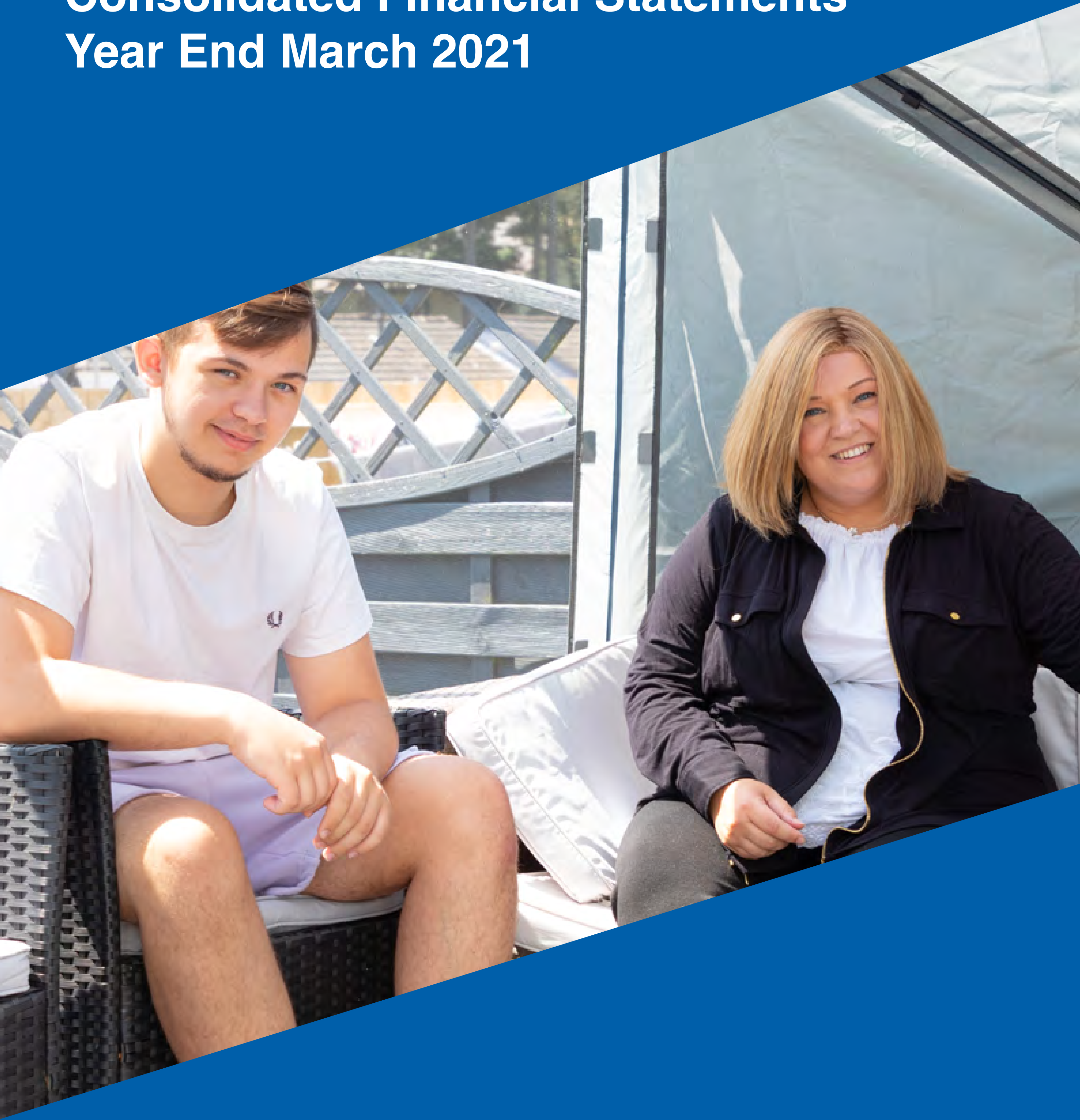
Plymouth Community Homes Ltd
Consolidated Financial Statements
Year End March 2021



Plymouth Community Homes

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2020/21 at a glance

Turnover

2019/20 2020/21

£73.5m

Last year £76.2m -4%

A+
Credit rating

G1
Governance

V1
Viability

Housing assets

+3%

£534.1m

Last year £519.9m

Operating surplus

2019/20 2020/21

£12.2m

Last year £6.4m +91%

Operating cashflow

+31%

£35.2m

Last year £26.9m

Net debt

-7%

£96.4m

Last year £104m

Surplus before tax

2019/20 2020/21

£7.6m

Last year £2.1m +262%

Overall resident satisfaction

91.2%

Managed homes

14,282

- 86

Last year 14,368

EBITDA operating margin

33%

Target >25%

Last year 24%

EBITDA- MRI interest cover *

416%

Target >150%

Last year 189%

Debt per unit

£6,707

Target <£15,000

Last year £7,207

*2020/21 adjusted for Towers spend of £5.6m, unadjusted 299%. 2019/20 adjusted for Towers spend of £4.7m, unadjusted 82%

Business Health	Development (Capacity and Supply)	Outcomes Delivered	Efective Asset Management	Operating Efficiencies
Operating Margin 16.3%	Homes Developed 97	Customer Satisfaction with Services 91.20%	Return on Capital Employed 2.1%	Headine social housing cost per unit £3,340 [£3,731]
Operating Margin (Social Lettings) 17.1%	Homes Developed as a % of homes owned 0.7%	Reinvestment 5%	Occupancy rate 99.40%	Rent collected as a % of rent due 100%
EBITDA-MRI Interest Cover 416.3% [299.1%]	Gearing 17.6%	£ Invested in Communities £789k	Ratio of Response Repairs to Planned Maintenance 0.52	Overheads as % of Adjusted Turnover 11.77%

The above figures are benchmarked against the HouseMark Sector Scorecard LSVT 7500+ group results, incorporating the Regulator's metrics which are starred. We have adjusted the figures to reflect the underlying position excluding Mount Wise Towers spend in year of £5.578m, where this is different to the strict calculation of the Regulators metrics we have included the unadjusted figures in square brackets.

Introduction by the Chief Executive

Similar to last year I am writing this introduction from home. The difference is that last year we were in the midst of the Coronavirus pandemic with uncertainty on a national and international level as to the course it would take whereas now we have a successful vaccination programme, the Government has provided unprecedented economic support and we have the best assurance yet from the government that, at least in the UK, most of the restrictions on normal life will shortly be lifted.

The pandemic dominated the global landscape in 2020/21 and still does. Whilst we have had relatively lower infections in the South West I am sure there isn't one of us who has not been impacted by the death or severe illness of a loved one and we have shared this pain in PCH with our staff and residents.

In the face of this and the restrictions that have been placed on all our lives I am proud to say that Plymouth Community Homes, its residents, staff and partners have risen to the challenges of the last year. We have supported our residents and each other, ensuring we have continued providing services, investing in our homes, and supporting communities and residents impacted by the pandemic.

At the start of 2020 we refreshed our business plan setting out our values to listen, care, respect and do the right thing, underpinned by our objectives to improve lives and communities, look after our homes, build new homes in Plymouth and beyond and grow our business. Publication was delayed because of the pandemic but these changes are now embedded throughout the organisation.

We know that Board, Executive and staff live these values and support what we want to achieve as a Housing Association as we retained our Investors in People Gold standard after external assessment. We also maintained the highest ratings against the Regulatory Code of G1 for Governance and V1 for Viability after an in-depth assessment by the regulator and we kept our A+ credit rating issued by Standard and Poors.

We have throughout the year followed national government guidance and very quickly introduced Covid secure working practices and invested £200k in enabling staff to work remotely whether at home or out on their job. We issued 385 computers and 355 smartphones and tablets, over 300 remote access licences, over 400 peripheral items and overhauled our online communications making good use of our staff intranet platform called Jannet and kept our website up to date.

With the introduction of the first lockdown in March 2020 we reduced the scope of our repair services to avoid unnecessary contact in residents' homes, shifted viewings of homes for new lettings and shared ownership sales online. As reported last year we also closed our manufacturing division. In addition, we saw the closure of major construction projects both on new development sites and on existing homes including the work to complete the replacement of cladding on the Mount Wise Towers. This quick and substantial reduction in activity meant that we furloughed a third of our staff until July as there was no work available for them. We are grateful for the government support in this respect.

As the first lockdown came to an end in July the major capital works projects restarted and we increased the scope of our repairs service. Although disrupted by lockdown restrictions, shortage of materials and contractor availability, we were still able to invest £18m, including £5.6m on the Mount Wise Towers, and £12.4m on improving 1,425 homes for our residents. This compares to £23m in 2019/20, demonstrating how hard the teams have worked, along with our partners, to make this investment happen. The cladding system for the Mount Wise Towers has been made safe but the scaffolding remains to be taken down and some residual works completed which we do not anticipate will compete until the Autumn of 2021 at the earliest. I am grateful to the forbearance of the residents in the Mount Wise Towers during this unexpected extension of time to complete these essential works.

We've also invested £17.6m on new homes completing 97 during the year and starting on 360 in Plymouth and across the travel to work area. Part of this was the start of the final phase of our flagship regeneration of North Prospect which again could not have begun without support from Homes England, Central Government (MHCLG) and Plymouth City Council. The final completion is still a few years away, but we are now confident it can be delivered.

However, this does mean in the last financial year, because of the demolitions at start on site and delays on other sites, we did not increase our number of homes owned during the year.

We have now agreed an approach with Plymouth City Council through a signed memorandum of understanding setting out our mutual agreement to provide land and investment to develop 601 homes in Plymouth. This supports our ambition to develop 200 new homes a year for rent and shared ownership with an additional 20 homes per year for open market sale. Our first open market joint venture has now started on site.

I mentioned earlier our sad decision early in the financial year to close our manufacturing division. After a year this is now coming to an end with our subsidiary company PCH Manufacturing Services Ltd soon to be placed into a formal liquidation process having collected the majority of the debts owed to it. However, I believe we have acted honourably in closure, selling the window business to an existing manufacturing group, thus protecting jobs and manufacturing in Plymouth. We also redeployed as many staff as possible in PCH and offered a retraining package where needed, but we still made 28 staff redundant. I and the Board are thankful for all the years of hard work and dedication shown by the manufacturing staff which had been an integral part of our operations for so long.

Throughout the year we've stepped up efforts to remain in touch with residents - our Housing with Support Team made over 15,000 welfare calls to sheltered housing tenants, our Housing Management Team made regular contact with 3,700 of our most vulnerable residents and those over 70 offering support, reassurance and guidance and our Contact Centre took an average of 2,500 calls from residents a week. In addition, our Income Recovery and Financial Inclusion Team offered support to residents whose financial circumstances changed with help to apply for Universal Credit, with the number receiving his benefit increasing to 3,946 by the end of March 2021, as well as support to commercial tenants with applications for business grants. We provided £90k in grants to Age UK Plymouth, Tamar Grow Local, Provide Devon, Stonehouse Foodbank and Devon and Cornwall Food Action to help disadvantaged residents.

This personal support not only reflects our values but also ensured we kept our arrears low at 1.36% for current tenants and although we had a slower turnaround on letting homes as they changed tenants, our income loss from voids still remained low at 0.79%.

Our operating surplus for 2020/21 is £12.2m (£6.4m, 2019/20) however this was heavily influenced by a reduction in operating costs as some activities were suspended due to the pandemic, and our ability to maintain a low tenancy arrears of £0.818m at 1.36% (£0.865m, 1.43%, 2019/20). Our surplus after tax is £7.5m (£2.0m, 2019/20), after non-cash pension charges of £17.5m, we reported a total deficit for the year of £10.0m (surplus £8.8m, 2019/20). The non-cash pension adjustments in 2020/21 were in relation to changes in the actuarial financial assumptions which also increased the net liability of the pension funds to £45.6m on the balance sheet. However, it should be noted that at the last actuarial triannual valuation, the significant LGPS pension fund was fully funded and only a small deficit existed on the SHPS pension fund.

We have exceeded our financial strategy targets with our operating EBITDA over the 25% target at 33%, our interest cover above our 150% threshold at 416% (299% including Towers spend) and our net debt per home less than our £15k maximum at £6.7k. Our liquidity remains strong with balance sheet cash holdings of £17m at year end and £81.5m of undrawn facilities.

Our shared ownership programme had a successful year selling 43 homes, generating a surplus of £426k (£269k, 2019/20), giving our highest yet return on investment of 12.5% (7.5%, 2019/20).

The outlook for 2021/22 looks brighter as we continue to see the Government's pandemic restrictions relaxed and some normality return to everyday life, so we can focus on operating our repairs service at full capacity, undertaking a full major works programme and bringing our re-let times back down to pre pandemic levels. We will of course continue to support our residents as their lives return to normal and whatever insecurities and opportunities this may bring.

Finally, we had a change of Executive during the year with Sue Shaw the Director of Homes and Neighbourhoods retiring after 10 years of working for PCH from the very start in 2009. I and the Board would like to thank her for her outstanding contribution and commitment to PCH and our residents over this time. Her replacement Carl Brazier joins us from Stoke-on-Trent City Council after a working life in social housing within Local Authorities and Housing Associations bringing a wealth of experience and expertise.

Highlights for the year ending March 2021

Improve lives and communities

• From March to the end of August 2020, the Housing with Support Team made more than 15,000 welfare calls to sheltered housing tenants.

• At the height of the pandemic, our Contact Centre was taking an average of 2,500 calls per week.

• Throughout the lockdowns, PCH continued to provide services to our residents out in the community and at our PCH sites, including; voids works, gas servicing, tree maintenance, grass cutting, cleaning, fly-tipping, caretaking, garden and garage works, and power washing, plus operating at the Re-Use Centre and Beacon and stores.

• PCH's Housing Management Team made regular contact with 3,700 of our most vulnerable residents and those aged over 70 throughout the pandemic, offering support, reassurance and guidance.

• We kept both our residents and staff safe by operating Covid secure working practices and provided £90k in grants to Age UK Plymouth, Tamar Grow Local, provide Devon, Stonehouse Foodbank and Devon and Cornwall Food Action to help disadvantaged residents.

• We ensured we did not evict tenants under the national pledge, only taking action in extreme situations such as ASB, resulting in obtaining five ASB injunctions, five possession and eight orders.

• Together with tenants – We formally adopted the Together with Tenants Charter and Plan in March 2021. We've introduced new ways of working with our tenants on holding us to account, scrutiny, performance information and our annual report.

Look after our home

• Despite the challenging working environment, PCH managed the delivery of over £18m investment into our residents' homes and their local environment.

• We completed refurbishment of blocks of flats on several of our larger sites around the city including; Teats Hill, Artillery Place, Budshead Road, Ipswich Close and Keat Street.

• The project to remove and replace the cladding on the 3 Mount Wise Towers is nearing completion and we remain 100% compliant on the completion of Fire Risk Assessments.

Build new homes in Plymouth and beyond

• Over the year we completed 97 new affordable homes in 2020/21,in Plymouth and our travel to work area.

• Despite the pandemic, shared ownership sales continued to do well with 43 sales generating receipts of £3.4m with the majority sold a 45% share of open market value. Although our number of sales were lower than last year, we achieved our highest return at 12.5%.

Grow our business

• We refinanced our loan facility with Nat West, moving from a £45m term loan to £65m Revolving Credit Facility on better and more flexible terms. This £20m increase in facilities will support our 200 a year new affordable homes development aspirations and support the modernisation of our existing homes.

• We signed memorandum of understanding with Plymouth City Council setting out our mutual agreement to provide land and investment to develop 601 homes in Plymouth

• As part of our aim to continue to be an employer of choice we have maintained our Investor in People Gold award

• As part of our aim to ensure a healthy financial and social return for investment we maintained the highest regulatory judgements of V1 and G1, as well as our A+ Credit Rating.

• An independent body awarded us The Customer Service Excellence quality mark. As part of our commitment to making sure we care, respect, listen and do the right thing by our customers we have been awarded a three-year accreditation for the customer service we provide.

9 out of 10 residents satisfied with PCH as their landlord

99%

Repairs completed within published timeframes

£789,000

invested in our communities

97

new homes built or acquired

Our strategy

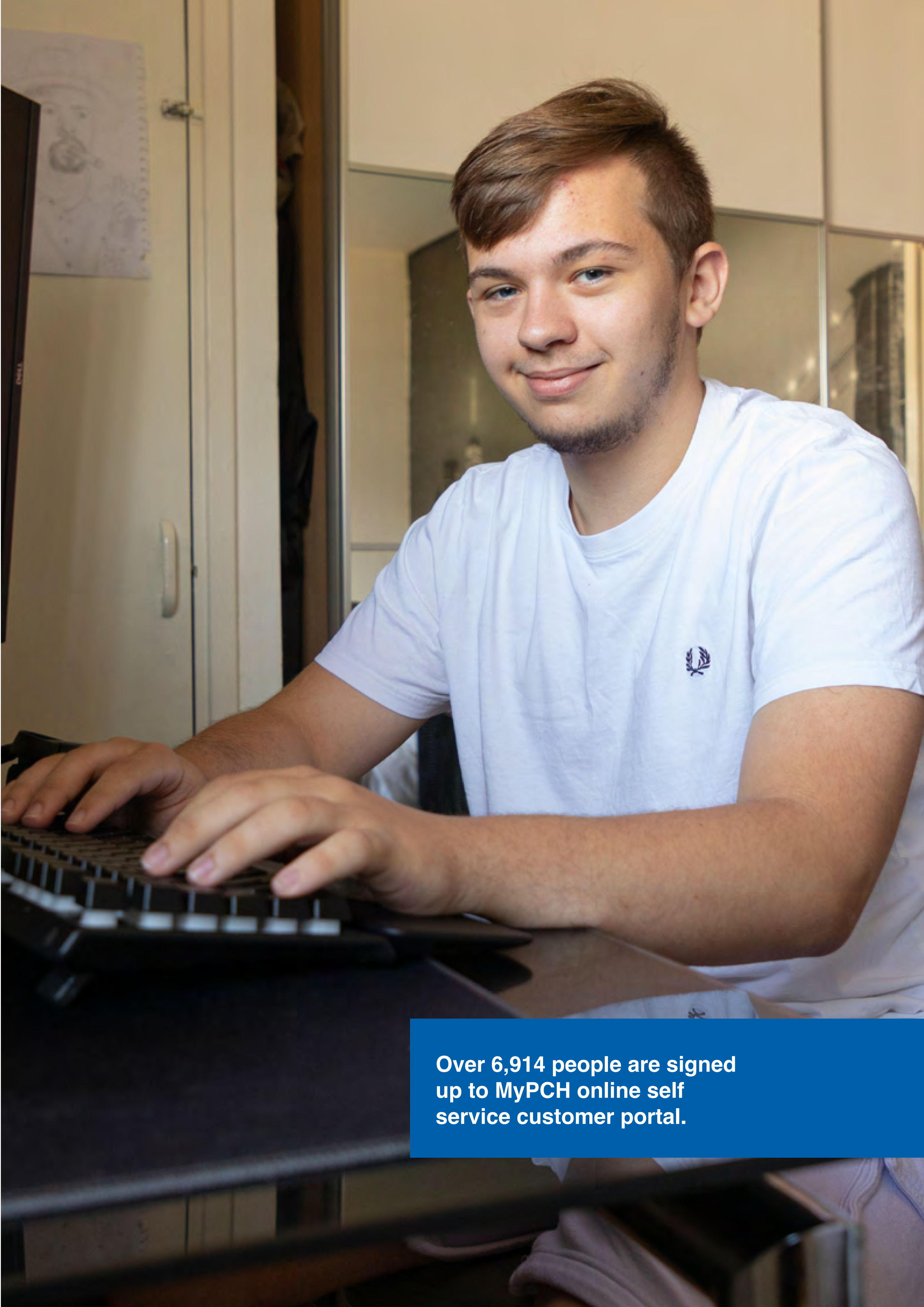
We improve lives by providing affordable homes, great services and supporting communities.

We achieve this through delivery of our strategic objectives and living our values:

- Listen
- Care
- Respect
- Do the right thing

Our overarching strategy is to support residents by delivering excellent quality homes and services, whilst growing our business by building more homes for the people of Plymouth and the surrounding areas. This will be achieved through excellent leadership, robust financial performance, strong links with our residents and communities, as well as highly skilled and committed staff.

Our purpose, objectives and deliverables can be seen in the PCH House below:



Over 6,914 people are signed up to MyPCH online self service customer portal.

Business Review

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 Regulator of Social Housing (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

• Plymouth Community Homes Energy Ltd (PCHE), company number 8028170.

All three subsidiaries are incorporated under the Companies Act 2006.

	2020/21 £m	Movement %
Turnover	**73.5**	**-4%**
Reported operating surplus	**12.2**	**91%**
Reported surplus before tax	**7.6**	**260%**
Operating cash flow	**35.2**	**31%**
Housing assets	**534.1**	**3%**
Net debt	**96.4**	**-7%**

Turnover for the group reduced by £2.7m compared with 2019/20, mainly a result of the decision to close PCH Manufacturing Services Ltd.

The financial impact of the pandemic on turnover was not as severe as anticipated, with income levels holding up well, helped by the considerable efforts of our staff and government support to tenants and commercial customers. Rental income in 2020/21 was £1m higher in 2019/20. We also received Furlough grants in 2020/21 totalling £0.8m from the Ministry of Housing, Communities and Local Government, which mitigated the costs of maintaining services and implementing Covid secure working practices to keep tenants and staff safe.

The reported group operating surplus of £12.2m is £5.5m higher than 2019/20. After allowing for the reduction in turnover of £2.7m above, costs were £8.5m lower. The closure of manufacturing resulting in £1.7m lower cost of sales. Repair and Major Works costs in the year were £1.9m lower than the previous year mainly because of the impact of the pandemic on the ability to carry out work before Covid secure measures were in place. There were one of costs in 2019/20 in relation to land impairments of £1.9m, which were not replicated in 2020/21, and the non-cash pension costs were £1.7m lower in 2020/21.

The cash generated from operating activities in 2020/21 has increased by £8.3m to £35.2m, this is due to a combination of an increase of £5.5m to the surplus for the year and movements within working capital. There has been a reduction in debtors as large sums due at the previous balance sheet date have been received, and an increase in creditors as a result of substantial works being undertaken in the final quarter of the year as more of the economy reopened following the pandemic.

The asset value has increased by 3% (2019/20 3%) reflecting the development and major repairs programmes.

The Board has approved the financial strategy aims of maintaining the operating margin above 25%, interest cover above 150% and debt per unit below £15,000. The financial strategy aims are based on the group financial position.

Group	2020/21 Result	2019/20 Result	2018/19 Result	Target
EBITDA operating margin	33%	24%	34%	>25%
EBITDA – MRI Interest cover (adjusted)	416%	189%	308%	>150%
EBITDA – MRI Interest cover (unadjusted)	299%	82%	308%	>150%
Debt per unit	6,707	7,207	6,890	<15,000

Our financial results have outperformed the financial strategy targets set by the board. In 2020/21 the board agreed to change one of the financial strategy targets, replacing the debt to EBITDA MRI ratio with the debt per unit indicator which is a more widely adopted indicator and aligned to funder covenants.

The adjusted ratios above exclude the £4.5m grant received in 2018/19 relating to the removal and replacement of the cladding at the Mount Wise Towers and spend of £4.7m and £5.6m in 2019/20 and 2020/21 respectively. The ratios have been adjusted throughout this report for these distorting issues so that we are able to measure the underlying financial performance.

The Management Teams and Board use a variety of management information and performance indicators, both financial and non-financial, which are spread through the report, to assist with the effective management of the group’s activities.

We achieved £3.4m in
Shared Ownership sales

Our approach to Value for Money

Central to delivering our business strategy is value for money. This means using our money and other resources on the right things, at the right cost and at the right time so we get the right outcome.

Our Value for Money Strategy sets out the principles for how we will achieve value for money in the delivery of our strategic objectives. It is based on the following actions:

How we assess Value for Money

Achieving value for money is a key driver of the way we do business; it is considered as part of decision making and ensuring that we deliver the right outcome at the right cost is embedded throughout our organisation.

We regularly measure our performance against targets and objectives to ensure that we stay on track in line with the service standards agreed with residents and maintain solid cost control in delivering those services.

It is important to understand how we are performing compared to other landlords, and this is one of our drivers for performance improvement. We participate in HouseMark and Sector Scorecard benchmarking annually, and we also use the Regulator's Global Accounts of Registered Providers as an additional source of performance comparison. Our main source of benchmarking is from HouseMark, using a peer group of large stock transfer landlords with more than 7500 homes. More recently we have complemented HouseMark benchmarks with data from the Sector Scorecard and the Global Accounts by comparing ourselves to all Registered Providers.

Overall value for money score

We believe that our overall value for money score is medium cost and high quality. This is evidenced through our strong financial capacity to build more homes, our operational performance which is consistently achieving challenging targets and customer satisfaction scores.

Regulatory Metrics

	2020/21	2019/20	Global Accounts Quartile	Sector Scorecard (LSVT 7500+) Quartile
Operating margin	16.3%	8.1%	3rd	3rd
Operating margin (social housing lettings)	17.1%	7.8%	4th	4th
EBITDA-MRI interest cover (unadjusted)	299.1%	82.5%	1st	1st
EBITDA-MRI interest cover (adjusted)	416.3%	188.8%	1st	1st
Homes developed as a % of homes owned	0.7%	0.8%	3rd	3rd
Gearing	17.6%	19.5%	1st	1st
Reinvestment %	5.0%	6.9%	4th	4th
Headline social housing cost per unit (unadjusted)	£3,731	£4,260	3rd	3rd
Headline social housing cost per unit (adjusted)	£3,340	£3,931	2nd	2nd
Return on capital employed (ROCE)	2.1%	1.1%	4th	4th

The metrics show that we have a strong balance sheet with low debt and high assets giving a low gearing. Operating margins are at the lower end for the sector, however this is an expected outcome given our low rents in comparison to the comparator groups. As the operating surplus has increased due to the lower costs incurred following delays due to the pandemic and interest costs have remained low, the EBITDA-MRI interest cover metric has improved significantly. We have seen a decline in our reinvestment metric, as the impact of site delays resulted in reduced expenditure, however in the coming years we expect this to rebound, and this metric to improve.

More detailed commentary is given on the metrics in appropriate sections of the main body of the report.

ENVIRONMENTAL

SOCIAL

GOVERNANCE

All three facets are important to our organisation and are key to Plymouth Community Homes remaining true to its purpose. We are a social business and hold the highest possible grading for governance from the Regulator of Social Housing. Additionally, good environmental management is a key objective for the organisation, both in terms of the day to day running of the business itself and greening residents' homes and surrounding areas.

We have published a separate report for containing information about our environmental, social and governance credentials, and a summary of our performance is below: The report is available on our website via
https://www.plymouthcommunityhomes.co.uk/media/3512/esg-report-2020-21.pdf

	2020/21	2019/20
Environmental		
Organisational carbon footprint (tonnes Co2e)	616t	727t
Waste diverted from landfill	99%	99%
Energy Performance Certificate	72 - 'C'	71.6 - 'C'
Social		
Tenancy sustainment after 24 months	96.62%	95.99%
Community Investment	£789k	£776k
TPAS Accreditation	Yes	Yes
Governance		
Governance grading	G1	G1
Financial viability grading	V1	V1
Investor In People	Gold	Gold

Statement of Comprehensive Income - 5 Year Comparison

	Group 2020/21 £'000	Group 2019/20 £'000	Group 2018/19 £'000	Group 2017/18 £'000	Group 2016/17 £'000
Turnover	73,525	76,181	80,178	69,307	66,444
Costs	(61,567)	(70,037)	(64,547)	(60,134)	(54,039)
Gain / (Loss) on disposal of properties not developed for outright sale	288	258	527	(1,363)	(1,515)
Operating surplus	**12,246**	**6,402**	**16,158**	**7,810**	**10,890**
(Deficit) / Surplus on sales of fixed assets	(132)	(3)	92	29	46
Net interest payable	(4,521)	(4,055)	(4,109)	(5,230)	(5,240)
Cost of cancellation of interest rate hedge	-	-	0	(38,380)	-
Change in value of investment property	(26)	(261)	730	411	(7)
Surplus / (Deficit) for the year before Tax	**7,567**	**2,083**	**12,871**	**(35,360)**	**5,689**
Tax	(41)	(65)	(7)	(150)	0
Surplus / (Deficit) for the year after Tax	7,526	2,018	12,864	(35,510)	5,689
Actuarial gain / (loss) on pension scheme	(17,547)	6,788	392	5,461	(17,932)
Total Surplus / (Deficit) after actuarial adjustments	**(10,021)**	**8,806**	**13,256**	**(30,049)**	**(12,243)**

Statement of Financial Position - 5 Year Comparison

	Group 2020/21 £'000	Group 2019/20 £'000	Group 2018/19 £'000	Group 2017/18 £'000	Group 2016/17 £'000
Fixed assets - Housing	534,091	519,976	504,274	488,302	472,424
Tangible assets - Other	36,000	36,399	37,010	36,626	36,315
Total fixed assets	**570,091**	**556,375**	**541,284**	**524,928**	**508,739**
Net amount receivable after more than one year	1,081	2,295	1,517	-	-
Cash	17,077	23,950	13,442	15,927	12,186
Other Current Assets	11,465	17,153	23,791	15,742	10,264
Current Liabilities	(19,277)	(16,285)	(17,914)	(18,691)	(17,110)
Net current assets	**9,265**	**24,818**	**19,319**	**12,978**	**5,340**
Creditors falling due > 1 year					
Housing Loans	(111,121)	(125,230)	(111,108)	(109,794)	(59,479)
Grant Funding	(43,184)	(41,083)	(37,770)	(26,176)	(24,516)
Pension liability	(45,547)	(26,567)	(30,075)	(28,043)	(30,890)
Total	**(199,852)**	**(192,880)**	**(178,953)**	**(164,013)**	**(114,885)**
Provision for removal of Tower cladding	-	-	(512)	(4,495)	-
Net assets / Reserves	**380,585**	**390,608**	**382,655**	**369,398**	**399,194**

Turnover

	2020/21 £'000	2019/20 £'000	2018/19 £'000
Turnover	73,525	76,181	80,178
% of income from social housing lettings	86%	83%	82%
Increase(decrease) in turnover	(3%)	(5%)	16%

*Turnover in 2018/19 adjusted for towers grant receipt of £4.5m would be £75.2m

Group Turnover for the year ended 31 March 2021 reduced by 3%, the decrease was as a result of:

- Loss of income due to the closure of PCH Manufacturing Services Ltd £2.6m.
- 2020/21 Housing Infrastructure Fund grant receipt for North Prospect Phase 4 land assembly £0.9m.
- 2020/21 Furlough grant receipt from the Ministry of Housing, Communities and Local Government £0.8m.
- 2019/20 Land receipt not replicated in 2020/21 £2.1m

Social housing lettings income increased to £63.3m (March 2020: £63.0m), the net increase was as a result of:

- Social Rents increasing by 2.6% to £51.5m (March 2020: £50.2m)
- Affordable rent premiums reducing by 13% to £4.1m (March 2020 £4.7m) as we reduced the premium charged on affordable relets
- Offset by lower Leaseholder repairs recharges of £0.2m (March 2020: £0.7m)

Social housing lettings share of turnover increased to 86% from 83% in 2019/20.

Our social rents continue to be amongst the lowest in England and this presents us with a financial challenge.

We believe that charging below-market rents provides a social dividend because it helps those on low incomes have a good quality, secure home.

The social rent for a three-bedroom PCH home is on average £51 less per month than other Plymouth-based registered providers. Compared to the private rented sector, our rents are almost 47% cheaper. PCH continues to be the main provider of social housing with 62% of Plymouth's social rental market.

The table below shows the PCH General Needs average social rents (including service charges) compared to other social landlords and the private sector in Plymouth, and national general needs social rent averages.

	PCH social rent 2020/21	Plymouth social rent 2019/20	National rent 2019/20	Plymouth private rent 2021	Local housing allowance maximum
One Bedroom	£292	£313	£384	£515	£449
Two Bedroom	£325	£363	£424	£650	£583
Three Bedroom	£349	£400	£454	£750	£693
Four Bedroom	£389	£457	£536	£1,000	£848
Five Bedroom	£466	£511	£597	£1,000	£848

Value for money Indicators - Income management

	2020/21 Target	Benchmark Quartile	2020/21	2019/20	2018/19
Rent Collected as a % of Rent Due	100.00%	1st	100.70%	99.61%	100.97%
Current tenant rent arrears as % annual debit	2%	1st	1.36%	1.43%	1.16%
Occupancy Rate	99.2%	2nd	99.4%	99.6%	99.5%
Average number of days to relet routine voids	20	3rd	55.36	23.77	22.71
Rent lost during the year due to voids as %	0.80%	1st	0.79%	0.46%	0.49%

The number of tenants known to be receiving Universal Credit is increasing steadily and stood at 3,946 on 31 March 2021. We expect to see a further increase as more people transition to Universal Credit and there is an expectation that we may see more new claims as the Coronavirus Job Retention Scheme is phased out which may result in further redundancies in certain business sectors.

The average number of days to relet a routine void has increased significantly, however this is due to the impact of the pandemic and Government guidance regarding social distancing. It should be noted that the benchmarking uses 2019/20 comparator information as 2020/21 information is not currently available.

Whilst the continued move to Universal Credit has the potential for higher rent arrears, as tenants become responsible for paying the rent instead of this being paid directly to us, our Income Recovery and Financial Inclusion Team have successfully worked with tenants to support them through financial difficulties and where applicable assist them in obtaining financial support via Universal Credit. This work has seen current tenant rent arrears hold stable at 1.36% at March 2021 (1.43% in March 2020). It is important to support residents to sustain their tenancies and this keeps occupancy rates high. We work hard to maintain tenancies so that people can remain in their homes, especially over the past year as the pandemic continued. Whilst there was a ban on evictions, which remained in force until June 2021, we have further committed to work with residents who are struggling to pay their rent and help with access to Universal Credit and other grants.

Shared Ownership

Shared Ownership sales were £3,408k (2020: £3,579k), giving a surplus of £426k (2020: £269k).

43 Properties were sold this year (2020: 49), taking our total shared ownership properties to 271 as at 31st March 2021 (235 March 2020). The return on sales increased from 7.5% in 2019/20 to 12.5% in 2020/21, our highest return yet.

Shared Ownership Sales	**2020/21**	**2019/20**	**2018/19**
	£'000	**£'000**	**£'000**
Shared Ownership Sales	3,408	3,597	4,828
Cost of Sales	(2,982)	(3,328)	(4,725)
Surplus	426	269	102
Return	12.5%	7.5%	2.1%

Other social housing and commercial income

Year to 31 March 2021	**Turnover**	**Costs**	**Profit / (Loss)**
	£'000	**£'000**	**£'000**
PCH Manufacturing Services	120	(284)	(164)
PCH Energy	1,115	(1,043)	72
PCH Regeneration	9,184	(8,883)	301

The income and costs from PCH Manufacturing Services and PCH Energy are consolidated into the group figures. Following the decision to close PCH Manufacturing Services in 2019/20 closure costs have been incurred in relation to the fulfilment of some contractual obligations, legal and insolvency advice. Income due, including retentions have continued to be collected in order to minimise the net liabilities of the company.

The majority of turnover and costs of PCH Regeneration does not add to the consolidated group figures as they pre-dominantly arise from intercompany transactions. The relevant Boards review the extent to which it gives gift aid to PCH ltd each year.

Cost of sales

Cost of Sales	**2020/21**	**2019/20**	**2018/19**
	£'000	**£'000**	**£'000**
Shared Ownership	(2,982)	(3,328)	(4,725)
Land Sales	-	(1,947)	(2,207)
External Sales	(310)	(2,084)	(1,294)
Total Cost of Sales	(3,292)	(7,359)	(8,226)

Cost of Sales reduced from £7.3m in 2019/20 to £3.3m in 2020/21. This mainly reflects the closure of PCH Manufacturing Services ltd in May 2020, as well as the land sales agreements for North Prospect private developer plots completing in 2019/20.

Operating costs

Operating costs reduced by £4.4m (7%) from £62.7m in 2019/20 to £58.3m in 2020/21.

Group	2020/21 £'000	2019/20 £'000	2018/19 £'000
Costs	58,275	62,678	56,321
Increase / (decrease)	(4,403)	6,357	(763)

Running costs reduced by 7% this year (11% increase in 2019/20). The largest elements of the reduction in operating costs relate to

• no asset impairments this year (£1.9m taken in 2019/20),

• Non-Cash Pension Charge of £0.8m (2020: 2.6m).

• Repairs and major works £23.9m (2020: £25.8m) lower due to the impact of lockdowns and Covid restrictions.

The impact of Covid-19 has had a wide-ranging impact on the delivery of services during the year and has proven the need for flexible agile systems of work whether this is in our communities, in our workplaces or at home.
As we emerge from the effects of the restrictions, we have invested close to £0.2m in digital and information technology to support remote working and further drive service and efficiency improvements. This includes further expanding the mobility of PCH staff to work and deliver services in a flexible and agile way moving away from office bound environments. This involves the modernisation (transformation) of core IT systems and processes becoming increasingly digital and paperless. We remain confident that the investments in digital and information technology services will continue to deliver the expected operational benefits and modernise the delivery of services to our residents.

We also gave all staff a 2.5% pay rise in 2020/21 with the Board recognising staffs continued hard work and cost of living pressures, as well as what is happening to pay levels in the sector both locally and nationally. This follows a 2.5% increase in 2019/20 and a 2% increase in 2018/19.

Value for money indicators - Operating efficiencies

	2020/21 Target	Benchmark Quartile	2020/21	2019/20	2018/19
Headline Social Housing cost per unit**	£3,947	2nd	£3,340	£3,931	£3,610
Management cost per unit	£768	1st	£711	£682	£638
Maintenance cost per unit	£846	1st	£814	£851	£814
Major repairs cost per unit	£1,529	4th	£1,167	£1,625	£1,512
Service charge cost per unit	£357	3rd	£359	£369	£325
Other social housing cost per unit	£447	4th	£290	£404	£321
Ratio of Response Repairs to Planned Maintenance	40%	1st	0.52	0.44	0.54
% repairs completed within published timeframes	99.00%	-	98.54%	98.29%	98.29%
Average number of days sickness per FTE	8 days	1st	5.92	8.09	8.09
Overheads as a % of Adjusted Turnover*	12.30%	2nd	11.77%	12.40%	10.60%

*2018/19 turnover excludes towers grant of £4.495m. If this was included, then the ratio would be 10%

**2019/20 Headline Social Housing cost per unit and Major Repairs cost per unit exclude £4.736m of Towers costs. Including these costs the unit costs would be £4,260 and £1,955. In 2020/21 Headline Social Housing cost per unit and Major Repairs cost per unit exclude £5.578m of Towers costs, including these costs the unit costs would be £3,731 and £1,558.

The decrease in the Headline Social Housing Cost per unit is predominantly due to the experienced delays in construction contracts following the pandemic and expected to increase in line with planned work in future years.

The management cost per unit has increased from £682 to £711, as we have continued to invest in digital and information technology transformation, which accelerated in 2020/21 as we set up the infrastructure and organisational capabilities needed to work remotely.

Repair maintenance costs per unit reduced in 2020/21 due to delayed or stalled works, however those that were completed were predominantly done so within published timeframes, resulting in a small increase in target outcome.

Major works remains at 4th quartile reflecting the Board's commitment to a high level of investment, including a block refurbishment programme, to a level above the minimum Decent Homes Standard. The cost per unit has reduced from 2019/20, however this is a reflection of stalled or delayed works due to the pandemic.

The overhead as a percentage of adjusted turnover has reduced this year. This is due to a number of grants received in 2020/21 increasing turnover, and costs reducing due to pandemic delays, partly offset by additional digital and information technology expenditure. This indicator continues to be influenced by our low rents; we estimate that if PCH rents were at similar levels to other housing associations in Plymouth our overhead costs as a percentage of turnover would be close to being in the lowest 25%.

Overall the costs per unit indicators are within target reflecting a tightly managed operating performance. This is illustrated by strong performance measures on repairs and arrears and a tightly managed absence process.

Value for money Indicators - Outcomes delivered

	2020/21 Target	Benchmark Quartile	2020/21	2019/20	2018/19
Customer Satisfaction with Services (STAR)	94%	2nd	91.20%	91.20%	91.20%
% residents satisfied with the repairs service (transactional)	95%	-	97.21%	96.22%	96.22%
% residents satisfied with the outcome of their anti-social behaviour complaint	90%	1st	94.75%	94.75%	94.75%
% homes with a valid gas safety check	100%	3rd	99.95%	99.98%	100.00%
% reinvestment in new and existing stock	8%	4th	5%	6.9%	6.30%
£s invested in communities £000's	£853	2nd	£789	£776	£673

Costs are only one aspect of looking at value for money and we place a strong emphasis on quality and customer satisfaction.

Overall resident satisfaction with PCH as a landlord is above 90% and this demonstrates we are successfully delivering our core social purpose.

Nevertheless the Regulator also has a tightly defined measure of investment in communities. Whilst we spent a substantial figure of over £789,000 in community development this does not fully reflect all of our efforts including of our work to manage tenancies, support those in debt, deal with anti-social behaviour and invest in home improvements which contribute to sustaining communities but are not included in the definition.

The target for reinvestment in new and existing stock reflects our plans to continue to develop new homes and our major repairs programme. Our investment was low this year due to the impact on COVID-19 on the delay of handovers of new homes from developers.

Value for money Indicators - Operating margin

	Target	2020/21	2019/20	2018/19
Operating surplus, exc sales of fixed assets* £000's	7,700	12,114	6,399	11,131
Operating Margin*	8%	16.3%	8.1%	14.7%
Operating Margin (Social Housing Lettings)*	10%	17.1%	7.8%	14.3%
Operating Margin - (EBITDA)*	>25%	33%	24%	28%

* Adjusted for £4.5m of income in 2018/19 in respect of the removal of the cladding on Mount Wise Towers. Prior to these adjustments (excluding sale of fixed assets) the operating surplus was £15.6m in 2018/19; the operating margin was 19% in 2018/2019, the operating margin from social housing lettings was 20% in 2018/19. The EBITDA operating margin is not adjusted.

The operating surplus for the year increased from £6.4m to £12.1m. This is mainly due to increased turnover due to one off grant receipts, in addition to lower operational costs due to delays caused by the pandemic.

The operating margin (operating surplus as a percent- age of turnover) on a similar basis increased from 8.1% to 16.3%. Using the EBITDA measure the surplus was £24.1m (2020: £20.m), and the EBITDA operating margin has increased to 33% from 24% in 2019/20. The improvement in the operating margin is as a result of an additional turnover and reduced operating costs as previously set out.

The operating margin remains low predominantly because of our low rents and high depreciation charges of over £10m which are an adjusting factor for the EBITDA margin. The operating margin from social housing is low for similar reasons. There would be a financial benefit if there were a change to Government policy which would allow us to converge rents to the levels that other housing associations charge in Plymouth.

Sale of properties not developed for outright sale

There was a net gain on sale of properties not developed for outright sale (mainly RTB) of £288k (2020: £258k).

Other fixed asset sales

There was a loss on other fixed asset sales of £139k mainly related to disposal of plant related to Manufacturing (2019: £39k loss).

Interest payable and similar charges

Interest payable and similar charges were £4.5m (2019: £4.1m). As well as interest costs these figures comprise of non-utilisation fees, arrangement and other relevant costs associated with financing, amortisation of arrangement fees, relevant legal and professional charges, pension interest expense and are net of interest capitalised to development schemes in the year.

Loans reduced to £111m at the end of the year from an opening level of £125m. The average level of borrowings during the year was £118m (2020: £118m). The step down in loan balances is due to the repayment of £12m of borrowing which was taken out in 2019/20 to ensure liquidity throughout the pandemic.

	2019/20 Target	Benchmark Quartile	2020/21	2019/20	2018/19
EBITDA Interest cover	>250%	--	506%	406%	497%
Interest Cover (EBITDA MRI) Group (unadjusted)	>150%	1st	299%	82%	308%
Interest Cover (EBITDA MRI) Group (adjusted)	>150%	1st	416%	189%	308%

*Adjusted for £4.5m of expenditure in 2018 and £4.5m of grant income in 2018/19 in respect of the removal of cladding on Mount Wise. The underlying result is a strong financial performance reflecting the low gearing of the association and the effectiveness of debt management.

Group cash flow

The cash generated from operating activities has increased by 31% to £35.2m in 2020/21 from £26.9m in 2019/20. This is primarily due to an increased surplus for the year due to increased turnover following one off grant receipts and reduced operating costs due to the pandemic. There is also movement in working capital, specifically a reduction in debtors as large sums due at the previous balance sheet date have been received and an increase in creditors which is a result of substantial works being undertaken in the final quarter of the year as more of the economy reopened following the pandemic.

During 2019/2020 net borrowing reduced by £14m, predominantly due to £12m of repayments being made relating to borrowing of £18m in 2019/20 drawn down to provide assurance on cash liquidity and service delivery during the global response to the pandemic, (2019/20:£15.5m increase).

Housing properties

PCH continued with its substantial investment in its homes. During the year, £26.78m was spent on improving and acquiring housing properties and £1.5m was spent on other fixed assets.

We developed 97 homes during the year and the net movement to the total stock was a reduction of 86 homes, predominantly due to a significant reduction due to the demolition of older properties as part of North Prospect Phase 4 as well as stock loss through Right to Buy/ Acquire. During the financial year ending 31 March 2021, we disposed of 40 social housing homes (37 Right-to-Buy and 3 Right-to-Acquire). This resulted in a net gain after costs of sale, write out of assets and payment of 50% share of net Right to Buy receipts to Plymouth City Council, of £288k. Including both capital and revenue expenditure, PCH spent £9.9m improving its existing properties. The work carried out is significantly above the minimum required to maintain the decent homes standard, and is delivered in conjunction with feedback and consultation with residents.

Strategic asset management is a core element of our business. We have over 14,000 homes let at Social or Affordable rent which are our main focus but we also have about 175 shops, over 2,300 properties with solar panels, over 3,000 garage and parking spaces and we own a large office building.
All of our homes were improved to a standard above the minimum decent homes requirements as part of a large-scale investment programme which took place between 2009 and 2015. Our current asset management strategy is to ensure we maintain this standard and modernise our blocks of flats, improve energy performance certificates and manage fire safety requirements.

Business assets

We own our headquarters building and the shop where our city centre office is based. We also purchase our fleet of vehicles and IT equipment outright. We have rented two small industrial units, one of which is used for our repair stores and the other is a PCH recycling centre used by our Environmental Services team.

The main business asset is the headquarters building, Plumer House. PCH occupies part of the building and, to make best use of the asset, the remaining space is leased to other organisations. During the year we generated a surplus of £429k check, including service charges, for leasing this space.

The Coronavirus pandemic has accelerated our plans to have a more agile workforce, and with investment in Digital and IT infrastructure and other equipment, our office-based workforce will be operating a hybrid model of working from home and working from an office location once social distancing requirements are relaxed. This model will allow us to be more responsive to residents as frontline workers such as Housing Officers will be out and about in the community more regularly.

Our business strategy is focussed on increasing digitalisation of services, however our investment in Digital & IT was significantly impacted by the pandemic as efforts were concentrated on ensuring effective home working and keeping day to day systems and services running. We spent £0.3m on capital (£0.6m 2019/20) and £3.2m in revenue (£3.5m 2019/20). In addition we spent a further £0.2m supporting home working and other impacts of Covid-19. We have continued our implementation of the digitisation agenda, including a new mobile system for the management and planning of repairs. This is part of a planned programme of work which will see similar levels of investment over the next three years.

Social-commercial assets

These are our shops, community spaces, solar panels and manufacturing equipment. They are used to bring income into PCH which is then used to deliver services for residents and build more homes. Our shops aren't just there to bring us an income - many of them are home to vital community services such as post offices and grocery stores.

At The Beacon Community Hub in North Prospect we have commercial lettings, including a nursery, library and grocery store. In addition, The Beacon also has space for community activities, with footfall expected to grow in the coming years, especially now that we have opened a café in the main atrium.

We have previously invested £9.9m in installing solar panels to some of our homes which over their lifecycle have a positive net present value and bring in a financial return through feed in tariffs. Residents can use the electricity generated free of charge and reduce their household costs. There are currently no plans for further investment.

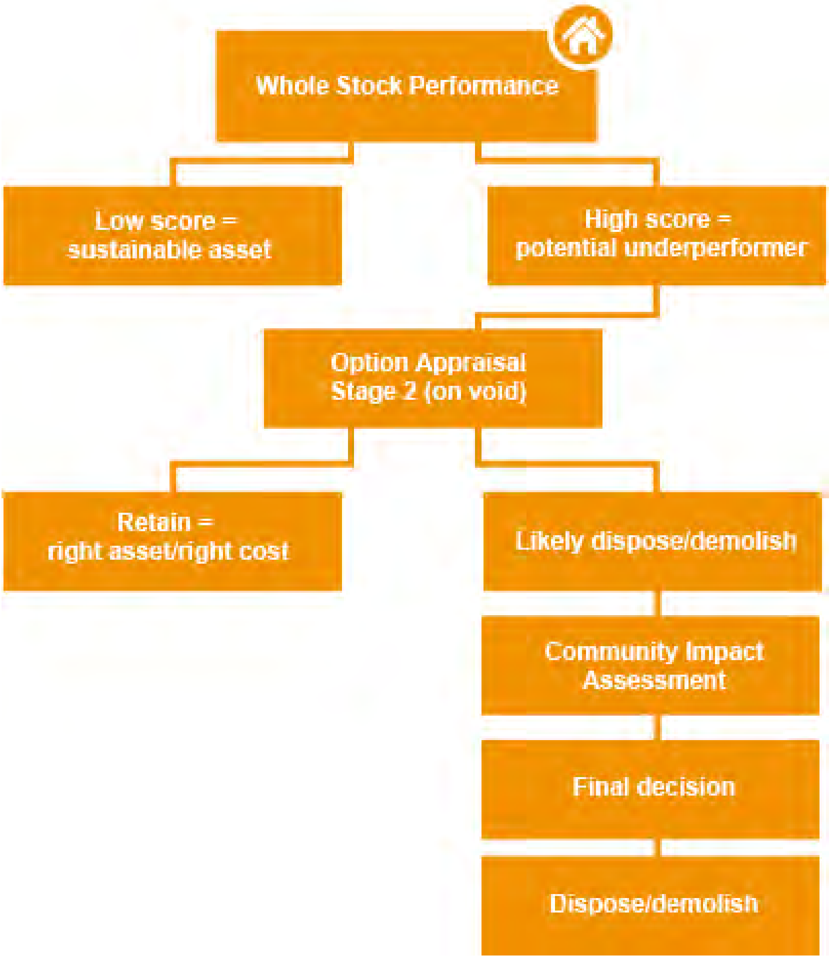
Plumer House commercial lettings generated £372k in 2020/21

Strategic asset management

Whilst our policy is to maintain homes to a high standard, sometimes it costs more to maintain a property than the rental return. Where we identify properties that could fall into this bracket, these assets are subject to an evaluation process taking social, financial and environmental features into account. If the evaluation determines that PCH should consider disposal, this is considered by an internal multidisciplinary panel for a final decision.

The process is shown in the diagram below:

Asset evaluation process



We continue to focus on improving the energy efficiency of our block accommodation and improve the surrounding areas by investing in the external environment around the homes. Need to add a sentence explaining 3 levels of block refurbs – programme, planned programme plus and modernisation - Nathan.

We have set a budget of £17.3m on major works and improvements to our existing properties of which £6m is for re-furbishing the building and communal areas in some of our blocks of flats over the coming year. Other works include delivering our programmes of planned maintenance, fire compliance and roof replacement works as well as some kitchen and bathroom replacements. We are also delivering other smaller projects to ensure we continue to maintain our homes at the Decent Homes Standard.

Following the tragic fire at Grenfell Tower, we have progressed our programme of exceptional fire-safety works at Mount Wise Towers. Residents' safety is paramount. Removing and replacing the over-cladding system to three tower blocks commenced in Spring 2019. This work is estimated to cost £13m and the Government is providing a grant to cover the costs of the removal and replacement of cladding.

Value for money Indicators - Effective asset management

	Target	2020/21	2019/20	2018/19
Return on Capital Employed*	1.3%	2.1%	1.1%	2.1%
Operating surplus - £'000	7,700	12,114	6,399	11,658
Total assets less current liabilities £m	597	580	583	562

* adjusted for £4.5m of income in 2018/19 in respect of the removal of the cladding on Mount Wise Towers. Prior to these adjustments the Return on Capital Employed was 2.9% in 2018/19 and the operating surplus £16.2m in 2018/19.

Return on capital employed (ROCE) remains low which is to be expected for a housing association focussed on the provision of social and affordable housing. As reported in the section on turnover, we regard our low rents as providing a social dividend with social rents on average at close to 60% of market rents and affordable rents at 80% of market rents.

As the ROCE is a calculation of the operating surplus divided by the asset value it is self-evident that with low rents the return will be very low. The size of the development programme and the focus on affordable rents will only marginally add rental income and proportionately add more to asset costs and so will not increase the ROCE.

Value for money indicators - Development (capacity)

	Target	2020/21	2019/20	2018/19
Gearing	27%	18%	20%	19%
Net Debt per home exc Shared Ownership £	<13,500	£6,837	£7,327	£6,994
Net Debt per home inc Shared Ownership £	<13,500	£6,707	£7,207	£6,890

Although the ROCE is low we remain a very low-geared association given our relatively low level of debt to asset values and this gives assurance that we have capacity to take on more debt to support our planned development programme.

The Board approved a Business Plan with an assumption of developing 200 homes a year.

Our net debt per unit at just under £7,000 is considerably lower than our most restrictive gearing covenant.

Value For Money Indicators - Development (supply)

	Target	Benchmark Quartile	2020/21	2019/20
New Supply Delivered (Social Housing)	132	-	97	216
New Supply Delivered as % of Homes Owned (Social Housing)	0.93%	3rd	0.69%	1.51%
New supply delivered – number of non-social housing homes	-	-	0	0
New supply delivered as a % of stock – non-social housing homes	-	-	0%	0%

Between the stock transfer in 2009 and March 2021 PCH has built 779 new homes, 547 for rent and 271 for shared ownership. During 2020/21 we took handover of 97 new affordable homes.

The regeneration of the North Prospect estate was a promise when we transferred and to date, we have built 463 new homes and an impressive community facility known as The Beacon which contains a library, shops, business offices and community meeting space. Phase 3 completed during the year, following the alignment of funding the final development phases are currently underway.

We continue with our ambition to develop more homes within the Plymouth travel-to-work area, and during the year we have taken ownership of further homes in Liskeard, Tavistock, and Yelverton.

Our future strategy includes developing homes in the Plymouth travel to work area including Sherford a new community on the outskirts of Plymouth.

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

We have the financial capacity to undertake a more ambitious programme but obtaining land for development remains difficult. The memorandum of understanding agreement with Plymouth City Council will support our ambitions in terms of providing land and finance to develop 600 homes in Plymouth.


Zoom Meeting
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Capital structure and treasury policy

Capital structure

At 31 March 2021 the organisation had £105m of variable rate bank facilities being a £65m Revolving Credit Facility RCF) provided by National Westminster Bank (NatWest), expiring 2028, and a £40m RCF provided by Barclays which expires 2023. The RCF with NatWest replaced a £45m Term facility with the Royal Bank of Scotland who rebranded as NatWest. These facilities provide the flexibility we require for the large costs of our development and major works programmes.

In addition to these shorter term facilities we have longer term fixed rate financing of £90m being £30m of European Investment Bank funding sourced through The Housing Finance Corporation (THFC) and three £20m Private Placements (PPs) sourced through Barings.

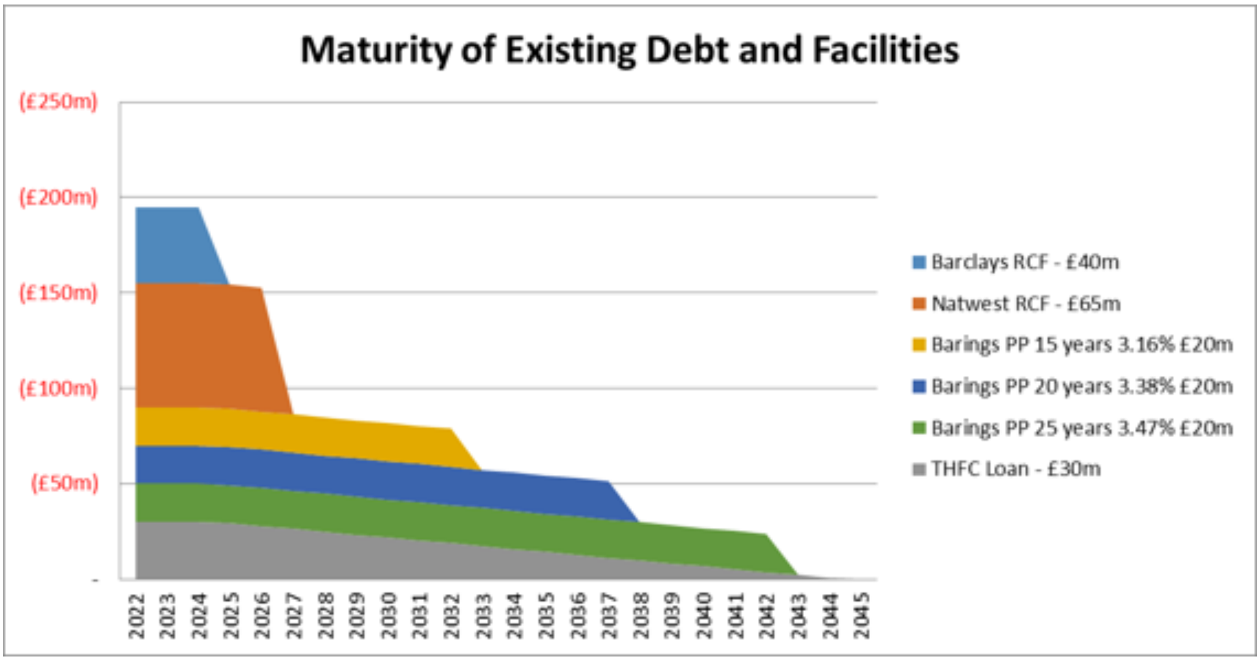
All borrowing agreements give us the flexibility to obtain additional funding without requiring the consent of existing lenders.

This is a suitable funding structure to support our expansion and to which we expect to add as we continue to build new homes and improve existing homes. The following chart shows the expiry profile of these facilities.

At 31 March 2021, of the £195m facilities available to the organisation, £113.5m had been drawn down, with £81.5m still available.

Repayment profile of current facilities

The period quoted for each private placement is its original term; RBS and Barclays are shown at full facility amounts rather than amounts drawn.



The maturity profile of the current capital structure spreads out the future refinancing risk; being the requirement to replace expiring funding with new funding. The existing main facilities end at well-spaced intervals. The THFC loan is fully drawn and has a fixed repayment schedule as shown by the annual decreasing level of loan.

	2020/21	2019/20	2018/19
Net Debt / turnover x	1.3	1.4	1.2
Gross Debt per unit	£7,947	£8,874	£7,830
Net Debt per home exc Shared Ownership	£6,837	£7,327	£6,994
Net Debt per home inc Shared Ownership	£6,707	£7,207	£6,890
Gearing	18%	20%	19%

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 £195m of facilities are fully secured and there are a further 5,755 homes available for charging giving confidence in the organisation's ability to raise future funding. This capacity is reflected in the low gearing and low level of debt per home.

The Group has relatively low operating margins however because debt multiples of turnover and revenue cash generation are both low there remains a strong ability to meet additional costs of debt.

	Valuation Date	Homes in Charge	valuation £M	Facility £m	Drawn £m
Nat West Group	Mar-21	2,278	81	65	12.50
THFC	Nov-19	1,618	52	30	30.00
Barclays	Jun-20	1,766	63	40	11.00
Barings	Jun-17	2,865	79	60	60.00
Subtotal - allocated		8,527	275	195	113.5
Unallocated		5,755	140		
Total		14,282	415		
Gross debt per unit	£7,947				

The valuations are at Existing Use Value – Social Housing (EUV-SH) Basis 1 which assumes that the properties will be re-let as social housing upon void.

During the year two revaluations were conducted for Barclays and Nat West in line with the terms of the lending. All surveys were conducted by Savills, RICS registered Valuers. The surveys were both desktop surveys due to Covid-19 restrictions. Both valuations are sufficient to meet our covenants.

Treasury management

PCH operates a centralised treasury management function. Its primary duties are to manage liquidity, funding, investment and financial risk including that from interest rate volatility.

Treasury policies are approved by the PCH Board with the latest addition to the Policy being the Board-approved golden rules to provide a risk management framework for planning and performance.

Golden rules

Area	Rule	At 31st March 2021
Cash on Hand	Higher of £5m or 3 months' cashflow	£17m cash balance (excludes monles on deposit with THFC which are not readily available) Compliant
Liquidity	Ready to draw facilities (with security in place) for at least 18 months Maintain a forecast minimum of 10% of bank loan facilities undrawn - currently £105m so £10.5m	Compliant More than > 2 years facilities with over 10% bank facilities undrawn
	No development contracts may be entered into unless sufficient funding is in place to maintain these liquidity rules when the development contract cashflows are included.	Compliant Funding is in place to meet all contracts entered into and schemes approved by the Board as at 31 March 2021
Interest	Interest Cover and forecast Interest Cover for the next five years is to exceed the tightest covenant by a margin of at least 10%	Compliant
Gearing	Maintain a minimum of 5% headroom above the tightest covenant over the next five years	Compliant Gross debt is £114m Housing assets are £534m

All of the rules were met during the year and are met in future business plan projections on the assumption that additional funds can be raised in a timely manner.

Interest rate strategy

Our policy is to have a mix of fixed and variable rate debt with the split being agreed by the Board each year. With £90m of fixed funding, being 79% of drawn funds at 31 March 2021, the Board has continued with the policy of drawing down all bank debt on variable rates taking advantage of the current very low rates.

The £60m Private Placement has been drawn at fixed rates of c. 3.3% and the £30m EIB / THFC at c.2.9%. The average all in rate for variable debt during the year including payment of commitment fees was 2.8%.

The weighted average cost of debt was 3.4% (2020: 3.3%); these percentages exclude the pension interest expense and arrangement fees and do not net off the interest capitalised upon development schemes as these amounts are both independent of the level of debt. The amount of facility non-utilisation costs incurred during the year was £0.3m (2020: £0.3m) and the actual cash interest paid during the year was £3.6m (2020: £3.3m).

Cash investment strategy

Surplus cash is invested according to policies approved by the Board keeping to the golden rules and with the preservation of capital value as the primary objective.

The organisation's target cash holding is set at the higher of £5m or 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 £17.1m (2020: £23.9m) reflecting the fact cash funds were used to reduce the bank borrowings. Additional funds had been drawn at the year-end last year owing to the economic uncertainty deriving from the government's response to the Covid19 virus but have returned to normal operational levels in 2021. 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 £2.1m (2020: £2.0m) 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.

Liquidity strategy

The policy requires balance sheet cash holdings as explained above. This means having in place facilities for at least 16 months future funding with headroom of 10% (currently £10m) on banking facilities and sufficient facilities to cover all committed and uncommitted development schemes in the business plan.

At 31 March 2021 facilities were sufficient to cover over two years of future financing needs with projected undrawn bank debt of £64m in March 2022.

Counterparty

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

Share capital

During the year 2 shares were issued and 2 were cancelled, leaving a balance in the share capital of the company of £38 (2020: £38)

Managing our risks

Risk management principles

The Golden Rules are used as a financial risk management framework. There is an additional rule to those set out in Treasury Management, section C, relating to the sales risk of open market and shared ownership sales.

Firstly the level of committed and planned open market and shared ownership sales must not exceed 20% of gross turnover. This is a planning measure; if sales happen earlier or at higher values than expected so resulting in their exceeding 20% of gross turnover this does not constitute a breach of the Rule as earlier or higher value sales achieved both serve to reduce future sales risk.

Golden rule

Area	Rule	2020/21 Actual
Sales risk	Shared ownership and open market sales as a percentage of gross turnover should not be more than 20%	5%
Golden rule	Unsold stock which is completed and available for sale against current year's gross turnover not to exceed 15%, with trigger points at the levels of 5% and 10%. At 10% the resumption is that no new development schemes will be entered into	1%

As part of the corporate planning processes, the risks that may prevent the Association achieving its objectives are considered and reviewed six-weekly by the Executive Management Team (EMT), quarterly by Audit & Risk Committee (ARC), and biannually at scheduled meetings of the Board as well as at the biannual Board Away Day Risk Workshops.

The risks are recorded and assessed in terms of their impact and probability with major risks being reported together with action taken to manage the risks, including assessments of key controls, levels of assurance and the outcome of the action.

Risk appetite

The Board has also defined its risk appetite as follows:

Averse	Avoidance of risk and uncertainty
Cautious	Potential for safe delivery options which have a low degree of risk and may only have limited potential for reward
Open/ Optimistic	Prepared to consider all potential delivery options and choose the one that is most likely to result in successful delivery of an acceptable level of reward and value for money
Significant	Willing to be innovative and choose options offering potentially higher business rewards (despite greater inherent risk).

Currently the risk appetite across all activities is balanced between cautious and open/optimistic with no significant risks being taken but avoiding being unduly risk averse.

Financial stress testing

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

The modelling focussed on testing the business against:

- Breach of funding covenants;
- Running out of cash;
- Running out of security (given the high levels of unencumbered assets available for security this is not a critical risk area).

This was looked at from the immediacy of a breach of covenant and loss of cash and then the testing was raised to the point at which viability could no longer be sustained. This was done using low, medium and high shock levels.

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

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

Further five year multivariate testing was also presented to the Board.

The scenarios act as proxies for different scenarios with similar financial impacts and are considered to cover the Bank of England stress tests and results from Brexit and Covid.

In summary, the Group could withstand low impact shocks, mitigate against moderate shocks, but would have to take more severe action for a high level of adverse impact.

Annually the Board receives a report on how the Group would practically implement the mitigating actions in the case of risk crystallisation such as cancelling contracts, selling assets, reviewing staffing resources etc as included in our Strategic Recovery Plan.

If the risks crystallise to such an extent that all of the mitigating actions have to be carried out then the ultimate action would be to merge with another association. The Board annually sets out its approach to mergers which can be summed up as sticking to our values and being clear and accountable for any decisions.

The actions available to reduce the impact of all the above scenarios are to:

- Reduce the programme of building improvement down to a steady state level;
- To temporarily freeze internal management costs;
- Stop or delay development schemes.
- Enter into fixed interest rate agreements.

We made over 15,000 welfare calls to sheltered housing tenants

Group structure and corporate governance

Profile of Plymouth Community Homes Ltd

Plymouth Community Homes (the ‘Association’ or ‘PCH’) is a high performing, efficient and effective housing business focused on providing good quality homes and services for people in the city.

We (‘the Group’) have a clear corporate structure with the Association being the parent company of three subsidiary companies. It is the principal asset owning company and all debt sits with the Association.

The Association 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.

The three subsidiaries allow us to trade in a for-profit context whilst reducing the risks associated with such activities.

Plymouth Community Homes Ltd (PCH)
Charitable RP

Plymouth Community Homes Regeneration Company Ltd (PCHR)

Non-charitable limited company

Plymouth Community Homes Energy Ltd (PCHE)

Non-charitable limited company

PCH MANUFACTURING WINDOWS, DOORS & MORE

Plymouth Community Homes Manufacturing Services Ltd (PCHMS)

Non-charitable limited by guarantee company

Subsidiary companies

The three subsidiary companies are registered with Companies House and are for-profit organisations. They are not registered with the Regulator for Social Housing (RSH). Surplus funds generated by these companies are often Gift Aided to Plymouth Community Homes to support its work.

The PCHR and PCHE Boards are currently formed from members of the Executive management team due to the operational nature of the business. This has recently been reviewed and moving forward the PCHR Board will include additional board members with relevant skills and knowledge. The PCHMS Board contains a mixture of PCH Board members and a member of the Executive Management Team.

Plymouth Community Homes Regeneration Company Ltd (PCHR)

The core business of PCHR is to oversee new-build design and build work for PCH. Surplus profits are usually paid to PCH under Gift Aid, However, in the year to March 2022 PCHR will also lead on an open market sale joint venture development, The PCHR Board therefore decided to retain the surplus for the year to march 2021 to part fund this new project.

PCHR is a company limited by shares, and has four company directors, consisting of the Executive Management Team. This Board met four times during 2020/21.

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 are installed on 2,331 properties. The company receives the Feed in Tariff and Export Tariff from the panels 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 twice during 2020/21.

Plymouth Community Homes Manufacturing Services Ltd (PCHMS)

PCH
MANUFACTURING
WINDOWS, DOORS & MORE

The principal activity of this company was the sale of windows, doors, joinery and signs outside the PCH Group.

PCHMS is a company limited by guarantee, and has four company directors, consisting of three PCH Board members and one member of the Executive. This Board met three times during 2020/21. Due to difficult trading conditions during 2019-20 and the ongoing impact of the Covid-19 pandemic the PCH Board decided in May 2020 to wind up PCHMS in an orderly manner in the best interests of suppliers, customers and PCH.

PCHMS has continued operating throughout 2020/21 in order to collect outstanding debt owed and settle any claims against the company in terms of warranties and guarantees. At the 31 March 2021 the balance sheet was a net liability of £0.3m, of which £1.4m was in respect of an intercompany creditor owed to the main association as parent.

Pre liquidation work is now underway with an expectation of formal insolvency commencing in the second quarter of 2020/21.

The Plymouth Community Homes Ltd Board

The Board members holding office during the period 1 April 2020 to 31 March 2021 are listed in note 9 (Board members and Executive Directors).

The Board consists of members from a wide variety of backgrounds with a broad 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 the 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 must uphold the highest standards of probity including:

- having 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
- acting 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:	It convened four times during 2020/21, 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 and ensuring that health and safety is delivered and monitored regularly.
The Customer Focus Committee:	It convened four times during 2020/21 and is tasked with monitoring compliance with the consumer related standards in the RSH'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:	It convened four times during 2020/21 and is tasked with overseeing the implementation of the PCH development strategy and programme, including the approval of development contracts.
The Remuneration Panel	It convened once during 2020/21 and is tasked with reviewing the salaries of Staff including the Executive Management Team and ensuring that Board member pay is reviewed in line with the agreed Pay and Performance policy
The Finance Committee	It convened twice during 2020/21 and is time limited to serve the purpose of reviewing the terms of the offer from Natwest for a Revolving Credit Facility.

Board skills, recruitment and training

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

On an annual basis, the Board reviews the effectiveness of governance arrangements within the Association. The Board's skills matrix is regularly updated and is used as a basis for the Board's succession planning process which aids compliance with the NHF Code of Governance 2015 which the association has adopted and the Governance and Financial Viability regulatory standard. PCH are currently in the process of implementing the new NHF Code of Governance 2020 which includes a change in Board member tenure to increase diversity and effectiveness.

Through the succession planning process two board members were required to step down as they had served their maximum term of nine years in the summer of 2020 the successful recruitment of two new Board members took place. The Board were made aware that adoption of the new Code of Governance 2020 will result in a number of Board members stepping down as they will have reached the new normal maximum term of six years. A transitional plan has been put in place to manage these requirements taking into account the skills, knowledge and experience needed by the Board.
The PCH Board also reviewed membership of the committees and the PCHMS Board, which resulted in a number of changes which are detailed in note 39.

Currently two tenants are co-opted to the Customer Focus Committee as part of the process of succession planning for the existing tenant board members. To enhance resident representation within PCH's board and committee structure, further recruitment of up to 7 residents to be appointed to the Committee is planned. The Board have also appointed a co-optee to the Development Committee to further strengthen its skills base in this area.

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

The Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017 require that no more than 24% of the total Board membership may be Local Authority officers. PCH complies with this requirement.

The global pandemic this year has seen the Board adapt to new ways of working. Board and Committee meetings throughout the year and the Annual General Meeting in September 2020 were held virtually, as well as the recruitment and induction process of our two new Board members.

Executive Management Team

The Chief Executive and the Executive Management Team (EMT) of the Association and subsidiaries are responsible for the day-to-day operations and the subsequent monitoring and reporting of performance to the Board and its committees. Details of the Directors are given in Note 9: Board members and Executive Directors. During the year Sue Shaw, Director of Homes and Neighbourhoods retired and Carl Brazier joined us from Stoke-on-Trent City Council after a working life in social housing within Local Authorities and Housing Associations bringing a wealth of experience and expertise.

Regulation

The Regulator for Social Housing (RSH) has assessed our compliance with its Governance and Financial Viability Standard. This is expressed as grading G1 to G4 for governance and V1 to V4 for viability.

The latest regulatory judgement for the Association, following an 'In Depth Assessment', was published on the 30th June 2021 and states:

G1: The Provider meets our governance requirements.

V1: The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continues compliance.

Regulatory compliance statement

After consideration of reports by the Executive and other third parties, the Board certifies that to the best of its knowledge the Association complies with the RSH Governance and Financial Viability Standards in all material respects. It is also compliant with the NHF Code of Governance 2015 and working towards full compliance with the 2020 code during 2021.

Board report

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

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and 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;
- assess the group's and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

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 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Board is 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 mis-statements or loss.

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

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

There is an Anti-Fraud, Bribery and Corruption Policy covering prevention, detection and reporting and the recovery of assets. This is also supported by a Whistleblowing Policy. We have registered with the Financial Conduct Authority in compliance with the Anti-Money Laundering Regulations.

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 2021 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

Going concern

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Board has prepared cash flow forecasts covering a period of 12 months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of severe but plausible downsides, the Group and Association will have sufficient funds to meet their liabilities as they fall due for that period. In addition, the Board prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in March 2021 by the Board.

As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Board has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment.

The Board, after reviewing the Group and Association budgets for 2021/22 and the Group's medium term financial position as detailed in the cash flow forecasts and 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the going concern period. In reaching this conclusion, the Board has considered the following factors:

- The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities across the group of £81.5m which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties;
- The group's ability to withstand one off shocks of whatever nature to a value for £20m and £40m in the current and following year;
- The board has an approved set of golden rules and trigger points at which to review and if necessary, commence mitigating actions.

The Board believes the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Internal audit annual report

Mazars LLP completed 12 planned reviews during the year, including two compliance reviews and one follow up review. These identified 0 high, 7 medium and 16 low risk findings to improve controls.

Mazars confirmed:

"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 2019. The appointment was for the audit of the five years ending 31 March 2020 to 2024.

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).

By order of the Board

Nick Lewis, Chair 29 July 2021

Plymouth Community Homes is registered with the Financial Conduct Authority (registration 30637R) and the Regulator for Social Housing (registration L4543).

We donated £90k to local food charities

Independent auditor’s report

Opinion

We have audited the financial statements of Plymouth Community Homes Limited (“the association”) for the year ended 31 March 2021 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes, including the accounting policies in note 1.
In our opinion the financial statements:

• give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the group and the association as at 31 March 2021 and of the income and expenditure 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 prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association’s Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group’s and the association’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the Board’s conclusions, we considered the inherent risks to the group’s business model and analysed how those risks might affect the group’s and the association’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

• we consider that the Board’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
• we have not identified, and concur with the Board’s assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group’s and the association’s ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

• Enquiring of the Board, the audit and risk committee, internal audit and inspection of policy documentation as to the group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
• Reading Board, and audit and risk committee minutes.
• Using analytical procedures to identify any unusual or unexpected relationships.
• Obtaining a copy of the group's fraud register.
We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants and regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income that income from development is recorded in the wrong period and the risk that group management may be in a position to make inappropriate accounting entries.
We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the group-wide fraud risk management controls.

We also performed procedures including:

• Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries with lines having zero monetary value, journals posted to accounts linked to a fraud risk, unbalanced journal entries, unexpected journals posted to stock and work in progress and cash at bank and in hand.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), and taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Other information

The Association's Board is responsible for the other information, which comprises the Strategic Report, Board Report and the Statement on Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required 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 its 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.

We have nothing to report in these respects.

Board’s responsibilities

As explained more fully in their statement set out on page 47, the association’s Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

Mark Dawson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Regus, 4th floor
Salt Quay House, 6 North East Quay
Plymouth
PL4 OHP
30 July 2021

Statement of comprehensive income for the year ended 31 March 2021

Continuing Activities	Note	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Turnover	3	73,525	76,181	72,498	72,719
Cost of sales	3	(3,292)	(7,359)	(3,084)	(5,390)
Operating costs	3	(58,275)	(62,678)	(57,570)	(61,089)
Gain on sale of properties not developed for outright sale	10	288	258	288	258
Operating surplus	3	**12,246**	**6,402**	**12,132**	**6,498**
(Loss) / Gain on sale of Fixed assets	5	(132)	(3)	(99)	18
Interest receivable	11	20	72	202	203
Interest payable and similar charges	12	(4,541)	(4,127)	(4,541)	(4,127)
Change in value of investment property	15	(26)	(261)	(26)	(261)
Gift aid receivable		-	-	-	151
Surplus before taxation		**7,567**	**2,083**	**7,668**	**2,482**
Tax	13	(41)	(65)	-	-
Surplus for the year		**7,526**	**2,018**	**7,668**	**2,482**
Other Comprehensive Income					
Movements on the pension liabilities	28	(17,547)	6,788	(17,547)	6,788
Total (deficit) / surplus recognised for the year		**(10,021)**	**8,806**	**(9,879)**	**9,270**

The financial statements and related notes on pages 62 to 111 were approved by the Board on 29 July 2021 and were signed on its behalf by:

Chair:

Vice Chair:

Secretary:

Statement of financial position at 31 March 2021

Fixed Assets	Note	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Tangible assets					
Housing Properties	14	534,091	519,976	539,603	525,178
Other tangible assets	14	20,101	20,470	13,510	13,366
Investments in subsidiary	15	-	-	3,300	3,300
Investments	15	275	279	275	279
Commercial Property	15	15,624	15,650	15,624	15,650
		570,091	**556,375**	**572,312**	**557,773**
Assets : amounts receivable after more than one year					
Development debtor		4,449	6,216	4,449	6,216
Group debtors > 1 year		-	-	5,681	7,295
Due For Land Sale		1,081	2,295	-	-
	19	**5,530**	**8,511**	**10,130**	**13,511**
Current assets					
Shared ownership properties in progress	17	2,422	4,187	2,422	4,187
Development Land held for sale		-	57	-	57
Stock	18	1,413	1,357	1,007	1,265
Debtors	19	7,630	11,552	9,346	12,325
Cash at bank and short term deposits	20	17,077	23,950	12,941	20,518
		28,542	**41,103**	**25,716**	**38,352**
Creditors : amounts falling due within one year	21	(19,277)	(16,285)	(18,170)	(14,974)
Net current assets		**9,265**	**24,818**	**7,546**	**23,378**
Creditors : amounts falling due after more than one year					
Loans	22	(111,121)	(125,230)	(111,121)	(125,230)
Grant funding	22	(43,084)	(41,053)	(43,084)	(41,053)
Development creditor	22	(4,449)	(6,216)	(4,449)	(6,216)
RCGF	22	(100)	(30)	(100)	(30)
		(158,754)	(172,529)	(158,754)	(172,529)
Pension liability SHPS	29	(3,678)	(1,310)	(3,678)	(1,310)
Pension liability LGPS	28	(41,869)	(25,257)	(41,869)	(25,257)
		(204,301)	**(199,096)**	**(204,301)**	**(199,096)**
Provision: Removal of Tower Cladding	26	**-**	**-**	-	**-**
Net assets		**380,585**	**390,608**	**385,687**	**395,566**

Statement of financial position at 31 March 2021

	Note	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Capital and reserves					
Share capital		-	-	-	-
Restricted reserves		67	45	67	45
Designated reserves		1,728	271	1,728	271
Revenue reserve		157,964	147,239	163,066	152,197
Revaluation reserve		266,373	269,620	266,373	269,620
Pension fund reserve SHPS	29	(3,678)	(1,310)	(3,678)	(1,310)
Pension fund reserve LGPS	28	(41,869)	(25,257)	(41,869)	(25,257)
Total Funds		**380,585**	**390,608**	**385,687**	**395,566**

The financial statements and related notes on pages 62 to 111 were approved by the Board on 29 July 2021 and were signed on its behalf by:

Chair:

Vice Chair:

Secretary:

We competed 97 new homes and starting on 360 in Plymouth and across the travel to work area

Statement of changes in equity at 31 March 2021

Group

	Restricted Reserve Sundry Property Sales	Designated Reserve Sundry Property Sales	Revaluation Reserve *Housing*	Revaluation Reserve *Commercial*	Revenue Reserve	Pension Fund Reserve SHPS	Pension Fund Reserve LGPS	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	**45**	**271**	**256,008**	**13,612**	**147,239**	**(1,310)**	**(25,257)**	**390,608**
Transfer	-	-	-	-	-	-	-	**-**
Total comprehensive income for the period	-	-	-	-	8,957	132	(1,565)	**7,524**
Actuarial Losses	-	-	-	-	-	(2,500)	(15,047)	**(17,547)**
Reserves transfer	22	22	-	-	(44)	-	-	**-**
Reserves transfer	-	1,435	-	-	(1,435)	-	-	**-**
Reserves transfer	-	-	(3,222)	-	3,222	-	-	**-**
Reserves transfer	-	-	-	(26)	26	-	-	**-**
Balance at 31 March 2021	**67**	**1,728**	**252,786**	**13,586**	**157,965**	**(3,678)**	**(41,869)**	**380,585**

Association

	Restricted Reserve Sundry Property Sales	Designated Reserve Sundry Property Sales	Revaluation Reserve *Housing*	Revaluation Reserve *Commercial*	Revenue Reserve	Pension Fund Reserve SHPS	Pension Fund Reserve LGPS	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	**45**	**271**	**256,008**	**13,612**	**152,197**	**(1,310)**	**(25,257)**	**395,566**
Transfer	-	-	-	-	-	-	-	**-**
Revalue Commercial Props in year	-	-	-	-	-	-	-	**-**
Total comprehensive income for the period	-	-	-	-	9,100	132	(1,565)	**7,667**
Actuarial Losses	-	-	-	-	-	(2,500)	(15,047)	**(17,547)**
Reserves transfer	22	22	-	-	(44)	-	-	**-**
Reserves transfer	-	1,435	-	-	(1,435)	-	-	**-**
Reserves transfer	-	-	(3,222)	-	3,222	-	-	**-**
Reserves transfer	-	-	-	(26)	26	-	-	**-**
Balance at 31 March 2021	**67**	**1,728**	**252,786**	**13,586**	**163,066**	**(3,678)**	**(41,869)**	**385,686**

Statement of cash flows
for year ended 31 March 2021

GROUP

	2021 £'000	2020 £'000
Cashflows from operating activities		
Surplus for the year	7,526	2,018
Corporation tax	(41)	(65)
Depreciation & Impairment	12,735	14,552
Interest receivable	(20)	(72)
Interest payable	4,541	4,127
Gain on sale of housing properties	(288)	(258)
Loss/(gain) on sale of other FA	132	3
Change in FV of investment properties	26	261
(Increase) / decrease in stock	1,766	(1,867)
(Increase) / decrease in debtors	4,520	8,142
Increase / (decrease) in creditors	3,996	(1,875)
Difference between pension charge and cash contributions	824	2,555
Grant amortised	(520)	(664)
Net cash from operating activities	**35,197**	**26,857**
Cashflows from investing activities		
Grants Received and land proceeds	2,725	5,961
Additions to housing properties	(26,471)	(32,426)
Cash paid for removal of cladding	0	(512)
Sale of housing properties	2,551	3,441
Acquisitions of other fixed assets	(1,533)	(1,855)
Sale of other fixed assets	159	17
Payment to PCC	(1,137)	(1,264)
Net cash from investing activities	**(23,706)**	**(26,638)**
Cash flows from financing activities		
Interest received	20	72
Interest paid	(4,269)	(3,711)
Loans (Repaid) / Received	(14,000)	15,500
Movement on investments	(115)	(1,572)
Net cash from financing activities	**(18,364)**	**10,289**
Net increase / (decrease) in cash and cash equivalents	**(6,873)**	**10,508**
Cash at beginning of year	23,950	13,442
Net increase / (decrease)	(6,873)	10,508
Cash at end of year	**17,077**	**23,950**

Statement of cash flows for year ended 31 March 2021

ASSOCIATION

	2021 £'000	2020 £'000
Cashflows from operating activities		
Surplus for the year	7,668	2,481
Depreciation & Impairment	12,255	14,071
Interest receivable	(202)	(203)
Interest payable	4,541	4,127
Gain on sale of housing properties	(288)	(258)
Surplus on sale of other FA	99	18
Change in FV of investment properties	26	261
Gift Aid	0	(151)
(Increase) / decrease in stock	2,080	(1,857)
(Increase) / decrease in debtors	3,979	7,570
Increase / (decrease) in creditors	4,159	(1,976)
Difference between pension charge and cash contributions	824	2,555
Grant amortised	(520)	(664)
Net cash from operating activities	**34,621**	**25,974**
Cashflows from investing activities		
Grants Received and land proceeds	2,795	5,883
Additions to housing properties	(26,781)	(32,756)
Cash paid for removal of cladding	0	(512)
Sale of housing properties	2,481	3,519
Acquisitions of other fixed assets	(1,533)	(1,855)
Sale of other fixed assets	159	(19)
Payment to PCC	(1,137)	(1,264)
Net cash from investing activities	**(24,016)**	**(27,004)**
Cash flows from financing activities		
Interest received	202	203
Interest paid	(4,269)	(3,717)
Loans Received	(14,000)	15,500
Movement on investments	(115)	(472)
Gift Aid received	0	779
Net cash from financing activities	**(18,182)**	**12,293**
Net increase / (decrease) in cash and cash equivalents	**(7,577)**	**11,263**
Cash at beginning of year	20,518	9,255
Net increase / (decrease)	(7,577)	11,263
Cash at end of year	**12,941**	**20,518**

Net debt reconciliation can be found in note 20.

Notes to the 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 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

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.

All entities are registered in England.

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:

• Fair value or revaluation as deemed cost – The fair value at 1 April 2014 has been used as deemed cost for housing assets.

• For leases commenced before 1 April 2014 the Association continued to account for lease incentives under previous UK GAAP.

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 37.

FRS 102

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

Measurement convention

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

Principal accounting policies (continued)
Going concern

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Board has prepared cash flow forecasts covering a period of 12 months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of severe but plausible downsides, the Group and Association will have sufficient funds to meet their liabilities as they fall due for that period. In addition, the Board prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in March 2021 by the Board.

As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Board has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment.

The Board, after reviewing the Group and Association budgets for 2021/22 and the Group's medium term financial position as detailed in the cash flow forecasts and 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the going concern period. In reaching this conclusion, the Board has considered the following factors:

• The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
• Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
• Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
• Liquidity – current available cash and unutilised loan facilities across the group of £81.5m which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
• The Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties;
• The group's ability to withstand one off shocks of whatever nature to a value for £20m and £40m in the current and following year;
• The board has an approved set of golden rules and trigger points at which to review and if necessary, commence mitigating actions.

The Board believes the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

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.

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.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

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

Tangible fixed assets

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

Housing properties

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

Depreciation

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

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

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.

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 year ending 31 March 2021, interest has been capitalised at an average rate of 1.7% (2020: 1.7%) 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 five years.

Grants

Social Housing Grant

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

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

On disposal of properties, all associated SHG is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Other Government Grants

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

Where grants are repayable and the associated asset is disposed, the remaining grant and any clawback amount will be held as a liability until repaid to the grant issuer. Where grants are not repayable and the associated asset is sold, the unamortised balance will be recognised as income.

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;

• commercial properties (shops) which are held either to earn rental income or for capital appreciation or for both.

• The part of Plumer House that is let to tenants to earn rental income.

Investment properties are recognised initially at cost. Subsequent to initial recognition:

• investment properties 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

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

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.

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'.

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 recover- able, or deficits are recognised in full and presented -on the face of the balance sheet.

The Group participates in two 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. Details of the LGPS scheme can be found in note 28.

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.

SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme.Details of the SHPS scheme can be found in note 29.

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.

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 leases

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

Finance lease

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

Interest receivable and interest payable

Interest payable and similar charges include interest payable and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of Housing Properties that take a substantial time to be prepared for use are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Stock and work in progress

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

Taxation

The Association is liable for Corporation Tax on non-charitable income, such as overage earned on developments. 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.

We maintained our A+ Credit Rating

2. Social housing - Lettings group and association

Group & Association	General Needs	Supported Housing	Shared Ownership	Total	Total
	2021				2020
	£'000	£'000	£'000	£'000	£'000
Rents	50,682	6,716	671	58,069	57,059
Service Charges	3,213	861	58	4,132	4,603
Net Rents receivable	**53,895**	**7,577**	**730**	**62,202**	**61,662**
British Gas Funding Release	525	74	-	599	660
Plymouth City Council funding	520	-	-	520	654
Government Grant	-	-	-	-	10
Total Income from Lettings	**54,939**	**7,651**	**730**	**63,320**	**62,986**
Expenditure on lettings					
Management	(9,062)	(1,060)	(34)	(10,156)	(9,799)
Services	(3,997)	(1,068)	(58)	(5,123)	(5,296)
Response Repairs	(10,525)	(1,094)	-	(11,619)	(12,231)
Cyclical & Planned Maintenance	(4,092)	(158)	-	(4,250)	(4,895)
Major Repairs	(7,727)	(380)	-	(8,107)	(8,686)
VAT Recovered	-	-	-	-	146
Bad debts	(151)	(22)	-	(173)	(686)
Depreciation Housing Properties	(9,736)	(1,385)	-	(11,121)	(11,106)
Depreciation Other	(993)	(141)	-	(1,134)	(1,037)
Impairment	-	-	-	-	(1,921)
Non Cash Pension charges	(721)	(103)	-	(824)	(2,555)
Total Expenditure on lettings	**(47,004)**	**(5,411)**	**(92)**	**(52,507)**	**(58,066)**
Operating Surplus on lettings	**7,935**	**2,240**	**638**	**10,813**	**4,920**
Void loss	**(419)**	**(34)**	**-**	**(452)**	**(270)**

3. Social housing

GROUP	2021 Turnover	2021 Cost of Sales	2021 Operating Costs	2021 Surplus on Sale of properties	2021 Operating (Deficit) / Surplus	2020 Turnover	2020 Cost of Sales	2020 Operating Costs	2020 Surplus on Sale of properties	2020 Operating (Deficit) / Surplus
Social Housing Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Needs	54,939	-	(47,004)	-	7,935	54,669	-	(52,450)	-	2,219
Supported Housing	7,651	-	(5,411)	-	2,240	7,686	-	(5,445)	-	2,241
Low Cost Home Ownership	730	-	(92)	-	638	631	-	(171)	-	460
	63,320	**-**	**(52,507)**	**-**	**10,813**	**62,986**	**-**	**(58,066)**	**-**	**4,920**
Other Social Housing Activities										
Shared Ownership Sales	3,408	(2,982)	-	-	426	3,597	(3,328)	-	-	269
Development not Capitalised	-	-	(909)	-	(909)	-	-	(983)	-	(983)
Community Involvement	-	-	(789)	-	(789)	-	-	(776)	-	(776)
Garage Lettings	1,611	-	(246)	-	1,365	1,493	-	(239)	-	1,254
Social Housing Grant release	95	-	-	-	95	57	-	-	-	57
Proceeds from Land Sales	-	-	-	-	-	2,082	(1,947)	-	-	135
Grant Release PCC	924	-	-	-	924	-	-	-	-	-
Other	280	-	(241)	-	39	411	-	(356)	-	55
Surplus on Sale of properties not developed for outright sale	-	-	-	288	288	-	-	-	258	258
	6,318	**(2,982)**	**(2,185)**	**288**	**1,439**	**7,640**	**(5,275)**	**(2,354)**	**258**	**269**
Non-Social Housing Activities										
Commercial Properties	1,903	-	(609)	-	1,294	1,986	-	(669)	-	1,317
External Sales	1,132	(310)	(705)	-	117	3,569	(2,084)	(1,589)	-	(104)
Other	852	-	(2,269)	-	(1,417)	-	-	-	-	-
	3,887	**(310)**	**(3,583)**	**-**	**(6)**	**5,555**	**(2,084)**	**(2,258)**	**-**	**1,213**
Total	**73,525**	**(3,292)**	**(58,275)**	**288**	**12,246**	**76,181**	**(7,359)**	**(62,678)**	**258**	**6,402**

ASSOCIATION

	2021 Turnover	2021 Cost of Sales	2021 Operating Costs	2021 Surplus on Sale of properties	2021 Operating (Deficit) / Surplus	2020 Turnover	2020 Cost of Sales	2020 Operating Costs	2020 Surplus on Sale of properties	2020 Operating (Deficit) / Surplus
Social Housing Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Needs	54,939	-	(47,004)	-	7,935	54,669	-	(52,450)	-	2,219
Supported Housing	7,651	-	(5,411)	-	2,240	7,686	-	(5,445)	-	2,241
Low cost home ownership	730	-	(92)	-	638	631	-	(171)	-	460
	63,320	**-**	**(52,507)**	**-**	**10,813**	**62,986**	**-**	**(58,066)**	**-**	**4,920**
Other Social Housing activities										
Shared Ownership Sales	3,408	(2,982)	-	-	426	3,597	(3,328)	-	-	269
Development not Capitalised	-	-	(909)	-	(909)	-	-	(983)	-	(983)
Community Investment	-	-	(789)	-	(789)	-	-	(776)	-	(776)
Garage Lettings	1,611	-	(246)	-	1,365	1,493	-	(239)	-	1,254
Social Housing Grant release	95	-	-	-	95	57	-	-	-	57
Proceeds from Land Sales	-	-	-	-	-	2,082	(1,947)	-	-	135
Grant Release PCC	924	-	-	-	924	-	-	-	-	-
Other	280	-	(241)	-	39	411	-	(356)	-	55
Surplus on Sale of properties not developed for outright sale	-	-	-	288	288	-	-	-	258	258
	6,318	**(2,982)**	**(2,185)**	**288**	**1,439**	**7,640**	**(5,275)**	**(2,354)**	**258**	**269**
Non-Social Housing Activities										
Commercial Properties	1,903	-	(609)	-	1,294	1,986	-	(669)	-	1,317
External Sales	105	(102)	-	-	3	107	(115)	-	-	(8)
Other	852	-	(2,269)	-	(1,417)	-	-	-	-	-
	2,860	**(102)**	**(2,878)**	**-**	**(120)**	**2,093**	**(115)**	**(669)**	**-**	**1,309**
Total	**72,498**	**(3,084)**	**(57,570)**	**288**	**12,132**	**72,719**	**(5,390)**	**(61,089)**	**258**	**6,498**

4. Housing stock

	Group 2021 No.	Group 2020 No.	Association 2021 No.	Association 2020 No.
Under development at end of period:				
Housing accommodation	441	475	441	475
Shared ownership	206	248	206	248
	647	**723**	**647**	**723**
Under management at end of period:				
General Needs				
Properties let or available for let	12,203	12,173	12,203	12,173
Unavailable for letting	30	171	30	171
	12,233	12,344	12,233	12,344
Supported housing				
Supported housing	1,770	1,785	1,770	1,785
Unavailable for letting	8	3	8	3
	1,778	1,788	1,778	1,788
Social Housing Rental Accommodation	14,011	14,132	14,011	14,132
Other / temp Housing	-	1	-	1
Shared ownership	271	235	271	235
Social Housing Managed & Owned	14,282	14,368	14,282	14,368
Non Social Housing Homes	9	9	9	9
Long leaseholders	1,669	1,656	1,669	1,656
Total	**15,960**	**16,033**	**15,960**	**16,033**

5. Expenses and auditor's remuneration

	Group 2021 £'000	Group 2020 £'000
Depreciation and Impairment on housing properties	11,124	10,913
Depreciation on other fixed assets	1,611	1,521
Accelerated depreciation on Phase 4	-	197
Restructuring costs expensed as included in administrative expenses	189	23
Gain on sale of housing properties	288	258
(Loss) / Surplus on sale of other fixed assets	(132)	(3)
Change in fair value of investments	(26)	(261)
Operating lease charges	412	339
External Auditors Remuneration (exclusive of VAT)		
Audit of these financial statements	45	45
Audit of financial statements of subsidiaries	18	18
Tax compliance	7	7
Other tax advisory services	9	12
Other assurance services	8	13
	87	**95**
Internal Audit related assurance services	**37**	**30**

6. Staff numbers

	2021 No.	2020 No.
The average number of persons employed during the period (full time equivalents of 37 hours) was:	**629**	**635**
Full Time Equivalents at 31 March	**619**	**642**

7. Staff costs

	2021 £'000	2020 £'000
Wages and salaries	19,081	18,460
Social security costs	1,769	1,728
Other pension costs	2,417	1,886
Restructure costs	189	23
TOTAL	**23,456**	**22,097**

8. Full time equivalent Staff

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

	2021 No.	2020 No.
£60,001 to £70,000	9	7
£70,001 to £80,000	5	5
£80,001 to £90,000	2	2
£90,001 to £100,000	2	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	-	-
£130,001 to £140,000	-	-
£140,001 to £150,000	-	2
£150,001 to £160,000	1	-
£160,001 to £170,000	1	1
£170,001 to £180,000	-	-
£180,001 to £190,000	-	-
£190,001 to £200,000	-	1
£200,001 to £210,000	1	-

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

9. Board members and executive directors

The emoluments of the Board members were as follows :

	2021 £	2020 £
Nicholas Lewis (Chair) From 1 October 2017	15,000	15,000
Katie McBride Vice Chair to 26 Feb 2020, Board member until 31 August 2020	3,125	7,500
Nigel Pitt until 31 March 2021	7,500	7,500
Simon Ashby Chair ARC to 6 November 2020	6,694	7,500
Maureen Alderson until 20 September 2020	2,597	5,500
Graham Stirling	7,500	7,500
Christina Tuohy	5,500	5,500
Graham Clayton	5,500	5,500
Debbie Roche Vice Chair from 26 February 2020	7,500	5,667
Madeline Bridgeman	5,500	5,500
Lavinia Porfir Chair of Customer Focus from 1 September 20	6,667	5,500
Elizabeth Nicolls Chair of Audit & Risk from 6 November 20	6,306	5,500
Richard Connelly co-optee to Development Committee	2,000	2,000
Valerie Lee from 16 September 2020	2,979	-
Julie White from 16 September 2020	2,979	-
	87,347	85,667

The emoluments of the Executive Management Team were as follows:

	2021 Basic Salary & Car Allowance £'000	2021 Employer Pension Contributions £'000	2021 Total £'000	2020 Total £'000
John Clark (Chief Executive)	182	19	201	195
Nicholas Jackson	151	15	166	161
Gillian Martin	134	26	160	148
Susan Shaw (to 31st August 2020)	56	6	62	142
Carl Brazier (From 10th March 2021)	8	1	9	-
	531	67	598	646

The Chief Executive, John Clark, is a member of SHPS and there are no additional pension arrangements in place. Nicholas Jackson, Sue Shaw and Carl Brazier are members of SHPS, Gillian Martin is a member of LGPS.

The aggregate emoluments paid to or receivable by Executive Directors:

	2021 £'000	2020 £'000
Basic Salary	531	585
Employers Pension	67	61
	598	646

10. Surplus/(Deficit) on disposal housing properties

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Right to Buy sales	1,957	2,941	1,957	2,941
Right to Acquire	278	420	278	420
Open Market sales	111	150	111	150
Shared Ownership Staircasing	257	85	257	85
Cost of Sales	(101)	(68)	(101)	(68)
Net Book Value of Components removed on Disposal	(1,469)	(2,133)	(1,469)	(2,133)
PCC Share under the clawback	(745)	(1,137)	(745)	(1,137)
TOTAL	**288**	**258**	**288**	**258**

11. Other interest receivable and similar income

	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
Bank interest receivable	20	72	202	203
Total Interest Received and similar income	**20**	**72**	**202**	**203**

12. Interest payable and similar charges

	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
Interest	3,497	3,362	3,497	3,362
Non utilisation fee	294	330	294	330
Amortisation of arrangement fees	335	30	335	30
Interest capitalised	(216)	(327)	(216)	(327)
Legal, Professional & Bank Fees	22	7	22	7
Net interest expense on net defined pension benefit liabilities	609	725	609	725
Total other interest payable and similar charges	**4,541**	**4,127**	**4,541**	**4,127**

13. Tax on surplus on ordinary activities for the period

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

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Current Tax				
Current tax on income for the period	57	65	-	-
Adjustment in respect of prior periods	(16)	-	-	-
Total current tax	41	65	-	-
Deferred Tax				
Origination and reversal of timing differences	-	-	-	-
Change in tax rate	-	-	-	-
Total deferred tax	-	-	-	-
Total tax	41	65	-	-

Reconciliation of effective tax rate

	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
Surplus for the year	**7,526**	**2,018**	**7,668**	**2,482**
Add back tax charge	**41**	**65**	**-**	**-**
Surplus excluding taxation	**7,567**	**2,083**	**7,668**	**2,482**
Tax using the UK corporation tax rate of 19% (2019: 19%)	1,438	396	472	472
Tax exempt revenues	(1,397)	(331)	(472)	(472)
Total tax expense included in profit and loss	**41**	**65**	**-**	**-**

14. Housing Fixed Assets: Group

	Housing Property General Needs	Completed Leasehold Shared Ownership Property	Development Property Under Construction	Shared Ownership Property under Construction	Total Housing Properties
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2020	**513,341**	**18,827**	**54,753**	**6,087**	**593,008**
Additions	9,888	-	11,572	5,227	26,687
Completed properties	51,206	-	(51,206)	-	-
Completed SO properties	-	812	-	(812)	-
Reclassification	-	-	-	-	-
Disposals	(1,437)	(236)	-	-	(1,673)
Impairment	-	-	-	-	-
Land Sales	-	-	-	-	-
At 31 March 2021	**572,998**	**19,403**	**15,119**	**10,502**	**618,022**
Depreciation					
At 1 April 2020	**(72,505)**	**(527)**	**-**	**-**	**(73,032)**
Depreciation Charge for period	(11,007)	(117)	-	-	(11,124)
Demolitions	-	-	-	-	-
Disposals	225	-	-	-	225
At 31 March 2021	**(83,287)**	**(644)**	**-**	**-**	**(83,931)**
Net book value at 31 March 2021	**489,711**	**18,759**	**15,119**	**10,502**	**534,091**
Net Book Value at 1 April 2020	**440,836**	**18,300**	**54,753**	**6,087**	**519,976**

All Fixed Assets: Group

	Total Housing Properties	Freehold Offices	Vehicles	Equipment & Furniture	Computers & Software	Photo - voltaic Panels	Total Assets
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost							
At 1 April 2020	**593,008**	**10,777**	**2,941**	**3,024**	**7,614**	**9,773**	**627,137**
Additions	26,687	-	97	613	823	-	28,220
Reclassification	-	-	-	-	-	-	-
Disposals	(1,673)	-	(125)	(872)	(465)	(49)	(3,184)
Impairment	-	-	-	-	-	-	-
Land Sales	-	-	-	-	-	-	-
At 31 March 2021	**618,022**	**10,777**	**2,913**	**2,765**	**7,972**	**9,724**	**652,173**
Depreciation							
At 1 April 2020	**(73,032)**	**(1,368)**	**(2,048)**	**(2,286)**	**(5,288)**	**(2,670)**	**(86,692)**
Charge for period	(11,124)	(197)	(188)	(167)	(579)	(480)	(12,735)
Demolitions	-	-	-	-	-	-	-
Disposals	225	-	110	731	363	16	1,445
At 31 March 2021	**(83,931)**	**(1,565)**	**(2,126)**	**(1,722)**	**(5,504)**	**(3,134)**	**(97,982)**
Net book value at 31 March 2021	**534,091**	**9,212**	**787**	**1,043**	**2,468**	**6,590**	**554,191**
Net Book Value at 1 April 2020	**519,976**	**9,409**	**893**	**738**	**2,326**	**7,103**	**540,445**

Housing Fixed Assets: Association

	Housing Property General Needs	Completed Leasehold Shared Ownership Property	Development Property Under Construction	Shared Ownership Property under Construction	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2020	**513,341**	**19,063**	**59,524**	**6,281**	**598,209**
Additions	9,888	-	11,882	5,227	26,997
Completed properties	51,206	-	(51,206)	-	-
Completed SO properties	-	812	-	(812)	-
Reclassification	-	-	-	-	-
Disposals	(1,437)	(236)	-	-	(1,673)
Impairment	-	-	-	-	-
Land Sales	-	-	-	-	-
At 31 March 2021	**572,998**	**19,639**	**20,200**	**10,696**	**623,533**
Depreciation					
At 1 April 2020	**(72,505)**	**(527)**	**-**	**-**	**(73,032)**
Depreciation Charge for period	(11,007)	(117)	-	-	(11,124)
Demolitions	-	-	-	-	-
Disposals	225	-	-	-	225
At 31 March 2021	**(83,287)**	**(644)**	**-**	**-**	**(83,931)**
Net book value at 31 March 2021	**489,711**	**18,995**	**20,200**	**10,696**	**539,602**
Net Book Value at 1 April 2020	**440,836**	**18,536**	**59,524**	**6,281**	**525,177**

All Fixed Assets: Association

	Total Housing Properties	Freehold Offices	Vehicles	Equipment & Furniture	Computers & Software	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2020	**598,209**	**10,777**	**2,941**	**3,024**	**7,614**	**622,565**
Additions	26,997	-	97	613	823	28,530
Reclassification	-	-	-	-	-	-
Disposals	(1,673)	-	(125)	(872)	(465)	(3,135)
Impairment	-	-	-	-	-	-
Land Sales	-	-	-	-	-	-
At 31 March 2021	**623,533**	**10,777**	**2,913**	**2,765**	**7,972**	**647,960**
Depreciation						
At 1 April 2020	**(73,032)**	**(1,368)**	**(2,048)**	**(2,286)**	**(5,288)**	**(84,022)**
Charge for period	(11,124)	(197)	(188)	(167)	(579)	(12,255)
Demolitions	-	-	-	-	-	-
Disposals	225	-	110	731	363	1,429
At 31 March 2021	**(83,931)**	**(1,565)**	**(2,126)**	**(1,722)**	**(5,504)**	**(94,848)**
Net book value at 31 March 2021	**539,602**	**9,212**	**787**	**1,043**	**2,468**	**553,112**
Net Book Value at 1 April 2020	**525,177**	**9,409**	**893**	**738**	**2,326**	**538,543**

Fixed Assets continued

The total expenditure on works to existing housing properties during the year to 31 March 2021 for the Group and Association was as follows:

	£'000	£'000
Revenue	8,107	8,686
Capital	9,888	14,503
Total	**17,995**	**23,189**

The capitalised work consists of:	2021 Group £'000	2020 Group £'000
Towers Spend	5,578	4,736
EWI Spend	1,055	349
Other works to existing properties	3,255	9,418

Interest of £216,083 (2020: £326,721) was capitalised (both Group and Association). Interest is capitalised at the rate of 1.7% (2020: 1.7%) during the development period.

Cumulative interest of £1,928,489 (2020: £1,712,406) has been capitalised to 31 March 2021. This was incurred on new build housing developments.

Net book value of property assets by tenure:

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

Housing property valuation for security purposes:

Completed housing properties were last valued as at 31 March 2017 by Bruton Knowles, Chartered Surveyors, on Basis 1: the Existing Use Value – Social Housing ('EUV-SH') assuming homes are re-let at a social rent and under the loan agreement.

Valuation Basis 1 was £354,972,000.

The properties were revalued at 31 May 2017 as part of the refinancing exercise with a value of £372,642,000

15. Fixed asset investment

	Group			Association			
	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
Cost (or valuation)							
At beginning of year	15,650	279	15,929	3,300	15,650	279	19,229
Transfer	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Disposals	-	(4)	(4)	-	-	(4)	(4)
Revaluation	(26)	-	(26)	-	(26)	-	(26)
At end of year	**15,624**	**275**	**15,899**	**3,300**	**15,624**	**275**	**19,199**
Net book value							
At 31 March 2021	**15,624**	**275**	**15,899**	**3,300**	**15,624**	**275**	**19,199**
At 31 March 2020	15,650	279	15,929	3,300	15,650	279	19,229

The commercial properties were valued on a valuation basis of 'Market Value' at £15,624,000 at 31 March 2021 (31 March 2020: £15,650,000) by Bruton Knowles.

PCH holds the following other investments:

£60,000 in Plymouth Energy Community, an independent 'not-for-profit' co-operative. Its work focuses on three goals for Plymouth residents: reducing energy bills and fuel poverty, improving energy efficiency and generating green energy.

£30,000 in MorHomes, an aggregator, owned by Housing Associations and facilitated by JCRA for the sector with the purpose of obtaining lower cost finance.

£5,000 in Nudge Community Builders, a community benefit society, which restores unused buildings.

£180,000 Secured loans to homeowners to assist their relocation from our development sites.

16. Investments in subsidiaries

The company has the following investments in subsidiaries 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 2021 %	Ownership 2020 %
PCH Manufacturing Services Limited	-	(252)	(148)	England	Limited By Guarantee	100	100
PCH Regeneration Limited	-	521	244	England	Ordinary	100	100
PCH Energy Limited	3,300	3,442	72	England	Ordinary	100	100

All investments in subsidiaries are held at fair value.

17. Properties held for sale

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Shared ownership properties in the course of construction	2,422	4,187	2,422	4,187
	2,422	**4,187**	**2,422**	**4,187**

18. Stock

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Raw materials	1,007	1,135	1,007	1,135
Work in progress	406	222	-	130
	1,413	**1,357**	**1,007**	**1,265**

19. Debtors

	Group	Group	Association	Association
	(including net debt reconciliation)		(including net debt reconciliation)	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts falling due after one year				
Development debtor (VAT Shelter)	4,449	6,216	4,449	6,216
Group debtors > 1 year	-	-	5,681	7,295
Trade debtors	1,081	2,295	-	-
	5,530	**8,511**	**10,130**	**13,511**
Amounts falling due within one year				
Trade debtors	1,074	1,933	269	219
Less provision for doubtful debts	(394)	(242)	(252)	(104)
Current tenant rent arrears	762	868	762	868
Current tenant non rent arrears	340	1,211	340	1,211
Less provision for doubtful debts	(870)	(1,029)	(870)	(1,029)
Former tenant rent arrears	995	937	995	937
Former tenant non rent arrears	908	847	908	847
Less provision for doubtful debts	(1,903)	(1,784)	(1,903)	(1,784)
Prepayments and accrued income	1,763	3,185	1,763	3,185
Intercompany trade debtors	-	-	2,571	2,508
Intercompany loan due within 1 year	-	-	-	100
VAT	559	273	557	273
Leaseholder Debt	558	619	558	-
Less provision for doubtful debts	(105)	-	(105)	-
Corporation Tax refund due	16	-	-	-
Other debtors	257	366	83	726
Less provision for doubtful debts	(83)	-	(83)	-
Development debtor	1,385	2,000	1,385	2,000
Homes England grant receivable	2,368	2,368	2,368	2,368
	7,630	**11,552**	**9,346**	**12,325**

Development Debtor

The development debtors due after and within one year are offset by development creditors of the same value, resulting in a net nil balance.

Group Debtors > 1 year

The group debtors are comprised of a £4m loan to PCH Energy (2020 : £5m), a £600,000 loan to PCH Regen (2020 : £nil) and a £1,081,225 intercompany balance with PCH Regen (2020 : £2,295,000).

The loan to PCH Energy is a revolving credit facility, terminating in 2029.The facility is £5m and interest is charged at 4%.

The loan to PCH Regen is a revolving credit facility, terminating in 2026. The facility is £4m and interest is charged at 4%.

The intercompany balance with PCH Regen relates to the transfer of land and is repayable on demand. No interest is charged on this balance.

Amounts falling due within 1 year
Amounts due from group undertakings are trading balances repayable on demand and are non-interest bearing. Included within Association intercompany trade debtors is £1.4m relating to income due from PCH Manufacturing Ltd.

20. Cash, cash at bank and short term deposits

GROUP	At 1 April 2020	Cashflows	At 31 March 2021
	£'000	£'000	£'000
Cash and Cash Equivalents			
Cash at bank and in hand	**23,950**	(6,873)	**17,077**
Overdraft	**-**	-	**0**
Cash equivalents	**-**	-	**0**
	23,950	(6,873)	**17,077**
Borrowing			
Debt due within one year	**-**	-	**0**
Debt due after one year	**(127,500)**	14,000	**(113,500)**
	(127,500)	14,000	**(113,500)**
Total	**(103,550)**	**7,127**	**(96,423)**

ASSOCIATION	At 1 April 2020	Cashflows	At 31 March 2021
	£'000	£'000	£'000
Cash and Cash Equivalents			
Cash at bank and in hand	**20,518**	(7,577)	**12,941**
Overdraft	**-**	-	**0**
Cash equivalents	**-**	-	**0**
	20,518	(7,577)	**12,941**
Borrowing			
Debt due within one year	**-**	-	**0**
Debt due after one year	**(127,500)**	14,000	**(113,500)**
	(127,500)	14,000	**(113,500)**
Total	**(106,982)**	**6,423**	**(100,559)**

21. Creditors amounts falling due within one year

	Note	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
Trade creditors		5,804	2,599	3,916	2,129
Amounts owed to group undertakings		-	-	1,679	591
Taxation and social security		435	454	435	454
Corporation tax		57	65	-	-
Pension contributions		260	245	260	245
VAT		4	4	-	-
Rent received in advance		2,752	2,783	2,752	2,783
Other creditors		1,411	1,326	1,410	381
Year End Interest Accrual		745	877	745	877
Year End Rent Prepayment		-	870	-	870
Accruals and deferred income		5,385	4,198	4,549	3,780
Development creditor		1,385	2,000	1,385	2,000
Grant funding	25	931	756	931	756
Recycled Capital Grant Fund	24	108	108	108	108
		19,277	**16,285**	**18,170**	**14,974**

22. Creditors: amounts falling after more than one year

	Note	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
Bank loans					
Due in five years or more		113,500	127,500	113,500	127,500
Deferred loan costs		(236)	(246)	(236)	(246)
THFC Holding account		(2,143)	(2,024)	(2,143)	(2,024)
Total housing loans		**111,121**	**125,230**	**111,121**	**125,230**
Grant Funding	25	43,083	41,053	43,084	41,053
Development Creditor		4,449	6,216	4,449	6,216
Recycled Capital Grant Fund	24	100	30	100	30
		158,754	**172,529**	**158,754**	**172,529**

23. Disposal Proceeds Fund

	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	-	429	-	429
Allocated during year	-	(429)	-	(429)
At end of the year	**-**	**-**	**-**	**-**
Disclosed as				
Creditor < 1 year	-	-	-	-
Creditor > 1 year	-	-	-	-
	-	**-**	**-**	**-**

24. Recycled Capital Grant Fund

	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	138	138	138	138
Allocated during year	-	(30)	-	(30)
Transferred to fund during year	70	30	70	30
At end of the year	**208**	**138**	**208**	**138**
Disclosed as:				
Creditors < 1 year	108	108	108	108
Creditors > 1 year	100	30	100	30
	208	**138**	**208**	**138**

25. Capital Grant Funds

Social Housing Grant	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	21,739	18,500	21,739	18,500
Additions	294	2,593	294	2,593
Amortised within the consolidated statement of comprehensive income	(95)	(57)	(95)	(57)
Transfer from/(to) Recycled Capital Grant Fund	(20)	29	(20)	29
Transfer from Disposal Proceeds Fund	-	674	-	674
Disposals	-	-	-	-
At end of the year	**21,918**	**21,739**	**21,918**	**21,739**
Recognised in:				
Creditors: amounts falling due within one year	155	196	155	196
Creditors: amounts falling due after one year	21,763	21,543	21,763	21,543
	21,918	**21,739**	**21,918**	**21,739**

British Gas Grant	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	11,414	12,073	11,414	12,073
Additions	-	-	-	-
Amortised within the consolidated statement of comprehensive income	(549)	(543)	(549)	(543)
Disposals	(49)	(116)	(49)	(116)
At end of the year	**10,816**	**11,414**	**10,816**	**11,414**
Recognised in:				
Creditors: amounts falling due within one year	549	560	549	560
Creditors: amounts falling due after one year	10,267	10,854	10,267	10,854
	10,816	**11,414**	**10,816**	**11,414**

Capital grant funds continued

Homes England Towers Grant	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	7,347	7,347	7,347	7,347
Additions	-	-	-	-
Amortised within the consolidated statement of comprehensive income	(5)	-	(5)	-
Disposals	-	-	-	-
At end of the year	**7,342**	**7,347**	**7,342**	**7,347**
Recognised in:				
Creditors: amounts falling due within one year	220	-	220	-
Creditors: amounts falling due after one year	7,122	7,347	7,122	7,347
	7,342	**7,347**	**7,342**	**7,347**

Disabled Adaptations Grant	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	146	146	146	146
Additions	-	-	-	-
Amortised within the consolidated statement of comprehensive income	-	-	-	-
Disposals	-	-	-	-
At end of the year	**146**	**146**	**146**	**146**
Recognised in:				
Creditors: amounts falling due within one year	6	-	6	-
Creditors: amounts falling due after one year	140	146	140	146
	146	**146**	**146**	**146**

Warmer Homes Grant	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	19	20	19	20
Additions	-	-	-	-
Amortised within the consolidated statement of comprehensive income	(1)	(1)	(1)	(1)
Disposals	-	-	-	-
At end of the year	**18**	**19**	**18**	**19**
Recognised in:				
Creditors: amounts falling due within one year	1	-	1	-
Creditors: amounts falling due after one year	17	19	17	19
	18	**19**	**18**	**19**

Capital grant funds continued

Plymouth City Council Infrastructure Grant	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	822	-	822	-
Additions	1,005	822	1,005	822
Amortised within the consolidated statement of comprehensive income	-	-	-	-
Disposals	-	-	-	-
At end of the year	**1,827**	**822**	**1,827**	**822**
Recognised in:				
Creditors: amounts falling due within one year	-	-	-	-
Creditors: amounts falling due after one year	1,827	822	1,827	822
	1,827	**822**	**1,827**	**822**

Estate Regeneration Grant	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	321	321	321	321
Additions	-	-	-	-
Amortised within the consolidated statement of comprehensive income	-	-	-	-
Disposals	-	-	-	-
At end of the year	**321**	**321**	**321**	**321**
Recognised in:				
Creditors: amounts falling due within one year	-	-	-	-
Creditors: amounts falling due after one year	321	321	321	321
	321	**321**	**321**	**321**

MHCLG Grant	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	-	-	-	-
Additions	2,300	-	2,300	-
Amortised within the consolidated statement of comprehensive income	-	-	-	-
Disposals	(833)	-	(833)	-
At end of the year	**1,467**	**-**	**1,467**	**-**
Recognised in:				
Creditors: amounts falling due within one year	-	-	-	-
Creditors: amounts falling due after one year	1,467	-	1,467	-
	1,467	**-**	**1,467**	**-**

Capital grant funds continued

PCC Land Grant	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	-	-	-	-
Additions	250	-	250	-
Amortised within the consolidated statement of comprehensive income	-	-	-	-
Disposals	(91)	-	(91)	-
At end of the year	**159**	**-**	**159**	**-**
Recognised in:				
Creditors: amounts falling due within one year	-	-	-	-
Creditors: amounts falling due after one year	159	-	159	-
	159	**-**	**159**	**-**

Total Grant	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
Creditors: amounts falling due within one year	931	756	931	756
Creditors: amounts falling due after one year	43,083	41,052	43,083	41,052
	44,014	**41,808**	**44,014**	**41,808**

Government Grants received to date	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
Social Housing Grant	22,308	22,014	22,308	22,014
British Gas Grant	14,650	14,650	14,650	14,650
Homes England Towers Grant	11,842	11,842	11,842	11,842
Disabled Adaptations Grant	146	146	146	146
Warmer Homes Grant	20	20	20	20
Plymouth City Council Infrastructure Grant	1,827	822	1,827	822
Estate Regeneration Grant	321	321	321	321
MHCLG Grant	2,300	-	2,300	-
PCC Land Grant	250	-	250	-
Total Received	**53,664**	**49,815**	**53,664**	**49,815**
The grant is recognised in:				
Revenue Reserve	9,650	8,007	9,650	8,007
Creditors: amounts falling due within one year	931	756	931	756
Creditors: amounts falling due after one year	43,083	41,052	43,083	41,052
	53,664	**49,815**	**53,664**	**49,815**

26. Provision: removal of tower cladding

	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
At beginning of the year	-	512	-	512
Provided during the year	-	-	-	-
Charges during the year	-	(512)	-	(512)
At end of the year	-	-	-	-

The provision was for the removal of the cladding on the Mount Wise Towers blocks and based on a report by quantity Surveyors, contracted by us to manage the removal and replacement of the cladding. The provision was for the removal cost only. The provision was fully utilised by 31 March 2020.

27. Interest-bearing loans and borrowings

The loan and borrowing facilities are held at amortised cost. All facilities are fully secured by fixed charges over the organisation's properties except the THFC loan. The THFC loan requires cash to be held equating to the security value of properties removed through RTB/RTA disposals, or for properties charged to THFC being reduced to a nil value until remedial work is completed. The remedial work is expected to be completed within 3 years.. The facilities each have different covenants but all include a requirement to cover their interest costs, either from those properties in charge to them or at a whole-organisation level, and to have sufficient properties charged as security

	2021 £'000	2020 £'000
Due in less than five years	13,250	25,000
Due in five years or more	100,250	102,500
Deferred loan costs	(236)	(246)
THFC holding account	(2,143)	(2,024)
	111,121	**125,230**

28. 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 ("LGPS") provides pension benefits to employees of Plymouth Community Homes Ltd ("the employer"). The staff working for Plymouth Community Homes Manufacturing Services Ltd are employed by Plymouth Community Homes Ltd (or on dual contracts). The staff working for Plymouth Community Homes Regeneration Company Ltd and Plymouth Community Homes Energy Ltd are employed by Plymouth Community Homes and their costs of employment are charged to those companies. All pension costs are therefore included in these notes.

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

Group and Association net pension liability:

	2021 £'000	2020 £'000
Present value of funded defined benefit obligations	(128,894)	(95,031)
Fair value of plan assets	87,025	69,774
Net pension liability	(41,869)	(25,257)

Devon County Council pension scheme continued

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

	31 March 2021 £'000	31 March 2020 £'000
Defined benefit obligation at 1 April	95,031	103,738
Current service cost	2,040	2,384
Interest cost	2,216	2,527
Actuarial losses/(gains)	33,054	(11,838)
Change in demographic assumptions	(983)	(1,274)
Experience loss/(gain) on defined benefit obligation	(942)	(331)
Estimated benefits paid net of transfers in	(2,293)	(1,627)
Past service costs, including curtailments	346	1,006
Contributions by scheme participants	425	446
Defined benefit obligation at 31 March	**128,894**	**95,031**

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

	31 March 2021 £'000	31 March 2020 £'000
Fair value of scheme assets at 1 April	69,774	75,848
Interest on assets	1,635	1,856
Return on assets less interest	16,082	(7,818)
Other actuarial gains/(losses)	-	134
Administration expenses	(53)	(55)
Contributions by employer (including unfunded)	1,455	990
Contributions by scheme participants	425	446
Estimated benefits paid net of transfers in (including unfunded)	(2,293)	(1,627)
Fair value of scheme assets at 31 March	**87,025**	**69,774**

The total return on the fund assets for the year to 31 March 2021 is £17,717,000.

Expense recognised in the profit and loss account

	31 March 2021 £'000	31 March 2020 £'000
Service cost	2,386	3,390
Net interest on the defined liability (asset)	581	671
Administration expenses	53	55
Total	**3,020**	**4,116**

Devon County Council pension scheme continued

The total loss recognised in the consolidated statement of total recognised gains and losses in respect of actuarial loss is £15,047,000 (2020: gain £5,759,000).

The estimated asset allocation for Plymouth Community Homes as at 31 March 2021 is as follows:

Employer asset share - bid Value	31 March 2021 £'000	31 March 2020 £'000
Gilts	2,960	2,975
Equities	9,638	9,285
Overseas Equities	44,942	30,007
Property	6,990	6,573
Infrastructure	3,526	3,006
Target Return Portfolio	8,193	9,162
Cash	897	813
Other Bonds	3,902	3,656
Alternative assets	5,977	4,297
Private equity	-	-
Total	**87,025**	**69,774**

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 2021 % p.a.	31 March 2020 % p.a.
Assumptions as at		
Discount Rate	2.00%	2.35%
Pension Increases	2.85%	1.85%
Salary Increases	3.85%	2.85%
RPI Increases	3.20%	2.65%
CPI Increases	2.85%	1.85%

These assumptions are set with reference to market conditions at 31 March 2021.

Our estimate of the duration of the Employer's past service liability duration is 23 years.

Devon County Council pension scheme continued

An estimate of the employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30-year point). This is consistent with the approach used at the previous accounting date.

The post retirement mortality tables adopted are the S3PA tables with a multiplier of 95% for males and 110% for females. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. The view of the actuary is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore, the actuary have updated to use the CMI_2020 Model with a 2020 weight parameter of 25%.

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

• Current pensioner aged 65: 22.6 years (male), 23.9 years (female)

• Future retiree upon reaching 65: 24.0 years (male), 25.4 years (female)

We have also assumed that:

• Members will exchange half of their commutable pension for cash at retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as se out in the regulations

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

• The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Devon County Council pension scheme continued

Financial assumptions

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

Balance sheet as at	31 March 2021	31 March 2020	31 March 2019
Present value of scheme liabilities	(128,894)	(95,031)	(103,738)
Fair value of scheme assets	87,025	69,774	75,848
Deficit	**(41,869)**	**(25,257)**	**(27,890)**

The Group expects to contribute approximately £1m to the LGPS defined benefit plan in the next financial year.

Guaranteed minimum pensions equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pensions between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes"

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore, our assumption is consistent with the consultation outcome and we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Impact of McCloud/Sargeant judgement

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The actuary do not believe there are any material differences between the approach underlying their estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore the actuary have not included any further adjustment in light of the ongoing consultation in this report.

In 2019/20, as set out within the Devon Pension Fund actuarial report to PCH, we have recognised past service costs of £1m due to the impact of the McCloud Judgement.

29. Social housing pension scheme

	31 March 2021 £'000	31 March 2020 £'000
Present value of funded defined benefit obligations	(11,972)	(8,289)
Fair value of plan assets	8,294	6,979
Net pension liability	**(3,678)**	**(1,310)**

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

	31 March 2021 £'000	31 March 2020 £'000
Defined benefit obligation at 1 April	8,289	8,485
Current service cost	319	442
Expenses	13	13
Interest cost	197	210
Contributions by scheme participants	143	140
Actuarial losses/(gains) due to scheme experience	(480)	408
Actuarial (gains)/losses due to changes in demographic assumptions	37	(74)
Actuarial (gains)/losses due to changes in financial assumptions	3,497	(1,257)
Benefits	(43)	(78)
Defined benefit obligation at 31 March	**11,972**	**8,289**

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

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

	31 March 2021 £'000	31 March 2020 £'000
Fair value of scheme assets at 1 April	6,979	6,300
Interest on assets	169	156
Experience on plan assets (excl amounts included in interest income) gain (loss)	554	106
Contributions by employer	492	355
Contributions by plan participants	143	140
Benefits paid and expenses	(43)	(78)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of scheme assets at 31 March	**8,294**	**6,979**

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £723,000.

	31 March 2021 £'000	31 March 2020 £'000
Current service cost	319	442
Expenses	13	13
Net interest expense	28	54
Total	**360**	**509**

The estimated asset allocation for Plymouth Community Homes as at 31 March 2021 is as follows:

Social housing pension scheme continued

The estimated asset allocation for Plymouth Community Homes as at 31 March 2021 is as follows:

Employer Asset Share - Bid Value	Assets at 31 March 2021 £'000	Assets at 31 March 2020 £'000
Absolute Return	458	364
Alternative Risk Premia	312	488
Corporate Bond Fund	490	398
Opportunistic liquid Credit	211	169
Liquid Credit	99	3
Credit Relative Fund	261	191
Distressed Opportunities	240	134
Emerging Markets Debts	335	211
Fund of Hedge Funds	1	4
Global Equity	1,322	1,021
Infrastructure	553	519
Insurance-Linked Securities	199	214
Liability Driven Investment	2,108	2,316
Long Lease Property	163	121
Net Current Assets	50	30
Over 15 Year Gifts	-	-
Private Debt	198	141
Property	172	154
Risk Sharing	302	236
Secured Income	345	265
High Yield	248	-
Opportunistic Credit	227	-
Total Expected Return on Assets	**8,294**	**6,979**

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Social housing pension scheme continued

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 2021 % p.a.	31 March 2020 % p.a.
Discount Rate	2.22%	2.32%
RPI Increases	3.17%	2.48%
CPI Increases	2.88%	1.48%
Salary Growth	3.88%	2.48%
Allowance for commutation of pension cash at retirement	75% of maximum allowance	75% of maximum allowance

These assumptions are set with reference to market conditions at 31 March 2021.

The average duration of the defined benefit obligation at the period ended 31 March 2021 is 29 years.

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life Expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

Guaranteed minimum pensions equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pensions between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. As the period concerned was before the establishment of Plymouth Community Homes, there was no obligation to the SHPS pension fund. The SHPS's actuary has confirmed that there is no impact to the SHPS pension fund due to Guaranteed Minimum Pension equalisation.

30. Share Capital

Ordinary shares of £1 each. Allotted, called up and fully paid.

	2021 No.	2020 No.
At 1 April	38	42
Issued during the year	2	2
Cancelled during the year	(2)	(6)
At 31 March	**38**	**38**

31. Operating Leases

	2021		2020	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Less than one year	54	123	131	153
Between one and five years	37	46	135	108
More than five years	-	-	-	-
	91	**169**	**266**	**261**

32. Leases as lessor

	2021 £'000	2020 £'000
Less than one year	1,767	1,432
Between one and five years	2,029	2,329
More than five years	469	1,647
TOTAL	**4,265**	**5,408**

Leases relate to the length of commercial tenancies for shops and offices.

33. Commitments

	2021 Group £'000	2020 Group £'000	2021 Association £'000	2020 Association £'000
The Company contractual commitments to purchase tangible fixed assets at the year-end were	40,506	51,087	40,506	51,087
The Company has expenditure authorised by the Board but has not yet been contracted for of	21,982	23,521	21,982	23,521
TOTAL	**62,488**	**74,608**	**62,488**	**74,608**

34. Contingencies

Social Housing Grant of £22,629,000 (2020:£22,335,000) has been received. Should the related properties be sold and the grant not reinvested in new properties this amount could be repayable to the Homes & Communities Agency.

35. Related party transactions

The Board members who served during the period and 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. All transactions with PCC during the year were conducted at arm's length and on normal commercial terms.

Under Section 33 of FRS 102 defined benefit pension schemes are considered to be related parties. Plymouth Community Homes is a member of the following defined benefit schemes: Social Housing Pension Scheme and Devon County Council Local Government Pension Scheme. Details of transactions with the schemes are disclosed in note 28 and 29.

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: £121,357 (2020: £2,799,054). PCH Manufacturing Services received £0 (2020: £10,266) from PCH Ltd in respect of block refurbishment works awarded as an external contractor.

PCH Regeneration Company Ltd: service charge from PCH Ltd to PCH Regeneration: £362,821 (2020: £329,000); lease of properties from PCH Ltd to PCH Regeneration: £0 (2020: £526); design & build work invoiced from PCH Regeneration to PCH Ltd: £9,183,890 (2020: £7,189,474).

PCH Energy Ltd: service charge from PCH Ltd to PCH Energy: £32,004 (2020: £41,108); charge from PCH Ltd to PCH Energy for lease of roofs: £105,435 (2020: £105,210). Charge from PCH Energy to PCH Ltd for electricity: £97,025 (2020: £109,331).

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

36. Subsequent Events

There are no subsequent events to report.

37. 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
FRS102 requires that certain assumptions are made in order to determine the amount to be recorded for the retirement 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 association's retirement benefit obligation.

In response to the ongoing reform of RPI Barnett Waddingham have changed their approach to setting the CPI assumption: an increase in the Inflation Risk Premium and a reduction in the long-term difference between RPI and CPI. The combined impact of this change is a circa £5.5m increase in the LGPS defined benefit obligation at 31 March 2021. Additionally, in response to the ongoing reform of RPI there has been a change in the estimate at TPT in how to set the CPI assumption in relation to RPI. The impact of this change is a circa £1.5m increase to the SHPS DBO at 31 March 2021.

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.

An impairment assessment was undertaken for the Mount Wise Towers to confirm that the balance sheet carrying value reflects the depreciated replacement cost of the replaced cladding. The assessment concluded that no impairment was required in the 2020/21 financial year, however this will be re-assessed in 2021/22 as works are completed.

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

38. 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 had 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 sold manufactured goods to third parties but ceased trading during the year. 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.

39. Board members, Executives and advisors

The board members, executives and advisors during the year and up to the date of signing these accounts were :

Members of the Board

Nick Lewis	Chair of Plymouth Community Homes Ltd
Debbie Roche	Vice Chair of Plymouth Community Homes Ltd Chair of Remuneration Panel
Katie McBride	Board member and Chair of Customer Focus Committee to 31 August 2020
Lavinia Porfir	Chair of Customer Focus Committee from 31 August 2020
Nigel Pitt	Board Member and Chair of Development Committee to 31 March 2021
Simon Ashby	Chair of Audit and Risk Committee to 30 November 2020
Liz Nicolls	Chair of Audit and Risk Committee from 30 November 2020 Chair of Finance Committee
Graham Stirling	Chair of Plymouth Community Homes Manufacturing Services Board
Tina Tuohy	to 31 May 2021
Graham Clayton	
Maddi Bridgeman	
Maureen Alderson	to 15 September 2020
Valerie Lee	from 16 September 2020
Julie White	from 16 September 2020

Directors of Plymouth Community Homes Manufacturing Services Ltd:

Graham Stirling	Chair
Maddi Bridgeman	Vice Chair
Nicholas Jackson	
Simon Ashby	

Directors of Plymouth Community Homes Regeneration Company Ltd:

John Clark	To 7 July 2021
Gillian Martin	To 7 July 2021
Nicholas Jackson	To 7 July 2021
Debbie Roche	From 7 July 2021 (Chair)
Graham Stirling	From 7 July 2021
Carl Brazier	From 7 July 2021
Susan Shaw	to 14 August 2021

Directors of Plymouth Community Homes Energy Ltd :

John Clark	Chair
Susan Shaw	Resigned 14 August 2020
Nicholas Jackson	
Gillian Martin	

Audit and Risk Committee

Liz Nicolls	Chair from 30 November 2020 Vice Chair to 30 November 2020
Simon Ashby	Chair to 30 November 2020 Committee member from 30 November 2020
Maureen Alderson	to 15 September 2020
Graham Clayton	
Nigel Pitt	to 31 March 2021
Maddi Bridgeman	from 24 November 2020

Customer Focus Committee

Lavinia Porfir	Chair from 31 August 2020 Vice Chair to 31 August 2020
Katie McBride	Chair to 31 August 2020
Tina Tuohy	to 31 May 2021
Valerie Lee	from 24 November 2020
Graham Clayton	from 24 November 2020
Ember Wolffire	Co-optee
Kelly Wilding	Co-optee

Development Committee:

Nigel Pitt	Chair to 31 March 2021
Julie White	from 24 November 2020 and Chair from 1st April 2021
Graham Stirling	Vice Chair
Debbie Roche	
Maddi Bridgeman	to 24 November 2020
Liz Nicolls	
Richard Connelly	Co-optee

Remuneration Panel

Debbie Roche	Chair
Nick Lewis	
Lavinia Porfir	

Finance Committee –26 November 2020 to 2 March 2021

Liz Nicolls
Nick Lewis
Simon Ashby
Graham Clayton
Valerie Lee

Scrutiny Steering Group

Joanne Bowden	
Patrick Gillespie	Leave of Absence 20 November 2020
Chris Matthews	Resigned 03 June 2020
Mel Leonis	Leave of Absence 12 September 2020
Elaine Pellow	Joined 29 October 2020
Ann-Marie Maddock	Joined 29 October 2020
Gaynor Southerton	Joined 29 October 2020

Executive Management Team:

John Clark	Chief Executive
Nicholas Jackson	Director of Business Services and Development
Gillian Martin	Director of Corporate Services
Susan Shaw	Director of Homes, Neighbourhoods and Regeneration to 14 August 2020
Carl Brazier	Director of Homes and Neighbourhoods from 10 March 2021

Company Secretary

Belinda Pascoe	Head of Governance

External auditor:

KPMG LLP
Regus, 4th floor
Salt Quay House,
6 North East Quay
Plymouth PL4 0HP

Internal auditor:

Mazars LLP
The Pinnacle
160 Midsummer Boulevard
Milton Keynes MK9 1FF

Tax advisor:

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66 Queen Square
Bristol BS1 4BE

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Funders:

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Barclays Bank PLC Third Floor
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USA

Great-West Life & Annuity Insurance Company of New York
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Prudential Trustees
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London EC4R 0HH

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Devonshires
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Tozers LLP
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Stephens Scown Solicitors
3 Elizabeth Close, Plymouth, PL1 2DH

Trowers & Hamlins
First Floor/The Senate, Southernhay Gardens, Exeter, EX1 1UG

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Exeter, EX1 1QA

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Plumer House
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12 St James Square, London, SW1Y 4LB