	470,350
Investments	20	13,848	13,868	40	14,477	14,517
	92,495	357,585	450,080	121,823	363,044	484,867
Assets Receivable after 1 year						
Development debtor	25,832	-	25,832	16,272	-	16,272
Current Assets						
Shared Ownership completed properties	1,111	-	1,111	288	-	288
Shared Ownership properties in progress	753	-	753	1,783	-	1,783
Stocks	661	-	661	769	-	769
Debtors (due within one year)	11,240	(42)	11,198	6,803	(29)	6,774
Cash at bank and in hand	10,276	-	10,276	9,460	-	9,460
	24,041	(42)	23,999	19,103	(29)	19,074
Creditors: amounts due within one year	(18,846)	(219)	(19,065)	(13,203)	(196)	(13,399)
Net current assets	5,195	(261)	4,934	5,900	(225)	5,675
Creditors: amounts falling due after more than one year			-			
Development creditor	(25,832)	-	(25,832)	(16,272)	-	(16,272)
Loans	(31,827)	-	(31,827)	(60,986)	-	(60,986)
Grant Creditors	-	-	-	-	(11,550)	(11,550)
Disposal proceeds fund	(127)	-	(127)	(123)	-	(123)
Provisions for liabilities	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
Other provisions	-	(33)	(33)	-	(33)	(33)
Pension liability	(8,813)	-	(8,813)	(19,688)		(19,688)
	(66,599)	(33)	(66,632)	(97,069)	(11,583)	(108,652)
Net [assets/liabilities]	56,923	357,291	414,214	46,926	351,236	398,162
Capital and reserves						
Called up share capital						
Restricted reserve	(474)	-	(474)	(627)	-	(627)
Designated reserve	(474)	-	(474)	(627)	-	(627)
Revaluation reserve	-	(306,835)	(306,835)	-	(300,338)	(300,338)
Profit and loss account	(64,788)	(50,456)	(115,244)	(65,359)	(50,899)	(116,258)
Pension Fund Reserve	8,813	-	8,813	19,688	-	19,688
			-			
Shareholders' equity	(56,923)	(357,291)	(414,214)	(46,925)	(351,237)	(398,162)

The Association opted to use 'deemed cost' for properties which meant that from the transition date of April 2014 we used the valuation as the new 'cost' for our housing assets and commercial properties. This increased the balance sheet value of assets by £300m, with a corresponding increase in the revaluation reserve. In 2014 grants previously shown as a deduction from fixed assets were re-disclosed within the profit and loss. Thus all the

GAP funding received was released to retained income reserves. Government grants are now shown as creditors greater than 1 year.

38. Reconciliation of Profit & Loss and Other Comprehensive Income

Continuing Activities	**Group 2015 UK GAAP £000's**	**Effect of transition to FRS102**	**Group 2015 Restated £000's**
Turnover	63,387	(483)	62,904
Cost of sales	(1,584)	-	(1,584)
Operating costs	(58,944)	(2,954)	(61,898)
Operating surplus / (deficit)	**2,859**	**(3,437)**	**(578)**
Loss on sale of properties not developed for outright sale	2,025	(3,138)	(1,113)
Gain on sale of other fixed assets	30	-	30
Interest receivable	335	-	335
Interest payable and similar charges	(4,974)	-	(4,974)
Change in value of investment property	-	629	629
Gift aid receivable	-	-	-
Surplus / (deficit) before taxation	**275**	**(5,946)**	**(5,671)**
Tax	(41)	-	(41)
Surplus / (deficit) for the year	**234**	**(5,946)**	**(5,712)**
Other Comprehensive Income			
Remeasurement of the net defined benefit liability (asset)	(10,232)	-	(10,232)
Total (Deficit)/surplus recognised for the year	**(9,998)**	**(5,946)**	**(15,944)**

Under FRS 102 the increased value of properties and the changes in valuation of commercial properties has led to higher depreciation and higher costs of asset disposals (due to revaluation) will cause fluctuations in the profit. The government grants are amortised over the life of the asset. Non-government grants are accounted for in the year in which the grant terms are met.