Plymouth Community Homes Ltd
Consolidated Financial Statements
Year End March 2020

Plymouth
Community Homes

Contents

2019/20 at a glance

Turnover*

2018/19 2019/20

£76.2m

Last year £75.7m

+1%

A+
Credit rating

G1
Governance

V1
Viability

Housing assets

+3%

£519.9m

Last year £504.3m

Operating surplus**

2018/19 2019/20

£6.4m

Last year £11.7m

-45%

Operating cash flow

-8%

£26.9m

Last year £29.1m

Net debt

+5%

£103.6m

Last year £99m

Surplus before tax***

2018/19 2019/20

£2m

Last year £8.4m

-76%

Overall resident satisfaction

91.2%

Managed homes

14,377

+63

Last year 14,314

EBITDA operating margin

2019/20

24%

Target >25%

Last year 28%

EBITDA- MRI interest cover

189%

Target >150%

Last year 308%

Debt/ EBITDA MRI

12

Target <15

Last year 4

*** Adjusted for 2018/19 Towers Grant £4.5m, before adjustment £80.2m**

**** Adjusted for 2018/19 Towers Grant £4.5m, before adjustment 16.2m**

***** Adjusted for 2018/19 Towers Grant £4.5m, before adjustment 12.9m**

Introduction by the Chief Executive

I am writing the introduction this year whilst working at home in the midst of the global Coronavirus pandemic. Whilst the impact in the UK only began to be felt towards the end of February as we moved to national lockdown in March, it has caused a disruption that is unprecedented in our modern times. It is hard to remember that the year up to that point had been dominated by Brexit and speculation on the general election which finally happened in December.

I am proud of the response from our residents and staff as we've worked to maintain essential services and support residents in potentially life changing circumstances. This wouldn't have been possible without our staff adapting, innovating and supporting our residents and each other in this difficult period.

A particularly sad decision was made in May 2020 to close our manufacturing operations after a financial loss in the subsidiary company. Whilst it is a sensible business and financial decision to protect housing assets, it has a greater human cost in the loss of jobs and the further decline of traditional manufacturing within Plymouth.

Looking back, we started the year optimistically and had plans to complete the recladding of the Mount Wise Towers by April 2020, as well as invest close to £17m in our existing homes. Within this we set aside £5.3m for comprehensive works to 10 blocks improving the environmental performance of 329 homes. We also planned to spend £21m on completing 153 new homes.

We received confirmation that we had retained both our V1 rating for viability from the Regulator, and also our A+ credit rating from S&P Global. Giving assurance that our investment plans could be funded and that we have a credible approach to managing financial and operational risks.

These plans would have seen us utilising the financial strength of our assets and reducing interest cover from the highs of previous years' whilst still maintaining our financial ratios at levels above our Board established financial framework. Although the impact of Covid-19 has been felt more keenly after the financial year end, nevertheless it has overshadowed our operational and financial performance this year, stalling the progress that had been made.

All the construction companies working with PCH came off sites in March 2020 whilst they developed covid safe working practices. The contractor for the Mount Wise Towers returned at the beginning of June 2020, delaying completion from April to towards the end of 2020. As a result we spent a reduced amount of £4.7m on the Towers, completed fewer homes at 112 for the year.

The reduced number of new homes also reduced our sales of shared ownership homes. Nevertheless we sold 49 homes in the year with a surplus of £269k giving an improved 7.5% return compared to 2.1% in 2018/19.

An expected consequence of the economic shock of Covid-19 is the rising number of unemployed people and reliance on the benefits system. Universal Credit claims began to increase and have continued to do so and so our strategy of investing in supporting residents facing financial difficulties remains essential for their well-being and security of tenure. We will not evict anyone for rent arrears due to the pandemic. Our rent collection did not reduce in March and at the end of the month our current tenant arrears levels were stable at 1.43%

Before Covid-19 struck we had found that the demand, and hence spend, for all repairs increased during the year in line with national trends giving an increased cost of £1.5m. As the virus took hold we carried out essential repairs only. We also took steps to enable over 300 staff to work at home and furloughed around 30% of staff for a time which was possible through the Government's support.

The ability to work flexibly in any location was already part of our technology investment plans as we widen our area of operations. This goes hand in hand with improving on-line access for residents as we moved into the next development phase of the MyPCH tenant portal to enable digital on-boarding for new tenants. We also took steps to improve the quality of our data making sure it is accurate and secure. To this extent we increased our investment in digital and IT services spending £0.7m on capital and £3.5m on revenue. Revenue spend increased partly as a result of our technology partners changing their business models to charge for software as a service.

As well as the investment in technology we know our tenants are diverse and we enhanced our spend on community involvement and took a lead role with the NHF Together with Tenants initiative. This investment in technology and community action has been carried on post year end to support the culture change which is being accelerated by the current Covid-19 restrictions.

Whilst we completed more homes outside Plymouth, much of our new build activity remained focussed on the North Prospect estate and, significantly, we managed to source enough funding from Plymouth City Council and Homes England to start on the last phase of this landmark regeneration.

This phase had the most private home owners to compensate and the costs of land assembly were high. Upon sale of part of the land, for the development of private homes, an impairment of £1.9m was recognised being the excess cost over the sales value.

There were also non-cash accounting entries for pension costs of £2.5m, though ultimately, the pension deficit reduced by £3.5m after changes in actuarial assumptions. The underlying position remains that staff pensions remain secure.

Our surplus before tax was £2m (before actuarial gains on pensions). This was a reduction of £6.4m from 2018/19. However, as there was a large non-cash entry, the operating cash was only £2m less at £27m.

Liquidity also remains strong with on balance sheet cash holdings of £23m at the year end and £47.5m of undrawn banking facilities.

Our underlying financial position, therefore, remains strong with the EBITDA–MRI interest cover for 2019/20 being 189% (excluding spend on the Towers) and the debt/EBITDA-MRI ratio being 12.4 Both met our Board established financial framework but our EBITDA operating margin was 24%, just below the framework target.

The impact of Covid-19 has continued to be felt throughout the first quarter of 2020/21 and is expected to be with us for some time to come, and we will continue to closely monitor its impact to services and residents.

Moving into 2020/21 we We will focus on catching up on all outstanding repairs, completing the recladding of the Mount Wise Towers, re-engaging contractors for the programme of works on our blocks and restoring our development programme. We will continue to adapt and make every effort to ensure we protect our residents, staff and partners, and to safeguard the association for the future. Whilst these actions may create a short-term financial strain and impact on operational performance indicators, we believe it is the right strategy to use our underlying financial strength to meet the needs of current and future residents.

John Clark
Chief Executive

Highlights for the year ending March 2020

• More than 9 out of 10 tenants reported that they were very or fairly satisfied with PCH as their landlord in our latest customer satisfaction survey.

• We got involved with the National Housing Federation's Together with Tenants initiative by consulting with our own residents and securing a place on the national steering group which is developing a landlord's charter for the social housing sector.

• We won an International Safety Award with a distinction from the British Safety Council, and won the overall award for the not-for-profit sector.

• We have introduced a number of employee benefits following our staff survey including buying and selling annual leave, retailer discount schemes, amongst others.

• We kept our current tenant rent arrears low at £865k or 1.43% of the £60m rent due for payment in the year.

• We maintained an A+ credit rating from S&P Global, reflecting our excellent financial standing, and retained our V1 viability assessment, as carried out by the Regulator of Social Housing.

• Although lower than recent years, at 189% we achieved our financial strategy aim of over 150% interest cover.

• We maintained a low level of gearing, with net debt less than 20% of the value of our assets.

• At 24% EBITDA surplus we achieved 1% lower than our financial strategy aim of not less than 25%.

• We built 104 new homes, and purchased a further 8 homes which are available for social rent or shared ownership and continued to acquire new homes outside of the Plymouth boundary.

• 49 shared ownership properties were sold, enabling people to part own their own home at an affordable cost.

• We commenced work on site at the Mount Wise Towers and removed all of the aluminium cladding from the building. This is being replaced by a fireproof system, and alongside these works we are also replacing the roofs and windows to all three towers.

• We started block refurbishments to six large blocks of flats to improve the thermal efficiency and the look and feel of the neighbourhood.

• We have continued to invest in communities and increased expenditure to £776k, an increase of £103k (15%) from 2018/19.

99%
Repairs completed within published timeframes

9 out of 10 residents satisfied with PCH as their landlord

£776,000
invested in our communities

112
new homes built or acquired

Strategic report

Our strategy

We are a leading, growing, independent housing association with a clear social purpose, providing homes and services people want and can afford.

This is who we are and what we do – and we can only achieve this with strong financial performance.

Our strategy is to deliver excellent homes and services for residents whilst building more homes for the people of Plymouth and the surrounding areas.

Our purpose, themes, objectives and organisational values can be seen in the diagram below:

Accompanying our strategic objectives, we have a set of deliverables for each of our themes of People, Pounds and Place.

By accomplishing our key deliverables, we will achieve our strategic objectives of building more homes for the people of Plymouth and the surrounding area, delivering excellent quality housing and neighbourhood services and sustainably growing our business through core and non-core activities.

For further reading about our ambitions, the full 2017-2022 Strategic Business Plan can be accessed on our website.

Over 4,500 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.

	2019/20 £m	2018/19 £m	Movement £m	Movement %
Turnover	**76.2**	**80.2**	**(4.0)**	**(5%)**
Reported operating surplus	**6.4**	**16.2**	**(9.8)**	**(60%)**
Impact of Towers (Grant) /Spend	-	(4.5)	4.5	100%
Operating surplus excluding impact of cladding	**6.4**	**11.7**	**(5.3)**	**(45%)**
Reported surplus before tax	**2.1**	**12.9**	**(10.8)**	**(84%)**
Impact of grant / spend for cladding removal	-	(4.5)	4.5	100%
Surplus before tax excluding impact of cladding	**2.1**	**8.4**	**(6.3)**	**(75%)**
Operating cash flow	**26.9**	**29.1**	**(2.3)**	**(8%)**
Housing assets	**520.0**	**504.3**	**15.7**	**3%**
Net debt	**103.6**	**99**	**5.0**	**5%**

Turnover reduced by £4m. Turnover in 2018/19 included £4.5m of government grant relating to the cost of removing the cladding from the three Mount Wise Towers. Turnover has increased by 1% if this grant is excluded from 2018/19 turnover.

The reported operating surplus of £6.4m is £5.3m lower than the 2018/19 operating surplus excluding the Towers grant. The reduced operating surplus is as a result of higher operating costs. The largest increase in operating costs relates to Major Repairs as we increased our planned maintenance and fire risk assessment measures.

Operating costs include an impairment charge of £1.9m relating to the write out of assets as the land assembly and plot sales for the final phase of North Prospect completed before the financial year end. Excluding impairment, depreciation and non-cash pension costs the core underlying operating costs increased by £2m or 4%, with overall staff costs increasing by £1.5m and full time employees increasing from 624 to 642.

We have increased our Digital & IT programme. We remain confident that the investments in Digital & IT will continue to deliver the expected operational benefits and modernise the delivery of services to our residents.

The cash generated from operating activities has remained strong at £26.9m. This is a reduction of £2.2m from 2018/19. The lower operating surplus has been off-set by movement in working capital, specifically a reduction in debtors. Our reported surplus before tax of £2.1m is a reduction of £6.3m from 2018/19.

The Board has approved the financial strategy aims of maintaining the operating margin above 25%, interest cover above 150% and net debt below 15 times EBITDA – MRI.

Group	2019/20 Result	2018/19 Result	2017/18 Result	Target
EBITDA operating margin	24%	28%	36%	>25%
EBITDA – MRI Interest cover	189%	308%	342%	>150%
Debt / EBITDA MRI	12	7	5	<15

The 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. The ratios have been adjusted throughout this report for these distorting issues so that we are able to measure the underlying financial performance.

Our financial results have exceeded the financial strategy targets for EBITDA-MRI interest cover and Debt to EBITDA-MRI. The EBITDA operating margin target was missed, however excluding the impairment charge of £1.9m in 2019/20 the EBITDA operating margin would be 26% and the target exceeded.

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 Association’s activities.

Environmental, Social and Governance Reporting

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. The report is available on our website.

Financial and operational performance

Statement of Comprehensive Income - 5 Year Comparison

	Group 2019/20 £'000	Group 2018/19 £'000	Group 2017/18 £'000	Group 2016/17 £'000	Group 2015/16 £'000
Turnover	76,181	80,178	69,307	66,444	66,841
Costs	(70,037)	(64,547)	(60,134)	(54,039)	(58,099)
Gain / (Loss) on disposal of properties not developed for outright sale	258	527	(1,363)	(1,515)	(1,782)
Operating surplus	**6,402**	**16,158**	**7,810**	**10,890**	**6,960**
(Deficit)/surplus on sales of fixed assets	(3)	92	29	46	60
Net interest payable	(4,055)	(4,109)	(5,230)	(5,240)	(3,366)
Cost of cancellation of interest rate hedge	-	-	(38,380)	-	-
Change in value of investment property	(261)	730	411	(7)	(889)
(Deficit)/surplus for the year before tax	**2,083**	**12,871**	**(35,360)**	**5,689**	**2,765**
Tax	(65)	(7)	(150)	-	32
Surplus/ (Deficit) for the year after tax	2,018	12,864	(35,510)	5,689	2,797
Actuarial gain / (loss) on pension scheme	6,788	392	5,461	(17,932)	10,478
Total Surplus / (Deficit) after actuarial adjustments	**8,806**	**13,256**	**(30,049)**	**(12,243)**	**13,275**

Statement of Financial Position - 5 Year Comparison

	Group 2019/20 £'000	Group 2018/19 £'000	Group 2017/18 £'000	Group 2016/17 £'000	Group 2015/16 £'000
Fixed assets - Housing	519,977	504,274	488,302	472,424	468,721
Tangible assets - Other	36,399	37,010	36,626	36,315	27,495
Total fixed assets	**556,376**	**541,284**	**524,928**	**508,739**	**496,216**
Net amount receivable after more than one year	2,295	1,517	-	-	-
Cash	23,950	13,442	15,927	12,186	14,467
Other Current Assets	17,153	23,791	15,742	10,264	10,242
Current Liabilities	(16,285)	(17,914)	(18,691)	(17,110)	(13,800)
Net current assets	**24,818**	**19,319**	**12,978**	**5,340**	**10,909**
Creditors falling due > 1 year					
Total Housing Loans	(125,230)	(111,108)	(109,794)	(59,479)	(62,880)
Grant Funding	(41,083)	(37,770)	(26,176)	(24,516)	(21,323)
Pension liability	(26,567)	(30,075)	(28,043)	(30,890)	(11,485)
Total	**(192,880)**	**(178,953)**	**(164,013)**	**(114,885)**	**(95,688)**
Provision for removal of Tower cladding	-	(512)	(4,495)	-	-
Net assets / Reserves	**390,609**	**382,655**	**369,398**	**399,194**	**411,437**

Turnover

	2019/20 £'000	2018/19 £'000	2017/18 £'000
Turnover (unadjusted)	76,181	80,178	69,307
Turnover (adjusted for Towers Grant 2018/19)*	76,181	75,223*	69,307
% of income from social housing lettings	83%	82%	86%
Increase in turnover (unadjusted)	(5%)	16%	4%
Increase in turnover (vs adjusted Turnover)	1%	16%	4%

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

Turnover for the year ended 31 March 2020 increased by 1% when adjusting 2018/19 for grant income, when unadjusted, turnover for the year to 31 March 2020 decreased by 5% to £76.2m. (March 2019: increase of 16% to £80.2m). The decrease of 5% was as a result of:

• a grant of £4.5m for the removal of cladding on the Mount Wise Towers being included in turnover in March 2019 (March 2020 nil)

• lower shared ownership sales of £3.6m (March 2019 £4.8m)

• land sales of £2.1m (March 2019 £2.7m)

Social housing lettings income increased to £63.0m (March 2019: £61.4m), despite being the final year of the 1% annual rent reductions, the increase was as a result of:

• affordable rent premiums on homes converted to affordable rent increasing by 21% to £4.0m (March 2019: £3.3m)

• rents from new-build properties of £2.6m (March 2019: £1.8m)

• Leaseholder repairs recharges of £0.7m (March 2019: £0.3m)

Our social rents continue to be amongst the lowest in England and this presents us with a 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 over £50 less per month than other Plymouth-based registered providers. Compared to the private rented sector, our rents are almost 60% 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 compared to other social landlords and the private sector in Plymouth, and national general needs social rent averages.

	PCH social rent 2019/20	Plymouth social rent 2018/19	National social rent 2019/20	Plymouth private rent 2020	Local housing allowance maximum
One Bedroom	£286	£313	£384	£443	£420
Two Bedroom	£325	£363	£424	£763	£530
Three Bedroom	£349	£400	£454	£843	£630
Four Bedroom	£389	£457	£536	£1,107	£791
Five Bedroom	£466	£511	£597	£1,098	£791

As part of our development agreements with Homes England, we have a programme to convert socially-rented homes to affordable rent when they become vacant. This means we can charge up to 80% of market-rent with the income from the additional rent being ring-fenced for development.

As at 31 March 2020 we had converted over 3,000 homes to affordable rent at an average of £438 per month and this is on-target with our development funding bids. This compares to £323 for a general needs property let at social rent.

2019/20 was the final year applying a 1% reduction to rents in line with the Welfare Reform and Work Act 2016 requirements. From April 2020 our social rents and new build affordable rents increased by 2.7% (CPI+1%) in line with the revised Rent Standard. Rents for properties converted to affordable rent were reduced by up to 5% from April 2020 in accordance with the Board's aim to step down rents over the next two years to Social Rent levels, to coincide with the ending of existing agreements with Homes England to raise additional rent to support development as highlighted above.

Value for money indicators - Income management

	Target 2020/21	Benchmark Quartile	2019/20	2018/19	2017/18
Rent Collected as a % of Rent Due	100.00%	3rd	99.61%	100.97%	100.75%
Current tenant rent arrears as % annual debit	2%	1st	1.43%	1.16%	1.28%
Occupancy Rate	99.2%	3rd	99.6%	99.5%	99.4%
Average number of days to relet routine voids	20	2nd	23.77	22.71	17.38
Rent lost during the year due to voids as %	0.8%	1st	0.46%	0.49%	0.42%

The number of tenants known to be receiving Universal Credit is increasing steadily, and stood at 2,558 on 31 March 2020. By the end of June 2020 we had seen a further increase of around 1,000 tenants making claims as a result of the impact of Covid-19.

The move to Universal Credit increases the risk of higher rent arrears as tenants become responsible for paying the rent instead of this being paid directly to PCH by the Department of Works and Pensions. It is important to support residents to sustain their tenancies and this keeps occupancy rates high. We work hard to keep people in their homes as much as possible. The number of evictions in the year was 33, of which 14 were for rent arrears.

Shared Ownership and Land Sales

Shared Ownership sales were £3,597k (2019:£4,828k), giving a surplus of £269k (2019: £102k).

49 Properties were sold this year (2019: 65), taking our total sales to date to 256. The return on sales increased from 2.1% in 2018/19 to 7.5% in 2019/20.

Shared Ownership Sales	2019/20 £'000	2018/19 £'000	2017/18 £'000
Shared Ownership Sales	3,597	4,828	1,487
Cost of Sales	(3,328)	(4,725)	(1,447)
Surplus	269	102	40
Return	7.5%	2.1%	2.7%

In addition to shared ownership sales there were land sales to developers in North Prospect to provide open market homes which generated £2.1m income (2019: £2.7m) and had a net book value of £1.9m (2019: £2.2m).

Other social housing and commercial income

Year to 31 March 2020	Turnover £'000	Costs £'000	Profit /(loss) £'000
PCH Manufacturing Services	2,670	(2,894)	(224)
PCH Energy	1,011	(1,043)	(32)
PCH Regeneration	9,092	(8,750)	342

The income and costs from PCH Manufacturing Services and PCH Energy are consolidated into the group figures. PCH Manufacturing made a loss higher than the level of reserves within the company. With very low levels of committed customer orders and Covid-19 resulting in the majority of the customer base being in lockdown the decision was made in May to close PCH Manufacturing Services.

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

Cost of sales

Cost of Sales	2019/20 £'000	2018/19 £'000	2017/18 £'000
Shared Ownership	(3,328)	(4,725)	(1,447)
Land Sales	(1,947)	(2,207)	-
External Sales	(2,084)	(1,294)	(1,603)
Total Cost of Sales	(7,359)	(8,226)	(3,050)

Cost of Sales reduced from £8.2m in 2018/19 to £7.4m in 2019/20. This reflects the lower number of shared ownership property and land sales. The remaining costs of sales relates to external sales by our subsidiaries.

Operating costs

Operating costs increased by £6.3m (11%) from £56.3m in 2018/19 to £62.6m in 2019/20.

Group	2019/20 £'000	2018/19 £'000	2017/18 £'000
Costs	62,678	56,321	57,084
% Increase/(decrease)	11%	(1%)	9%
Costs without towers provision	62,678	56,321	52,589
% Increase	11%	7%	0%

Over the last three years running costs have increased, with an 11% increase in 2019/20 (7% in 2018/19). The largest elements of the increase in operating costs relate to major works improvements (£1.2m), investment in Digital & IT transformation (£0.6m), additional impairment relating to the North Prospect phase 4 site prior to redevelopment (£0.8m) and non-cash pension costs (£0.9m).

In July 2018 the repairs management system was replaced. This continued to have an impact across the organisation in 2019/20 as teams fully embed the new system and implemented new ways of working. PCH continues to invest heavily in Digital & IT to 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 ever increasingly digital and paperless. We remain confident that the investments in Digital & IT 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 2019/20 with the Board recognising the 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% increase in 2018/19 and a 1% increase in 2017/18.

94.7% of residents are satisfied with the outcome of their ASB complaint

Value for money indicators - Operating efficiencies

	2019/20 Target	Benchmark Quartile	March 2019/20	March 2018/19	March 2017/18
Headline Social Housing cost per unit	£3,931	4th	£3,931***	£3,610	£3,229*
Management cost per unit	£709	1st	£682	£638	£622
Maintenance cost per unit	£834	1st	£851	£814	£730
Major repairs cost per unit	£1,625	4th	£1,625	£1,512	£1,245*
Service charge cost per unit	£361	2nd	£369	£325	£294
Other social housing cost per unit	£401	4th	£404	£321	£338
Ratio of Response Repairs to Planned Maintenance	40%	1st	44%	54%	59%
% repairs completed within published timeframes	99.00%	-	98.29%	98.29%	99.74%
Average number of days sickness per FTE	8 days	1st	8.09	8.09	7.71
Overheads as a % of Adjusted Turnover	12.30%	3rd	12.40%	10.60%**	11.25%

* 2018 costs exclude £4.5m for towers cladding replacement. If included the headline cost would be £3,546 and major repairs £1,561

**2019 turnover excludes towers grant of £4.5m. If this was included then the ratio would be 10%

***2020 Headline Social Housing cost per unit and Major Repairs cost per unit exclude £4.7m of Towers costs. Including these costs the unit costs would be £4,260 and £1,955

The increase in the Headline Social Housing Cost per unit also reflects a higher level of planned major works, with the outturn being on budget.

Whilst the management cost per unit has increased from £638 to £682, mainly as a result of costs relating to Housing
systems digital transformation, the cost is below target.

Repair maintenance costs per unit increased during the year, which reflects national trends within the sector. The unit cost of £851 was above the target of £834. As the national trend has been increased repair costs we have increased the target for future years.

Excluding the Mount Wise Towers cladding, our block refurbishment programme continued to gather pace with £3m more being spent than in 2018/19, resulting in an increased unit cost which was on target for the year.

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 largest element of the other social housing cost per unit remains the non-cash pension charge adjustment at £2.6m in 2019/20 (£1.7m 2018/19).

There has been an increase in the overhead as a percentage of adjusted turnover this year, partly driven by our continued investment in our digital programme. 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.

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

	Target 2019/20	Benchmark Quartile	2019/20	2018/19
Customer Satisfaction with Services (STAR)	94%	2nd	91.20%	91.20%
% residents satisfied with the repairs service (transactional)	95%	-	96.22%	96.22%
% residents satisfied with the outcome of their anti-social behaviour complaint	90%	1st	94.75%	94.75%
% homes with a valid gas safety check	100.00%	1st	99.98%	100.00%
% reinvestment in new and existing stock	8%	3rd	6.9%	6.30%
£s invested in communities £000's	£800	1st	£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 £776,000 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, which was missed this year due to the impact on COVID 19 on the delay of handovers of new homes from developers.

99.98% of our homes had a valid gas safety certificate.

Value for money indicators - Operating margin

	Target	2019/20	2018/19	2017/18
Operating surplus, exc sales of fixed assets* £000's	8,000	6,399	11,131	13,673
Operating Margin*	14%	8.1%	14.7%	20.0%
Operating Margin (Social Housing Lettings)*	12%	7.8%	14.3%	18.0%
Operating surplus, exc sales of fixed assets (EBITDA) £000's	-	20,026	21,202	25,232
Operating Margin - (EBITDA)*	>25%	24%	28%	36%

* Adjusted for £4.5m of expenditure in 2018, and £4.5m of income in 2019 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 and £9.2m in 2017/18; the operating margin was 19% in 2018/2019 and 13% in 2017/18, the operating margin from social housing lettings was 20% in 2018/19 and 10% in 2017/18. The EBITDA operating margin is not adjusted.

The operating surplus for the year decreased from £11.1m to £6.4m. This is mainly due to higher operating costs. Non cash impairment, deprecation and pension costs increased by £2.2m, with all other operating costs increasing by £2m (or 4%), with significant investment to support our ongoing digital transformation plans.

The operating margin (operating surplus as a per-cent- age of turnover) on a similar basis reduced from 14.7% to 8.1%. Using the EBITDA measure the surplus was £19.8m (2019: £21.2m), and the EBITDA operating margin has reduced to 24% from 28% in 2018/19. The reduction in the operating margin is as a result of an increase in operating costs as previously set out.

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 £258k (2019: £527k).

Other fixed asset sales

There was a loss on other fixed asset sales of £39k (2019: £92k profit).

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.

Interest payable and similar charges

Interest payable and similar charges were £4.1m (2019: £4.2m). These total interest figures comprise, as well as interest, non-utilisation fees, amortisation of arrangement fees, legal and professional charges, and pension interest expense and are net of interest capitalised to development schemes in the year.

Loans increased to £125m at the end of the year from an opening level of £111m. The average level of borrowings during the year was £118m (2019: £112m).On the 19th March we drew £18m to ensure sufficient liquidity during the uncertainty as Covid-19 took hold.

We built or acquired 112 new homes for rent or Shared Ownership.

Value for money indicators - Interest cover

	2019/20 Target	Benchmark Quartile	2019/20	2018/19	2017/18
EBITDA Interest cover*	>250%	--	406%	497%	444%
Interest Cover (EBITDA MRI) Group*	>150%	2nd	189%	308%	342%
Interest Cover (EBITDA MRI) Association*	>150%	--	197%	287%	281%

*Adjusted for £4.5m of expenditure in 2018 and £4.5m of grant income in 2019 in respect of the removal of cladding on Mount Wise Towers and the £38m hedge buy out cost in 2017/18. Prior to these adjustments in 2017/18 the group EBITDA-MRI interest cover was 34%, the Association EBITDA - MRI interest cover was 26% and the EBITDA interest cover was 57%. No other metrics were adjusted. 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 reduced by 8% to £26.9m in 2019/20 from £29.1m in 2018/19. This is primarily due to the movement in working capital, with the significant movements relating to a decrease in debtors as the Homes England Mount Wise Towers grant of £9.5m was received in year, and the value of unsold shared ownership stock has increased from £2.4m in March 2019 to £4.2m in March 2020, increasing as developer handovers completed towards the end of the financial year. During 2019/20 net borrowing increased by £15.5m, predominantly due to £18m being drawn down in March 2020 due to the economic uncertainty caused by Covid-19, thereby providing assurance on cash liquidity and service delivery during the global response to the pandemic, (2018/19:£1.5m).

Housing properties

PCH continued with its substantial investment in its homes. During the year, £37.8m was spent on improving and acquiring housing properties and £1.9m was spent on other fixed assets.

We developed 104 homes during the year and the net addition to the total stock was 103.

Including both capital and revenue expenditure, PCH spent £14.5m 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 socially rented homes 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.

Over 750 new homes built so far as part of North Prospect Regeneration

Business assets

We own our headquarters building and the shop where our city centre office is based. We also purchase our fleet of vehicles and IT equipment outright. We have an additional three leased premises - Prince Rock Depot used by Manufacturing and Environmental Services plus two small industrial units, one of which is used for our repair stores and the other is a PCH recycling centre used by our Environmental Services team. We have decided to move out of Prince Rock following the decision to close our Manufacturing activity with the lease due to expire in the autumn of 2020/21.

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 spaceis leased to other organisations. During the year we generated a surplus of £429k, including service charges, for leasing this space

Our business strategy is focussed on increasing digitalisation of services and our investment in IT was £0.6m in capital and more on revenue as we continued implementation of the digitalisation 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 centre in North Prospect we have commercial lettings, including a nursery, library and grocery store. In addition, the Beacon centre also has space for community activities, with footfall expected to grow in the coming years, although this will be unlikely in the immediate future due to the impact of COVID.

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 is fully let and bringing in an annual income in excess of £400,000

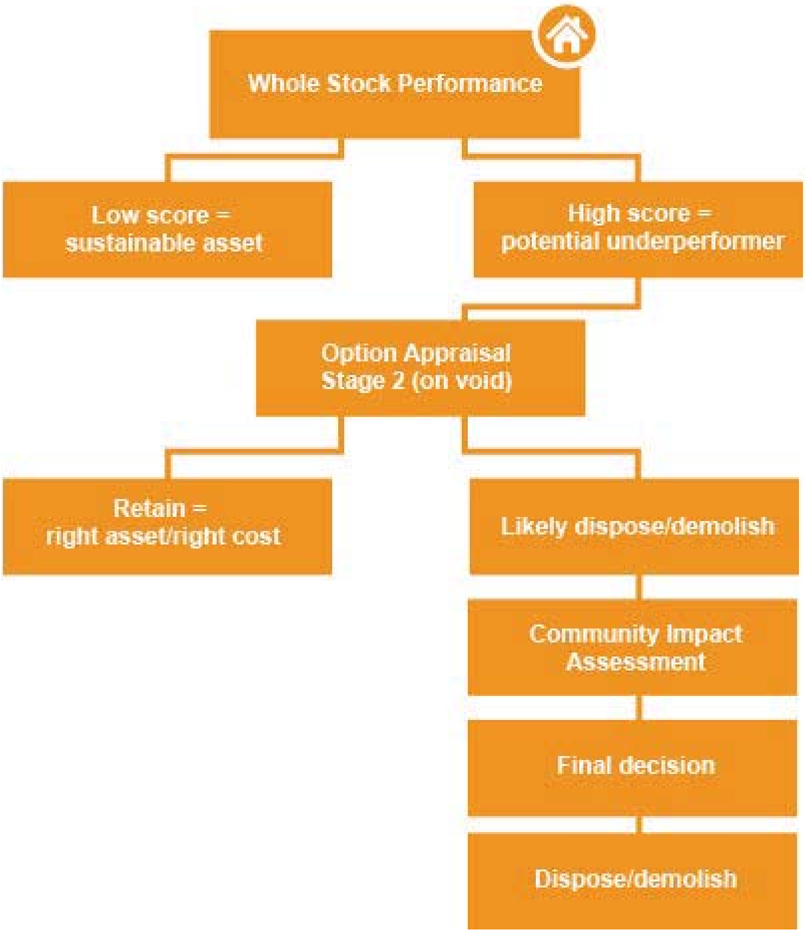
Strategic asset management

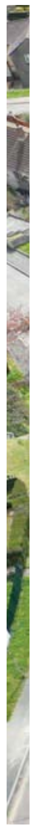
Whilst our policy is to maintain homes to a high standard, sometimes it costs more to maintain a property than the rental return. Where we identify properties that could fall into this bracket, these assets are subject to an evaluation process taking social, financial and environmental features into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

During the financial year ending 31 March 2020, we disposed of 61 social housing homes (55 Right to Buy, 4 Right to Acquire, 2 Sundry). 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 £258k.

The process is shown in the diagram below:

Asset evaluation process





We are investing £17.3m into existing properties

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.

We have set a budget of £17.3m on major works and improvements to our existing properties of which £6m is for refurbishing 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	2019/20	2018/19	2017/18
Return on Capital Employed*	2%	1.11%	2.10%	1.98%
Operating surplus - £'000	8,000	6,399	11,658	12,310
Total assets less current liabilities £m	570	583	562	538

* adjusted for £4.5m of expenditure in 2018, and £4.5m of income in 2019 in respect of the removal of the cladding on Mount Wise Towers and £38m hedge buy out costs in 2018. Prior to these adjustments the Return on Capital Employed was 2.9% in 2018/19 and 1.45% in 2017/18, the operating surplus £16.2m in 2018/19 and £7.8m in 2017/18.

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.

Gearing stands at 19.5%

Value for money indicators - Development (capacity)

	Target	2019/20	2018/19	2017/18
Gearing	<40%	20%	19%	19%
Net Debt per home £	<13,500	£7,327	£6,994	£6,718

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 for the next 14 years.

A scenario of 300 homes demonstrated that we have the financial capacity to undertaken a more ambitious programme. Our net debt per unit at just over £7,000 is considerably lower than our most restrictive gearing covenant.

Value for money indicators - Development (supply)

	Target	Benchmark Quartile	2019/20	2018/19	2017/18
New Supply Delivered (Social Housing)	215	-	112	216	124
New Supply Delivered as % of Homes Owned (Social Housing)	1.52%	3rd	0.78%	1.51%	0.87%
New supply delivered – number of non-social housing homes	-	-	-	-	-
New supply delivered as a % of stock – non-social housing homes	-	-	0%	0%	0%

Between stock transfer in 2009 and March 2020 PCH has built 779 new homes, 547 for rent and 232 for shared ownership. During 2019/20 we took handover of 112 new affordable homes, 82 for rent and 30 for shared ownership.

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, with 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 takes us into Callington, St Ann's Chapel and the Sherford new community on the outskirts of Plymouth.

We are progressing a five year programme to acquire 508 new homes through Section 106 agreements and direct purchased land developments. To date the Board have approved acquisition of 372 homes across 10 schemes, including 240 homes for rent. We missed the target due to Covid-19 hitting at the end of year and delaying handovers, which are expected to complete in early 2020/21.

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 achieved £3.6m in Shared Ownership sales

Capital structure and treasury policy

Capital structure

At 31 March 2020 the organisation had £85m of variable rate bank facilities, being a £45m Term facility provided by Royal Bank of Scotland (RBS), expiring in 2027, and a £40m Revolving Credit Facility (RCF) provided by Barclays which expires in 2023. This RCF was increased by £5m in the year. 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.

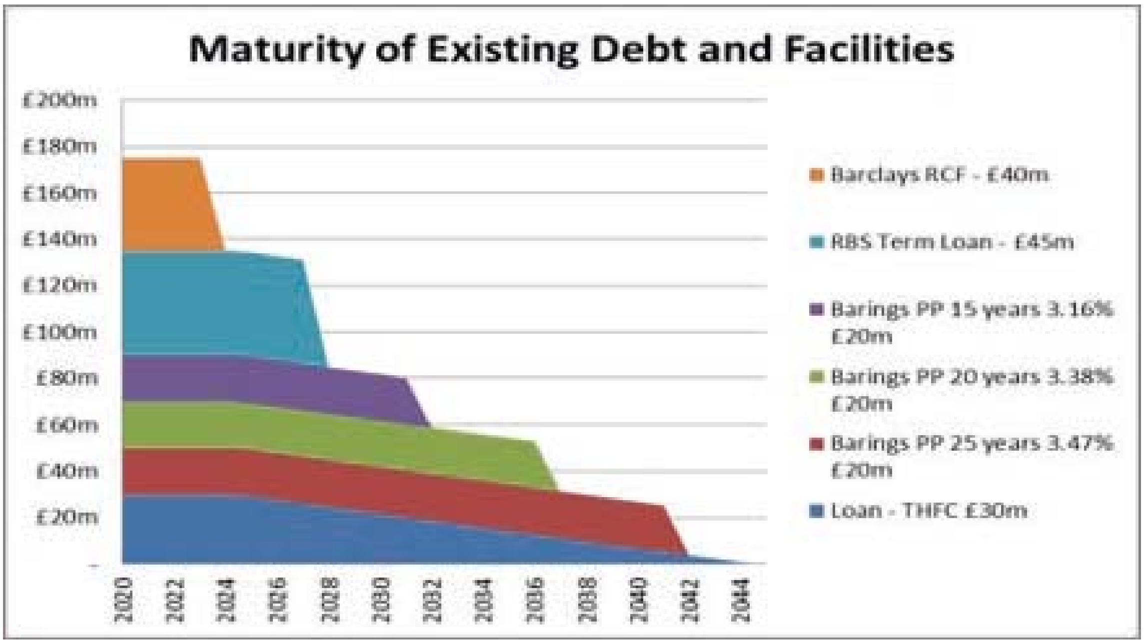
All borrowing agreements give us the flexibility to obtain additional funding without requiring the consent of existing lenders.

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 2020, of the £175m facilities available to the organisation, £127.5m had been drawn down, with £47.5m 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.

	March 2020	March 2019	March 2018
Net Debt / turnover x	1.4	1.2	1.4
Net Debt / EBITDA x	6	4	4
Net Debt per home	£7,327	£6,994	£6,718
Gearing	20%	19%	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 £175m facility is fully secured and there are a further 5,929 homes available for charging in the future giving confidence in the 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
RBS	June 2017	2,285	54	45	12.5
THFC	Nov 19	1,510	52	30	30.0
Barclays	June 2017	1,771	65	40	25.0
Barings	June 2017	2,872	80	60	60.0
Subtotal - allocated		8,438	251	175	127.5
Unallocated		5,929	142		
Total		14,367	393		
Gross debt per unit	£8,875				

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 a revaluation was conducted for THFC. Revaluations for Barclays and RBS in line with the terms of the lending were due by the end of May 2020. All surveys were conducted by Savills, RICS registered Valuers. The THFC survey was a full survey. The Barclays survey was a desktop survey due to Covid-19 restrictions, and finalised just after the financial year end. The RBS survey is currently ongoing, agreed with RBS as a drive by survey due to Covid-19 restrictions. The 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 2020
Cash on Hand	Higher of £5m or 3 months' cashflow	£24m 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	Compliant More than > 2 years facilities with over 10% bank facilities undrawn
	Maintain a forecast minimum of 10% of bank loan facilities undrawn - currently £85m so £8.5m	
	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 2020
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 £127.5m Housing assets are £505m

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 71% of drawn funds at 31 March 2020, 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 3.7%.

The weighted average cost of debt was 3.3% (2019: 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 (2019: £0.3m) and the actual cash interest paid during the year was £3.3m (2019: £3.6m).

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 £23.9m (2019: £13.4m). Additional funds were drawn at the year-end owing to the economic uncertainty deriving from the government's response to the Covid19 virus. 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 £2.0m (2019: £0.6m) 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.

Net debt per home stands at £7,327.

Liquidity strategy

The policy requires balance sheet cash holdings as explained above. This means having in place facilities for at least 18 months future funding with headroom of 10% (currently £8m) on banking facilities and sufficient facilities to cover all committed development schemes.

At 31 March 2020 facilities were sufficient to cover over two years of future financing needs with projected undrawn bank debt of £48m 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 two shares were issued and six were cancelled, leaving a balance in the share capital of the company of £38 (2019: £42).

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 15% of the residential property market. This is a planning measure; if sales happen earlier or at higher values than expected so resulting in their exceeding 15% 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	2019/20 Actual
Sales risk	Shared ownership and open market sales as a percentage of turnover should not be more than 15%	5%

We also monitor the value of unsold stock which is completed and available for sale against the current year's gross turnover with increasingly severe action trigger points at the levels of 5%, 10% and 15%. The highest level results in a presumption that no new development schemes will be entered into.

Unsold stock as a percentage of gross turnover at 31 March 2020: 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 maintained in any circumstance other than through merger with another association.

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.

In addition to these core scenarios we also carried out tests on the impact of an extended Covid-19 pandemic.

There was an additional supplementary scenario of a large exceptional cost of whatever cause.

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.

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.

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.

Value for money and benchmarking

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 that we get the right outcome.

Our Value for 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 VFM

Achieving VFM is a key driver of the way we do business and is assessed in two simple yet effective ways:

Have we done what we said we would do?

How does our financial and operational performance compare to other similar landlords?

Performance against objectives is measured monthly at operational level and reported to Board on a quarterly basis.

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 LSVT landlords with more than 7500 homes . More recently we have complemented HouseMark benchmarks with data from the Sector Score-card and the Global Accounts by comparing ourselves to all Registered Providers.

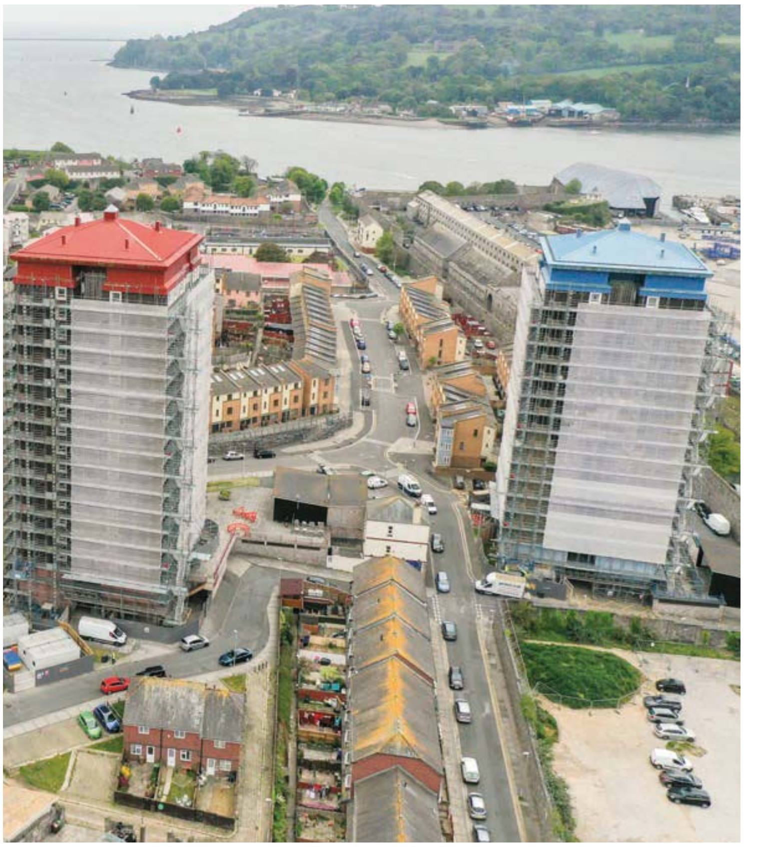
Overall value for money score

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.

Sector scorecard and regulatory metrics (marked ⭐)

Business Health	Development (Capacity and Supply)	Outcomes Delivered	Effective Asset Management	Operating Efficiencies
⭐ Operating Margin **8.1%**	Units Developed **112**	Customer Satisfaction with Services **91.2%**	⭐ Return on Capital Employed (ROCE) **1.1%**	⭐ Headline social housing cost per unit **£3,931** **[£4,260]**
⭐ Operating Margin (Social Lettings) **7.8%**	⭐ Homes Developed as % Homes Owned **0.78%**	⭐ Reinvestment **6.9%**	Occupancy rate **99.4%**	Rent collected as % rent due **99.61%**
⭐ EBITDA-MRI Interest Cover **188.8%** **[82.5%]**	⭐ Gearing **19.5%**	£ invested in communities **£776k**	Ratio of response repairs to planned maintenance **0.44**	Overheads as % adjusted turnover **12.4%**

The above figures are benchmarked against the House-Mark Sector Scorecard LSVT 7500+ group results, incorporating the Regulator's metrics which are starred. The figures for EBITDA-MRI interest cover and headline social housing cost per unit have been adjusted to exclude exceptional one-off spend relating to Mount Wise Towers cladding works of £4.736m. Where this is different to the strict calculation of the regulators metric we have included the unadjusted figures in square brackets.



	PCH Outturn	Global Accounts Quartile	Sector Scorecard (LSVT 7500+) Quartile
Operating margin	8.1%	4th	4th
Operating margin (social housing lettings)	7.8%	4th	4th
EBITDA-MRI interest cover (unadjusted)	82.5%	4th	4th
EBITDA-MRI interest cover (adjusted)	188.8%	2nd	3rd
Units developed as a % of units owned	0.8%	3rd	3rd
Gearing	19.5%	1st	1st
Reinvestment %	6.9%	2nd	3rd
Headline social housing cost per unit (unadjusted)	£4,260	3rd	3rd
Headline social housing cost per unit (adjusted)	£3,931	3rd	3rd
Return on capital employed (ROCE)	1.1%	4th	4th

The metrics show that we have a strong balance sheet with low debt and high assets giving a low gearing.

There are 7 main regulatory metrics, with 2 indicators having further subsets. We are required to report on the 7 main metrics and 1 subset. We have not reported on the number of non-social homes developed/acquired in the year as this did not apply to PCH.

Interest cover, excluding the cost of replacing the cladding at the Towers of £4.736m, meets our financial strategy aim of maintaining interest cover at over 150%. Operating margins are at the lower end for the sector due to our low rents. Operating efficiency is good and our strong social values are reflected in top quartile customer satisfaction and a healthy investment in communities. We continue to play our part in new development which is one of the areas we are focussed on increasing in the coming years.

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

Group structure and corporate governance

Profile of Plymouth Community Homes Ltd

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

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)
Co-Operative and Community Benefit Society

Plymouth Community Homes Manufacturing Services Ltd (PCHMS)

Non-charitable limited by guarantee company

Plymouth Community Homes Regeneration Company Ltd (PCHR)

Non-charitable limited company

Plymouth Community Homes Energy Ltd (PCHE)

Non-charitable limited 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 usually Gift Aided to Plymouth Community Homes to support its work.

The PCHMS Board contains a mixture of PCH Board members and a member of the Executive Management Team. The PCHR and PCHE Boards contain members of the Executive only, due to the operational nature of those Boards' business. This is currently under review.

Plymouth Community Homes Manufacturing Services Ltd (PCHMS)

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

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

PCHMS is a company limited by guarantee, and has four company directors, consisting of three PCH Board members and one member of the Executive. This Board met four times during 2019/20.

Due to difficult trading conditions over the past year and the ongoing impact of the Covid-19 pandemic, the directors cannot reasonably foresee a return to profitability in the near future. At the PCHMS Board meeting in April 2020 and the PCH Board meeting in May 2020 the directors therefore decided to cease operations once existing orders have been fulfilled, outstanding debts collected and all suppliers paid.

Plymouth Community Homes Regeneration Company Ltd (PCHR)

This subsidiary oversees the new-build design and build work for PCH. The company also owns four residential properties which are let at market rent. The profits of the company are usually paid to PCH under Gift Aid.

PCHR is a company limited by shares, and has four company directors, consisting of the Executive Management Team. This Board met three times during 2019/20.

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 2,344 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 five times during 2019/20.

The Plymouth Community Homes Ltd Board

The Board members holding office during the period 1 April 2019 to 31 March 2020 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 2019/20, addressing internal and external audit issues, and ensuring compliance with systems of internal control. It advises the Board on risk manage- ment 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 2019/20 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 five times during 2019/20 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 2019/20, 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.

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 Govern- ance 2015 which the association has adopted and the Governance and Financial Viability regulatory standard.

Through the succession planning process the Board were made aware that two board members will have served their maximum term of nine years in the summer of 2020.Therefore the Board have approved a process for the successful recruitment of new members with the required skills and experience to reflect the Boards' developing business needs.

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.

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

The Board have also appointed a co-optee to the Development Committee to further strengthen its skills base in this area.

The Board members holding office during the period 1 April 2019 to 31 March 2020 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.

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

Plymouth City Council's share in Plymouth Community Homes was removed on 15 May 2018 in compliance with the Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017.

These Regulations also require that no more than 24% of the total Board membership may be Local Authority officers. PCH complies with this requirement.

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.

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 the annual Stability Check, was published in November 2019 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.

This judgement maintains PCH's previous assessment in January 2019.

The regulatory judgement detailed the following:

• "Based on evidence gained from a Stability Check, the regulator has assurance that PCH's financial plans are consistent with, and support, its financial strategy. The provider has an adequately funded business plan, sufficient security in place, and is forecast to continue to meet its financial covenants under a wide range of adverse scenarios.

• Our previous assessment of PCH, which was published in January 2019, concluded that whilst its financial position had improved in a number of respects, the introduction of a programme of development for outright sale represented a degree of risk. PCH's latest plans reflect further strengthening of its financial position, due in part to a major refinancing exercise which has taken place during the last financial year. As a result, PCH's plans are now less reliant upon sales receipts and demonstrate greater financial capacity to manage risks.

• The regulator's assessment of PCH's compliance with the governance elements of the Governance and Financial Viability Standard remains unchanged. On the basis of the stability check, the Regulator has concluded that there is no evidence to indicate a change to our current governance grading."

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. This includes compliance with the National Housing Federation Code of Governance, which was adopted by the Board in March 2015.

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 has elected to prepare the financial statements in accordance with UK Accounting Standards including FRS102, which is the Financial Reporting Standard applicable in the UK.

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

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- 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 2018. 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.

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.

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 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 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 2020 and up to the date of signing these financial statements.

Going concern

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

Due to difficult trading conditions over the past year and the ongoing impact of the Covid-19 pandemic, at the PCHMS Board meeting on 29 April 2020 the directors decided to cease operations once existing orders have been fulfilled and all outstanding debts collected and suppliers paid.

PCH as parent and the main creditor has agreed to provide support, by way of deferring the collection of its debt and suspending the cost sharing agreement which regulates the allocation of costs between PCH and PCHMS Ltd. This will allow for the maximisation of funds to settle the debt to PCH.

The Board has been updated on the potential impact of Covid at their meetings in March and May and the Management Team is monitoring a range of financial and operational indicators on a weekly basis. To the end of June 2020 there has been an increase in arrears, with a large increase in the number of tenants claiming Universal Credit. However cash levels have remained high as expenditure levels are significantly below budget. Over the medium term there is likely to be increased costs, such as PPE, catching up with repairs and a higher number of voids and increased cost of rent collection.

There is also a risk to some of our commercial activities such as rental income from shops and offices, as well as shared ownership and open market sale receipts. However at the end of June we have not experienced any downturn in demand or sales value. We have prudent planning assumptions within our 30 year model as well as significant levels of discretionary expenditure, and can therefore have confidence that we have available mitigating actions to maintain viability. Liquidity also remains strong with on balance sheet cash holdings around £20m at the end of June and headroom of over £50m committed facilities available.

Internal audit annual report

Mazars LLP completed 11 planned reviews during the year, including two compliance reviews and one follow up review. These identified 0 high, 6 medium and 25 low risk findings to improve controls.

Mazars confirmed:

“In our opinion, Plymouth Community Homes has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the Association.

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

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

Disclosure of information to auditor

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

Auditor

Following a competitive tendering exercise, KPMG LLP was reappointed as external auditor of the Association at the Annual General Meeting in September 2019.
The appointment was for the audit of the five years ending 31 March 2020 to 2024. A new tendering exercise will be undertaken for audit of the next five years.

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 **28/7/2020**

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

Interest cover is much higher than our target of at least 150%

Independent auditor’s report

Opinion

We have audited the financial statements of Plymouth Community Homes Limited (“the association”) for the year ended 31 March 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, group cash flow statement, association cash flow statement 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 2020 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 properly 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 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”).

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board’s conclusions, we considered the inherent risks to the group business model and analysed how those risks might affect the group and association’s financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the group or the association will continue in operation

Other information

The association’s Board are responsible for the other information, which comprises the Strategic Report, Group Structure and Corporate Governance, Board Report and the Statement on Internal Controls. 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:

In our opinion the financial statements:

- 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 more fully explained in their statement set out on page 49, the association’s Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as they determine 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 they either intend to liquidate the Group or the Association or to cease operations, or have 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Victoria Sewell
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
Regus 4th Floor,
Salt Quay House, PL4 0HP
28 September 2020

We have maintnained our V1 viability rating, G1 governance rating and A+ credit score.

Statement of comprehensive income for the year ended 31 March 2020

Continuing Activities	Note	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Turnover	3	76,181	80,178	72,719	77,360
Cost of sales	3	(7,359)	(8,226)	(5,390)	(7,048)
Operating costs	3	(62,678)	(56,321)	(61,089)	(55,141)
(Loss)/Gain on sale of properties not developed for outright sale	10	258	527	258	527
Operating surplus	3	**6,402**	**16,158**	**6,498**	**15,698**
(Loss)/Gain on sale of:					
Fixed assets	5	(3)	92	18	125
Interest receivable	11	72	46	203	42
Interest payable and similar charges	12	(4,127)	(4,155)	(4,127)	(4,155)
Change in value of investment property	15	(261)	730	(261)	730
Gift aid receivable		-	-	151	1,050
Surplus before taxation		**2,083**	**12,871**	**2,482**	**13,490**
Tax	13	(65)	(7)	-	10
Surplus for the year		**2,018**	**12,864**	**2,482**	**13,500**
Other Comprehensive Income					
Opening defined pension liability on SHPS	27	-	(1,862)	-	(1,862)
Other movements on the pension liabilities	26	6,788	2,254	6,788	2,254
Total surplus recognised for the year		**8,806**	**13,256**	**9,270**	**13,892**

Chair: 28/7/2020

Vice Chair: 28/7/2020

Secretary: 28/7/2020

Statement of financial position at 31 March 2020

Fixed Assets	Note	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Tangible assets					
Housing Properties	14	519,976	504,274	525.178	509,139
Other tangible assets	14	20,470	20,155	13,366	12,550
Investments in subsidiary	15	-	-	3,300	9,300
Investments	15	279	95	279	95
Commercial Property	15	15,650	16,760	15,650	16,760
		556,375	**541,284**	**557,773**	**547,844**
Assets : amounts receivable after more than one year					
Development debtor		6,216	8,617	6,216	8,617
Group debtors > 1 year		-	-	7,295	100
Due For Land Sale		2,295	1,517	-	-
	19	**8,511**	**10,134**	**13,511**	**8,717**
Current assets					
Shared ownership properties in progress	17	4,187	2,383	4,187	2,383
Development Land held for sale		57	51	57	51
Stock	18	1,357	1,300	1,265	1,218
Debtors	19	11,552	20,057	12,325	22,400
Cash at bank and short term deposits	20	23,950	13,442	20,518	9,255
		41,103	**37,233**	**38,352**	**35,307**
Creditors : amounts falling due within one year	21	(16,285)	(17,914)	(14,974)	(16,639)
Net current assets		**24,818**	**19,319**	**23,378**	**18,668**
Creditors : amounts falling due after more than one year					
Loans	22	(125,230)	(111,108)	(125,230)	(111,108)
Grant funding	22	(41,053)	(37,662)	(41,053)	(37,662)
Development creditor	19	(6,216)	(8,617)	(6,216)	(8,617)
Disposal proceeds fund	22	-	-	-	-
RCGF	22	(30)	(108)	(30)	(108)
		(172,529)	(157,495)	(172,529)	(157,495)
Pension liability SHPS	27	(1,310)	(2,185)	(1,310)	(2,185)
Pension liability LGPS	26	(25,257)	(27,890)	(25,257)	(27,890)
		(199,096)	**(187,570)**	**(199,096)**	**(187,570)**
Provision: Removal of Tower Cladding	24	**-**	**(512)**	-	**(512)**
Net assets		**390,608**	**382,655**	**395,567**	**387,147**

Statement of financial position at 31 March 2020

	Note	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Capital and reserves					
Share capital		-	-	-	-
Restricted reserves		45	61	45	61
Designated reserves		271	226	271	226
Revenue reserve		147,239	136,281	152,197	140,773
Revaluation reserve		269,620	276,162	269,620	276,162
Pension fund reserve SHPS	27	(1,310)	(2,185)	(1,310)	(2,185)
Pension fund reserve LGPS	26	(25,257)	(27,890)	(25,257)	(27,890)
Total Funds		**390,608**	**382,655**	**395,566**	**387,147**

The financial statements and related notes on pages 57 to 110 were approved by the Board on 28 July 2020 and were signed on its behalf by:

Chair: **28/7/2020**

Vice Chair: **28/7/2020**

Secretary: **28/7/2020**

63.4% of residents would recommend us to friends and family

Statement of changes in equity

Group	Restricted Reserve Sundry Property Sales	Restricted Reserve Brock House	Designated Reserve Sundry Property Sales	Revaluation Reserve *Housing*	Revaluation Reserve *Commercial*	Revenue Reserve	Pension Fund Reserve	Pension Fund Reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	**-**	**61**	**226**	**261,440**	**14,722**	**136,281**	**(2,185)**	**(27,890)**	**382,655**
Transfer	-	-	-	-	(849)	-	-	-	**(849)**
Total comprehensive income for the period	-	-	-	-	-	5,294	(154)	(3,126)	**2,014**
Actuarial Losses	-	-	-	-	-	-	1,029	5,759	**6,788**
Cash Receipt	-	-	-	-	-	-	-	-	**-**
Reserves transfer	45	-	45	-	-	(90)	-	-	**-**
Reserves transfer	-	(61)	-	-	-	61	-	-	**-**
Reserves transfer	-	-	-	(5,432)	-	5,432	-	-	**-**
Reserves transfer	-	-	-	-	(261)	261	-	-	**-**
Balance at 31 March 2020	**45**	**-**	**271**	**256,008**	**13,612**	**147,239**	**(1,310)**	**(25,257)**	**390,608**

Association	Restricted Reserve Sundry Property Sales	Restricted Reserve Brock House	Designated Reserve Sundry Property Sales	Revaluation Reserve *Housing*	Revaluation Reserve *Commercial*	Revenue Reserve	Pension Fund Reserve	Pension Fund Reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	**-**	**61**	**226**	**261,440**	**14,722**	**140,773**	**(2,185)**	**(27,890)**	**387,147**
Transfer	-	-	-	-	(849)	**-**	-	-	**(849)**
Total comprehensive income for the period	-	-	-	-	-	5,761	(154)	(3,126)	**2,481**
Actuarial Losses	-	-	-	-	-	-	1,029	5,759	**6,788**
Cash Receipt	-	-	-	-	-	-	-	-	**-**
Reserves transfer	45	-	45	-	-	(90)	-	-	**-**
Reserves transfer	-	(61)	-	-	-	61	-	-	**-**
Reserves transfer	-	-	-	(5,432)	-	5,432	-	-	**-**
Reserves transfer	-	-	-	-	(261)	261	-	-	**-**
Balance at 31 March 2020	**45**	**-**	**271**	**256,008**	**13,612**	**152,197**	**(1,310)**	**(25,257)**	**395,567**

Statement of cash flows for year ended 31 March 2020

Group	2020 £'000	2019 £'000
Cashflows from operating activities		
(Defict)/Surplus for the year	2,018	12,864
Corporation tax	(65)	(16)
Depreciation	14,552	13,389
Interest receivable	(72)	(46)
Interest payable	4,127	4,155
Loss / (gain) on sale of housing properties	(258)	(527)
Surplus on sale of other FA	3	(92)
Change in FV of investment properties	261	(730)
(Increase) / decrease in stock	(1,867)	5,748
(Increase) / decrease in debtors	8,142	(3,503)
Increase / (decrease) in creditors	(1,875)	1,461
Difference between pension charge and cash contributions	2,555	1,656
Grant amortised	(664)	(5,210)
Net cash from operating activities	**26,857**	**29,149**
Cashflows from investing activities		
Grants Received and land proceeds	5,961	5,463
Additions to housing properties	(32,426)	(30,111)
Cash paid for removal of cladding	(512)	(3,983)
Sale of housing properties	3,441	4,044
Acquisitions of other fixed assets	(1,855)	(1,358)
Sale of other fixed assets	17	169
Payment to PCC	(1,264)	(3,584)
Net cash from investing activities	**(26,638)**	**(29,360)**
Cash flows from financing activities		
Interest received	72	46
Interest paid	(3,711)	(3,609)
Loans Received / (Repaid)	15,500	1,500
Movement on investments	(1,572)	(211)
Net cash from financing activities	**10,289**	**(2,274)**
Net increase / (decrease) in cash and cash equivalents	**10,508**	**(2,485)**
Cash at beginning of year	13,442	15,927
Net increase / (decrease)	10,508	(2,485)
Cash at end of year	**23,950**	**13,442**

Association

	2020 £'000	2019 £'000
Cashflows from operating activities		
(Deficit)/Profit for the year	2,481	13,500
Corporation tax	-	-
Depreciation	14,071	12,937
Interest receivable	(203)	(42)
Interest payable	4,127	4,155
Loss / (gain) on sale of housing properties	(258)	(527)
Surplus on sale of other FA	18	(125)
Change in FV of investment properties	261	(730)
Gift Aid	(151)	(1,050)
(Increase) / decrease in stock	(1,857)	5,759
(Increase) / decrease in debtors	7,570	(3,999)
Increase / (decrease) in creditors	(1,976)	2,122
Difference between pension charge and cash contributions	2,555	1,656
Grant amortised	(664)	(5,210)
Net cash from operating activities	**25,974**	**28,446**
Cashflows from investing activities		
Grants Received and land proceeds	5,883	4,990
Additions to housing properties	(32,756)	(30,722)
Cash paid for removal of cladding	(512)	(3,983)
Sale of housing properties	3,519	4,517
Acquisitions of other fixed assets	(1,855)	(1,348)
Sale of other fixed assets	(19)	128
Payment to PCC	(1,264)	(3,584)
Net cash from investing activities	**(27,004)**	**(30,002)**
Cash flows from financing activities		
Interest received	203	42
Interest paid	(3,717)	(3,609)
Loans Received /(Repaid)	15,500	1,500
Movement on investments	(472)	(211)
Gift Aid received	779	1,793
Net cash from financing activities	**12,293**	**(485)**
Net increase/(decrease) in cash and cash equivalents	**11,263**	**(2,041)**
Cash at beginning of year	9,255	11,296
Net increase / (decrease) in year	11,263	(2,041)
Cash at end of year	**20,518**	**9,255**

Net debt reconciliation can be found in note 20.

We sold 49 shared ownership homes

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 by Registered Social Housing Providers Update 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

Principal accounting policies (continued)

Going concern

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

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in March 2020 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 Group has undertaken detailed reviews of forecasts for the budget including severe but plausible downsides in the worst case assessment. The Board has an approved set of golden rules and trigger points at which to review and if necessary commence mitigating actions. Operational monitoring of key performance indicators has been increased in frequency so that the Board can be alerted quickly if the financial position should rapidly worsen.

The board, after reviewing the group and company budgets for 2020/21, the long term business plan, and relying on the assurance from the stress testing and mitigations, is of the opinion that, taking account of severe but plausible downsides, the group and company have adequate resources to continue in business for a period of at least 12 months from the date of approval of these financial statements. In order to reach this conclusion, the Board have considered:

• The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales and reductions in sales values;

• Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with future spend being controlled through careful programming of major works contracts and review of specifications;
• 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 of £47.5m which gives significant headroom for committed spend and other forecast cash flows that arise;

• The group's ability to withstand other adverse scenarios such as higher interest rates and 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 believe the group and company has 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 Directors are confident that the Group and Association will have sufficient funds to continue to meet its 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.

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.

Basic financial instruments (continued)

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 impair- ment losses.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

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

Tangible fixed assets

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

Rent arrears have remained low at 1.43%

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

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

Non component works to existing properties

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

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 2020, interest has been capitalised at an average rate of 1.7% (2019: 1.6%) 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.

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

Non-Government Grants

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

Investment property

Investment properties are;

- 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 26.

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 27.

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 leases

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

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.

2. Social housing - Lettings group and association

Group & Association	2020 General Needs £'000	2020 Supported Housing £'000	2020 Shared Ownership £'000	2020 Total £'000	2019 Total £'000
Rents	49,750	6,747	562	57,059	55,954
Service Charges	3,677	857	69	4,603	4,079
Net Rents receivable	**53,427**	**7,604**	**631**	**61,662**	**60,033**
British Gas Funding Release	578	82	-	660	659
Plymouth City Council funding	654	-	-	654	703
Government Grant	10	-	-	10	4,495
Total Income from Lettings	**54,669**	**7,686**	**631**	**62,986**	**65,890**
Expenditure on lettings					
Management	(8,658)	(1,113)	(28)	(9,799)	(9,127)
Services	(4,241)	(986)	(69)	(5,296)	(4,642)
Response Repairs	(11,022)	(1,209)	-	(12,231)	(11,644)
Cyclical & Planned Maintenance	(4,697)	(198)	-	(4,895)	(5,187)
Major Repairs	(8,644)	(42)	-	(8,686)	(7,425)
VAT Recovered	128	18	-	146	137
Bad debts	(599)	(87)	-	(686)	(186)
Depreciation Housing Properties	(9,651)	(1,381)	(74)	(11,106)	(10,636)
Depreciation Other	(908)	(129)	-	(1,037)	(1,158)
Impairment	(1,921)	-	-	(1,921)	(1,106)
Non Cash Pension charges	(2,237)	(318)	-	(2,555)	(1,656)
Total Expenditure on lettings	**(52,450)**	**(5,445)**	**(171)**	**(58,066)**	**(52,632)**
Operating Surplus on lettings	**2,219**	**2,241**	**460**	**4,920**	**13,258**
Void loss	**(234)**	**(36)**	**-**	**(270)**	**(322)**

3. Social housing

Group	2020 Turnover	2020 Cost of Sales	2020 Operating Costs	2020 Surplus on Sale of properties	2020 Operating (Deficit) / Surplus	2019 Turnover	2019 Cost of Sales	2019 Operating Costs	2019 Surplus on Sale of properties	2019 Operating (Deficit) / Surplus
Social Housing Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Needs	54,669	-	(52,450)	-	2,219	57,869	-	(47,276)	-	10,593
Supported Housing	7,686	-	(5,445)	-	2,241	7,633	-	(5,223)	-	2,411
Low Cost Home Ownership	631	-	(171)	-	460	387	-	(133)	-	254
	62,986	**-**	**(58,066)**	**-**	**4,920**	**65,890**	**-**	**(52,632)**	**-**	**13,258**
Other Social Housing Activities										
Shared Ownership Sales	3,597	(3,328)	-	-	269	4,828	(4,725)	-	-	102
Development not Capitalised	-	-	(983)	-	(983)	-	-	(654)	-	(654)
Community Involvement	-	-	(776)	-	(776)	-	-	(673)	-	(673)
Garage Lettings	1,493	-	(239)	-	1,254	1,389	-	(345)	-	1,044
Social Housing Grant release	57	-	-	-	57	57	-	-	-	57
Proceeds from Land Sales	2,082	(1,947)	-	-	135	2,742	(2,207)	-	-	535
Other	411	-	(356)	-	55	358	-	(248)	-	111
Surplus on Sale of properties not developed for outright sale	-	-	-	258	258	-	-	-	527	527
	7,640	**(5,275)**	**(2,354)**	**258**	**269**	**9,373**	**(6,932)**	**(1,919)**	**527**	**1,049**
Non-Social Housing Activities										
Commercial Properties	1,986	-	(669)	-	1,317	1,990	-	(590)	-	1,400
External Sales	3,569	(2,084)	(1,589)		(104)	2,925	(1,294)	(1,180)	-	451
	5,555	**(2,084)**	**(2,258)**	**-**	**1,213**	**4,915**	**(1,294)**	**(1,770)**	**-**	**1,851**
Total for year	**76,181**	**(7,359)**	**(62,678)**	**258**	**6,402**	**80,178**	**(8,226)**	**(56,321)**	**527**	**16,158**

Association	2020 Turnover	2020 Cost of Sales	2020 Operating Costs	2020 Surplus on Sale of properties	2020 Operating (Deficit) / Surplus	2019 Turnover	2019 Cost of Sales	2019 Operating Costs	2019 Surplus on Sale of properties	2019 Operating (Deficit) / Surplus
Social Housing Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Needs	54,669	-	(52,450)	-	2,219	57,869	-	(47,276)	-	10,593
Supported Housing	7,686	-	(5,445)	-	2,241	7,633	-	(5,223)	-	2,411
Low cost home ownership	631	-	(171)	-	460	387	-	(133)	-	254
	62,986	**-**	**(58,066)**	**-**	**4,920**	**65,890**	**-**	**(52,632)**	**-**	**13,258**
Other Social Housing activities										
Shared Ownership Sales	3,597	(3,328)	-	-	269	4,828	(4,725)	-	-	102
Development not Capitalised	-	-	(983)	-	(983)	-	-	(654)	-	(654)
Community Investment	-	-	(776)	-	(776)	-	-	(673)	-	(673)
Garage Lettings	1,493	-	(239)	-	1,254	1,389	-	(345)	-	1,044
Social Housing Grant release	57	-	-	-	57	57	-	-	-	57
Proceeds from Land Sales	2,082	(1,947)	-	-	135	2,742	(2,207)	-	-	535
Other	411	-	(356)	-	55	358	-	(248)	-	111
Surplus on Sale of properties not developed for outright sale	-	-	-	258	258	-	-	-	527	527
	7,640	**(5,275)**	**(2,354)**	**258**	**269**	**9,373**	**(6,932)**	**(1,919)**	**527**	**1,049**
Non-Social Housing Activities										
Commercial Properties	1,986	-	(669)	-	1,317	1,990	-	(590)	-	1,400
External Sales	107	(115)	-	-	(8)	107	(116)	-	-	(9)
	2,093	**(115)**	**(669)**	**-**	**1,309**	**2,097**	**(116)**	**(590)**	**-**	**1,391**
Total for year	**72,719**	**(5,390)**	**(61,089)**	**258**	**6,498**	**77,360**	**(7,048)**	**(55,141)**	**527**	**15,698**

4. Housing stock

	Group 2020 No.	Group 2019 No.	Association 2020 No.	Association 2019 No.
Under development at end of period:				
Housing accommodation	475	232	475	232
Shared ownership	248	105	248	105
	723	**337**	**723**	**337**
Under management at end of period:				
General Needs				
Properties let or available for let	12,173	12,185	12,173	12,185
Unavailable for letting	171	118	171	118
	12,344	12,303	12,344	12,303
Supported housing				
Supported housing	1,785	1,786	1,785	1,786
Unavailable for letting	3	2	3	2
	1,788	1,788	1,788	1,788
Social Housing Rental Accommodation	14,132	14,091	14,132	14,091
Other / temp Housing	1	6	1	6
Shared ownership	235	207	235	207
Social Housing Managed & Owned	14,368	14,304	14,368	14,304
Non-Social Housing Units	9	10	9	10
Long leaseholders	1,656	1,647	1,656	1,647
Total	**16,033**	**15,961**	**16,033**	**15,961**

5. Expenses and auditor's remuneration

	Group 2020 £'000	Group 2019 £'000
Depreciation and Impairment on housing properties	10,913	11,746
Depreciation on other fixed assets	1,521	1,675
Accelerated depreciation on Phase 4	197	-
Restructuring costs expensed as included in administrative expenses	23	21
Gain on sale of housing properties	258	527
(Loss) / Surplus on sale of other fixed assets	(3)	92
Change in fair value of investments	(261)	730
Operating lease charges	339	357
External Auditors Remuneration (exclusive of VAT)		
Audit of these financial statements	45	31
Audit of financial statements of subsidiaries	18	14
Tax compliance	7	6
Other tax advisory services	12	6
Other assurance services	13	11
	95	**68**
Internal Audit related assurance services	**30**	**42**

6. Staff numbers

	2020 No.	2019 No.
The average number of persons employed during the period (full time equivalents of 37 hours) was:	**635**	**609**
Full Time Equivalents at 31 March	**642**	**624**

7. Staff costs

	2020 £'000	2019 £'000
Wages and salaries	18,460	17,220
Social security costs	1,728	1,611
Other pension costs	1,886	1,722
Restructure costs	23	21
TOTAL	**22,097**	**20,574**

8. Full time equivalent Staff

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

	2020 No.	2019 No.
£60,001 to £70,000	7	5
£70,001 to £80,000	5	3
£80,001 to £90,000	2	2
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	-	-
£130,001 to £140,000	-	1
£140,001 to £150,000	2	1
£150,001 to £160,000	-	1
£160,001 to £170,000	1	-
£170,001 to £180,000	-	-
£180,001 to £190,000	-	1
£190,001 to £200,000	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 :

	2020 £	2019 £
Nicholas Lewis (Chair)	15,000	15,000
Katie McBride (Vice Chair from 4 September 2018)	7,500	7,500
Nigel Pitt (Vice Chair until 4 September 2018)	7,500	5,625
Simon Ashby	7,500	7,500
Maureen Alderson	5,500	550
Graham Stirling	7,500	7,500
Christina Tuohy	5,500	5,500
Graham Clayton	5,500	5,500
Debbie Roche	5,667	5,500
Madeline Bridgeman from 01 August 2018	5,500	3,667
Lavinia Porfir from 12 September 2018	5,500	3,040
Elizabeth Nicolls from 12 September 2018	5,500	3,040
Richard Connelly from 21 January 2019	2,000	392
Elaine Pellow until 12 September 2018	-	2,460
Susan Dann until 12 September 2018	-	2,177
Nigel Churchill until 4 June 2018	-	978

The emoluments of the Executive Management Team were as follows:

	2020 Basic Salary & Car Allowance £'000	2020 Employer Pension Contributions £'000	2020 Total £'000	2019 Total £'000
John Clark (Chief Executive)	178	17	195	187
Nicholas Jackson	147	14	161	154
Gillian Martin	130	18	148	145
Susan Shaw	130	12	142	137

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

The aggregate emoluments paid to or receivable by Executive Directors:

Group and association	2020 £'000	2019 £'000
Basic Salary	585	570
Employers Pension	61	53
	646	623

10. Surplus/(Deficit) on disposal housing properties

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Right to Buy sales	2,941	3,327	2,941	3,327
Right to Acquire	420	468	420	468
Sale of Surplus Properties	150	496	150	496
Shared Ownership Staircasing	85	-	85	-
Cost of Sales	(68)	(124)	(68)	(124)
Net Book Value of Components removed on Disposal	(2,133)	(2,376)	(2,133)	(2,376)
PCC Share under the clawback	(1,137)	(1,264)	(1,137)	(1,264)
TOTAL	**258**	**527**	**258**	**527**

11. Other interest receivable and similar income

	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
Bank interest receivable	72	46	203	42
Total Interest Received and similar income	**72**	**46**	**203**	**42**

12. Interest payable and similar charges

	2020 Group	2019 Group	2020 Association	2019 Association
	£'000	£'000	£'000	£'000
Interest	3,362	3,371	3,362	3,371
Non utilisation fee	330	304	330	304
Amortisation of arrangement fees	30	45	30	45
Interest capitalised	(327)	(333)	(327)	(333)
Legal, Professional & Bank Fees	7	-	7	-
Net interest expense on net defined pension benefit liabilities	725	768	725	768
Total other interest payable and similar charges	**4,127**	**4,155**	**4,127**	**4,155**

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 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Current Tax				
Current tax on income for the period	65	16	-	10
Adjustment in respect of prior periods	-	(9)	-	-
Total current tax	65	7	-	10
Deferred Tax				
Origination and reversal of timing differences	-	-	-	-
Change in tax rate	-	-	-	-
Total deferred tax	-	-	-	-
Total tax	65	7	-	10

Reconciliation of effective tax rate

	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
Surplus for the year	**2,083**	**12,871**	**2,482**	**13,490**
Surplus excluding taxation	**2,083**	**12,871**	**2,482**	**13,490**
Tax using the UK corporation tax rate of 19% (2019: 19%)	396	2,445	472	2,563
Tax exempt revenues	(331)	(2,438)	(472)	(2,553)
Total tax expense included in profit and loss	**65**	**7**	**-**	10

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 2019	**494,135**	**13,017**	**55,935**	**3,381**	**566,468**
Additions	14,503	-	12,846	8,616	35,965
Completed properties	8,616	-	(8,616)	-	-
Completed SO properties	-	5,910	-	(5,910)	-
Reclassification	(1,617)	-	(1,595)	-	(3,212)
Disposals	(2,296)	(100)	-	-	(2,396)
Impairment	-	-	(1,921)	-	(1,921)
Land Sales	-	-	(1,896)	-	(1,896)
At 31 March 2020	**513,341**	**18,827**	**54,753**	**6,087**	**593,008**
Depreciation					
At 1 April 2019	**(61,741)**	**(453)**	**-**	**-**	**(62,194)**
Depreciation Charge for period	(10,839)	(74)	-	-	(10,913)
Demolitions	(197)	-	-	-	(197)
Disposals	272	-	-	-	272
At 31 March 2020	**(72,505)**	**(527)**	**-**	**-**	**(73,032)**
Net book value at 31 March 2020	**440,836**	**18,300**	**54,753**	**6,087**	**519,976**
Net Book Value at 1 April 2019	**432,394**	**12,564**	**55,935**	**3,381**	**504,274**

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 2019	**566,468**	**10,504**	**2,799**	**2,657**	**6,608**	**9,801**	**598,837**
Additions	35,965	273	209	367	1,006	-	37,820
Reclassification	(3,212)	-	-	-	-	-	(3,212)
Disposals	(2,396)	-	(67)	-	-	(28)	(2,491)
Impairment	(1,921)	-	-	-	-	-	(1,921)
Land Sales	(1,896)	-	-	-	-	-	(1,896)
At 31 March 2020	**593,008**	**10,777**	**2,941**	**3,024**	**7,614**	**9,773**	**627,137**
Depreciation							
At 1 April 2019	**(62,194)**	**(1,171)**	**(1,917)**	**(2,103)**	**(4,827)**	**(2,196)**	**(74,408)**
Charge for period	(10,913)	(197)	(199)	(183)	(461)	(481)	(12,434)
Demolitions	(197)	-	-	-	-	-	(197)
Disposals	272	-	68	-	-	7	347
At 31 March 2020	**(73,032)**	**(1,368)**	**(2,048)**	**(2,286)**	**(5,288)**	**(2,670)**	**(86,692)**
Net book value at 31 March 2020	**519,976**	**9,409**	**893**	**738**	**2,326**	**7,103**	**540,445**
Net Book Value at 1 April 2019	**504,274**	**9,333**	**882**	**554**	**1,781**	**7,605**	**524,429**

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 2019	**494,135**	**13,253**	**60,370**	**3,575**	**571,333**
Additions	14,503	-	13,182	8,616	36,301
Completed properties	8,616	-	(8,616)	-	-
Completed SO properties	-	5,910	-	(5,910)	-
Reclassification	(1,617)	-	(1,595)	-	(3,212)
Disposals	(2,296)	(100)	-	-	(2,396)
Impairment	-	-	(1,921)	-	(1,921)
Land Sales	-	-	(1,896)	-	(1,896)
At 31 March 2020	**513,341**	**19,063**	**59,524**	**6,281**	**598,209**
Depreciation					
At 1 April 2019	**(61,741)**	**(453)**	**-**	**-**	**(62,194)**
Depreciation Charge for period	(10,839)	(74)	-	-	(10,913)
Demolitions	(197)	-	-	-	(197)
Disposals	272	-	-	-	272
At 31 March 2020	**(72,505)**	**(527)**	**-**	**-**	**(73,032)**
Net book value at 31 March 2020	**440,836**	**18,536**	**59,524**	**6,281**	**525,177**
Net Book Value at 1 April 2019	**432,394**	**12,800**	**60,370**	**3,575**	**509,139**

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 2019	**571,333**	**10,504**	**2,799**	**2,657**	**6,608**	**593,901**
Additions	36,301	273	209	367	1,006	38,156
Reclassification	(3,212)	-	-	-	-	(3,212)
Disposals	(2,396)	-	(67)	-	-	(2,463)
Impairment	(1,921)	-	-	-	-	(1,921)
Land Sales	(1,896)	-	-	-	-	(1,896)
At 31 March 2020	**598,209**	**10,777**	**2,941**	**3,024**	**7,614**	**622,565**
Depreciation						
At 1 April 2019	**(62,194)**	**(1,171)**	**(1,917)**	**(2,103)**	**(4,827)**	**(72,212)**
Charge for period	(10,913)	(197)	(199)	(183)	(461)	(11,953)
Demolitions	(197)	-	-	-	-	(197)
Disposals	272	-	68	-	-	340
At 31 March 2020	**(73,032)**	**(1,368)**	**(2,048)**	**(2,286)**	**(5,288)**	**(84,022)**
Net book value at 31 March 2020	**525,177**	**9,409**	**893**	**738**	**2,326**	**538,543**
Net Book Value at 1 April 2019	**509,139**	**9,333**	**882**	**554**	**1,781**	**521,689**

Fixed Assets continued

The total expenditure on works to existing housing properties during the year to 31 March 2020 for the Group and Association was as follows:

	2020 £'000	2019 £'000
Revenue	8,686	7,425
Capital	14,503	9,015
Total	**23,189**	**16,440**

In addition, £512k was spent on removing cladding from Mount Wise Towers and set against the provision, see note 24.

The capitalised works consists of:	2020 Group £'000	2019 Group £'000
Towers Spend	4,736	-
EWI Spend	349	-
Other works to existing properties	9,418	9,015
Total	**14,503**	**9,015**

Interest of £326,721 (2019: £332,907) was capitalised (both Group and Association). Interest is capitalised at the rate of 1.70% (2019: 1.64%) during the development period.

Cumulative interest of £1,712,406 (2019: £1,385,685) has been capitalised to 31 March 2020. 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	16,760	95	16,855	9,300	16,760	95	26,155
Transfer	(849)	-	(849)	-	(849)		(849)
Additions	-	184	184	-	-	184	184
Transfer from fixed assets	-	-	-	-	-	-	-
Disposals	-	-	-	(6,000)	-	-	(6,000)
Redisclosed as due within 1 year	-	-	-	-	-	-	-
Revaluation	(261)	-	(261)	-	(261)	-	(261)
At end of year	**15,650**	**279**	**15,929**	**3,300**	**15,650**	**279**	**19,229**
Net book value							
At 31 March 2020	**15,650**	**279**	**15,929**	**3,300**	**15,650**	**279**	**19,229**
At 31 March 2019	16,760	95	16,855	9,300	16,760	95	26,155

The commercial properties were valued, on a valuation basis of 'Market Value', at £15,650,000 at 31 March 2020 (31 March 2019: £16,760,000) 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.

£184,000 Secured loans to homeowners to assist their relocation from our development sites.

During the year PCH Energy Ltd reduced its share capital from £9.3m to £3.3m by cancelling £6m of shares and making a payment to PCH, as shareholder, of an equivalent amount.

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 2020 %	Ownership 2019 %
PCH Manufacturing Services Limited	-	(104)	(224)	England	Limited By Guarantee	100	100
PCH Regeneration Limited	100	277	277	England	Ordinary	100	100
PCH Energy Limited	3,300	3,420	(32)	England	Ordinary	100	100

All investments in subsidiaries are held at fair value.

17. Properties held for sale

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Shared ownership properties in the course of construction	4,187	2,383	4,187	2,383
	4,187	**2,383**	**4,187**	**2,383**

18. Stock

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Raw materials	1,135	1,077	1,135	1,077
Work in progress	222	223	130	141
	1,357	**1,300**	**1,265**	**1,218**

19. Debtors

	Group (including net debt reconciliation) 2020 £'000	Group 2019 £'000	Association (including net debt reconciliation) 2020 £'000	Association 2019 £'000
Amounts falling due after one year				
Development debtor (VAT Shelter)	6,216	8,617	6,216	8,617
Group debtors > 1 year	-	-	7,295	100
Trade debtors	2,295	1,517	-	-
	8,511	**10,134**	**13,511**	**8,717**
Amounts falling due within one year				
Trade debtors	1,933	1,383	219	180
Less provision for doubtful debts	(242)	-	(104)	-
Current tenant rent arrears	868	669	868	669
Current tenant non rent arrears	1,211	688	1,211	688
Less provision for doubtful debts	(1,029)	(764)	(1,029)	(764)
Former tenant rent arrears	937	942	937	942
Former tenant non rent arrears	847	702	847	702
Less provision for doubtful debts	(1,784)	(1,644)	(1,784)	(1,644)
Prepayments and accrued income	3,185	3,425	3,185	3,424
Intercompany trade debtors	-	-	2,508	3,838
Intercompany loan due within 1 year	-	-	100	-
VAT	273	336	273	316
Other debtors	985	898	726	627
Development debtor	2,000	1,580	2,000	1,580
Homes England grant receivable	2,368	11,842	2,368	11,842
	11,552	**20,057**	**12,325**	**22,400**

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 £5million loan to PCH Energy (2019 : £nil) and a £2,295,000 intercompany balance with PCH Regen (2019 : £nil). The loan to PCH Energy is a revolving credit facility, terminating on 30 May 2029. 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. The 2019 group balance is the £100,000 loan to PCH Regen, which is shown in current debtors at 31 March 2020.
Amounts falling due within 1 year
The debtors include £100,000 loaned by PCH Ltd to PCH Regen ltd to part fund the joint venture with Halsall Homes. Interest is charged at 4%. Other amounts due from group undertakings are trading balances repayable on demand and are non-interest bearing.

20. Cash, cash at bank and short term deposits

Group	At 1 April 2019 £'000	Cashflows £'000	At 31 March 2020 £'000
Cash and Cash Equivalents			
Cash at bank and in hand	**13,442**	10,508	**23,950**
Overdraft	**-**	-	**-**
Cash equivalents	**-**	-	**-**
	13,442	10,508	**23,950**
Borrowing			
Debt due within one year	**-**	-	**-**
Debt due after one year	**(112,000)**	(15,500)	**(127,500)**
	(112,000)	(15,500)	**(127,500)**
Total	**(98,558)**	**(4,992)**	**(103,550)**

Cash, cash at bank and short term deposits continued

Association	At 1 April 2019 £'000	Cashflows £'000	Other non-cash changes £'000	At 31 March 2020 £'000
Cash and Cash Equivalents				
Cash at bank and in hand	**9,255**	11,263	-	**20,518**
Overdraft	**-**	-	-	-
Cash equivalents	**-**	-	-	-
	9,255	11,263	-	**20,518**
Borrowing				
Debt due within one year	**-**	-	-	-
Debt due after one year	**(112,000)**	(15,500)	-	**(127,500)**
	(112,000)	(15,500)	-	**(127,500)**
Total	**(102,745)**	**(4,237)**	-	**(106,982)**

21. Creditors amounts falling due within one year

	Note	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
Trade creditors		2,599	3,460	2,129	1,701
Amounts owed to group undertakings		-	-	591	1,486
Taxation and social security		454	422	454	422
Corporation tax		65	16	-	
Pension contributions		245	219	245	219
VAT		4	-	-	-
Rent received in advance		2,783	3,023	2,783	3,023
Other creditors		1,326	775	381	764
Year End Interest Accrual		877	869	877	869
Year End Rent Prepayment		870	-	870	-
Accruals and deferred income		4,198	6,346	3,780	5,371
Development creditor		2,000	1,580	2,000	1,580
Grant funding	25	756	746	756	746
Disposal Proceeds Fund	23	-	429	-	429
Recycled Capital Grant Fund	24	108	29	108	29
		16,285	**17,914**	**14,974**	**16,639**

Amounts owed to Group undertakings are trading balances repayable on demand and are non-interest bearing. The development creditor above is offset by a development debtor of the same value, resulted in a net nil balance.

22. Creditors: amounts falling after more than one year

	Note	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
Bank loans					
Due in five years or more		127,500	112,000	127,500	112,000
Deferred loan costs		(246)	(256)	(246)	(256)
THFC Holding account		(2,024)	(636)	(2,024)	(636)
Total housing loans		**125,230**	**111,108**	**125,230**	**111,108**
Recycled Capital Grant Fund		30	108	30	108
Grant Funding		41,053	37,662	41,053	37,662
		166,313	**148,878**	**166,313**	**148,878**

23. Disposal Proceeds Fund

	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
At beginning of the year	429	429	429	429
Allocated during year	(429)	-	(429)	-
At end of the year	**-**	**429**	**-**	**429**
Disclosed as				
Creditor < 1 year	-	429	-	429
Creditor > 1 year	-	-	-	-
	-	**429**	**-**	**429**

24. Recycled Capital Grant Fund

	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
At beginning of the year	138	152	138	152
Allocated during year	(30)	(14)	(30)	(14)
Transferred to fund during year	30	-	30	-
At end of the year	**138**	**138**	**138**	**138**
Disclosed as:				
Creditors < 1 year	108	29	108	29
Creditors > 1 year	30	109	30	109
	138	**138**	**138**	**138**

None of the balances above are repayable to the Homes and Communities Agency in the next 12 months.

25. Capital Grant Funds

Social housing grant	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
At beginning of the year	18,821	13,581	18,821	13,581
Additions	2,593	5,281	2,593	5,281
Amortised within the consolidated statement of comprehensive income	(57)	(56)	(57)	(56)
Transfer from Recycled Capital Grant Fund	29	15	29	15
Transfer from Disposal Proceeds Fund	674	-	674	-
Disposals	-	-	-	-
At end of the year	**22,060**	**18,821**	**22,060**	**18,821**
Recognised in:				
Creditors: amounts falling due within one year	196	186	196	186
Creditors: amounts falling due after one year	21,864	18,635	21,864	18,635
	22,060	**18,821**	**22,060**	**18,821**

British gas grant	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
At beginning of the year	12,073	12,732	12,073	12,732
Additions	-	-	-	-
Amortised within the consolidated statement of comprehensive income	(543)	(554)	(543)	(554)
Disposals	(116)	(105)	(116)	(105)
At end of the year	**11,414**	**12,073**	**11,414**	**12,073**
Recognised in:				
Creditors: amounts falling due within one year	560	560	560	560
Creditors: amounts falling due after one year	10,854	11,513	10,854	11,513
	11,414	**12,073**	**11,414**	**12,073**

Capital grant funds continued

Homes England towers grant	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
At beginning of the year	7,347	-	7,347	-
Additions	-	11,842	-	11,842
Amortised within the consolidated statement of comprehensive income	-	(4,495)	-	(4,495)
Disposals	-	-	-	-
At end of the year	**7,347**	**7,347**	**7,347**	**7,347**
Recognised in:				
Creditors: amounts falling due within one year	-	-	-	-
Creditors: amounts falling due after one year	7,347	7,347	7,347	7,347
	7,347	**7,347**	**7,347**	**7,347**

Disabled adaptations grant	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
At beginning of the year	146	-	146	-
Additions	-	146	-	146
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	-	-	-	-
Creditors: amounts falling due after one year	146	146	146	146
	146	**146**	**146**	**146**

Warmer home grant	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
At beginning of the year	20	-	20	-
Additions	-	20	-	20
Amortised within the consolidated statement of comprehensive income	(1)	-	(1)	-
Disposals	-	-	-	-
At end of the year	**19**	**20**	**19**	**20**
Recognised in:				
Creditors: amounts falling due within one year	-	-	-	-
Creditors: amounts falling due after one year	19	20	19	20
	19	**20**	**19**	**20**

Capital grant funds continued

Plymouth City Council phase 5 grant	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
At beginning of the year	-	-	-	-
Additions	822	-	822	-
Amortised within the consolidated statement of comprehensive income	-	-	-	-
Disposals	-	-	-	-
At end of the year	**822**	**-**	**822**	**-**
Recognised in:				
Creditors: amounts falling due within one year	-	-	-	-
Creditors: amounts falling due after one year	822	-	822	-
	822	**-**	**822**	**-**

Total grant	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
Creditors: amounts falling due within one year	756	746	756	746
Creditors: amounts falling due after one year	41,052	37,661	41,052	37,661
	41,808	**38,407**	**41,808**	**38,407**

Government grants recieved to date	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
Social Housing Grant	22,335	19,038	22,335	19,038
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 Phase 5 Grant	822	-	822	-
Total Received	**49,815**	**45,696**	**49,815**	**45,696**
The grant is recognised in:				
Revenue Reserve	8,007	7,289	8,007	7,289
Creditors: amounts falling due within one year	756	746	756	746
Creditors: amounts falling due after one year	41,052	37,661	41,052	37,661
	49,815	**45,696**	**49,815**	**45,696**

26. Provision: removal of tower cladding

	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
At beginning of the year	512	4,495	512	4,495
Provided during the year	-	-	-	-
Charges during the year	(512)	(3,983)	(512)	(3,983)
At end of the year	**-**	**512**	**-**	**512**

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 has now been fully utilised.

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 where additional cash security has temporarily been posted. 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.

	2020 £'000	2019 £'000
Due in less than five years	25,000	9,500
Due in five years or more	102,500	102,500
Deferred loan costs	(246)	(256)
THFC holding account	(2,024)	(636)
	125,230	**111,108**

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	31 March 2020 £'000	31 March 2019 £'000
Present value of funded defined benefit obligations	(95,031)	(103,738)
Fair value of plan assets	69,774	75,848
Net pension liability	(25,257)	(27,890)

Devon County Council pension scheme continued

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

	31 March 2020 £'000	31 March 2019 £'000
Defined benefit obligation at 1 April	103,738	100,346
Current service cost	2,384	2,415
Interest cost	2,527	2,594
Actuarial losses/(gains)	(11,838)	5,563
Change in demographic assumptions	(1,274)	(5,860)
Experience loss/(gain) on defined benefit obligation	(331)	-
Estimated benefits paid net of transfers in	(1,627)	(1,891)
Past service costs, including curtailments	1,006	138
Contributions by scheme participants	446	433
Defined benefit obligation at 31 March	**95,031**	**103,738**

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

	31 March 2020 £'000	31 March 2019 £'000
Fair value of scheme assets at 1 April	75,848	72,303
Interest on assets	1,856	1,875
Return on assets less interest	(7,818)	2,120
Other actuarial gains/(losses)	134	-
Administration expenses	(55)	(51)
Contributions by employer (including unfunded)	990	1,059
Contributions by scheme participants	446	433
Estimated benefits paid net of transfers in (including unfunded)	(1,627)	(1,891)
Fair value of scheme assets at 31 March	**69,774**	**75,848**

The total return on the fund assets for the year to 31 March 2020 is (£5,962,000).

Expense recognised in the profit and loss account

	31 March 2020 £'000	31 March 2019 £'000
Service cost	3,390	2,553
Net interest on the defined liability (asset)	671	719
Administration expenses	55	51
Total	**4,116**	**3,323**

Devon County Council pension scheme continued

he total loss recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gain is £5,759,000 (2019: loss £2,417,000). The estimated asset allocation for Plymouth Community Homes as at 31

The estimated asset allocation for Plymouth Community Homes as at 31 March 2019 is as follows:

Employer asset share - bid value	31 March 2020 £'000	31 March 2019 £'000
Equities	2,975	12,600
Gilts	9,285	2,604
Overseas Equities	30,007	32,620
Property	6,573	6,704
Infrastructure	3,006	2,786
Cash	9,162	1,213
Target Return Portfolio	813	10,738
Other Bonds	3,656	1,334
Alternative assets	4,297	4,006
Private equity	-	1,243
Total	**69,774**	**75,848**

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 2020 % p.a.	31 March 2019 % p.a.
Assumptions as at		
Discount Rate	2.35%	2.45%
Pension Increases	1.85%	2.40%
Salary Increases	2.85%	3.90%
RPI Increases	2.65%	3.40%
CPI Increases	1.85%	2.40%

These assumptions are set with reference to market conditions at 31 March 2020.

Our estimate of the duration of the Employer's liabilities 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_2018 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.

This has been updated since the last accounting date where the demographic assumptions were based on those adopted for the Fund's 31 March 2016 valuation with updates to the latest mortality improvement projection model, CMI_2018.

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

• Current pensioner aged 65: 22.9 years (male), 24.1 years (female)

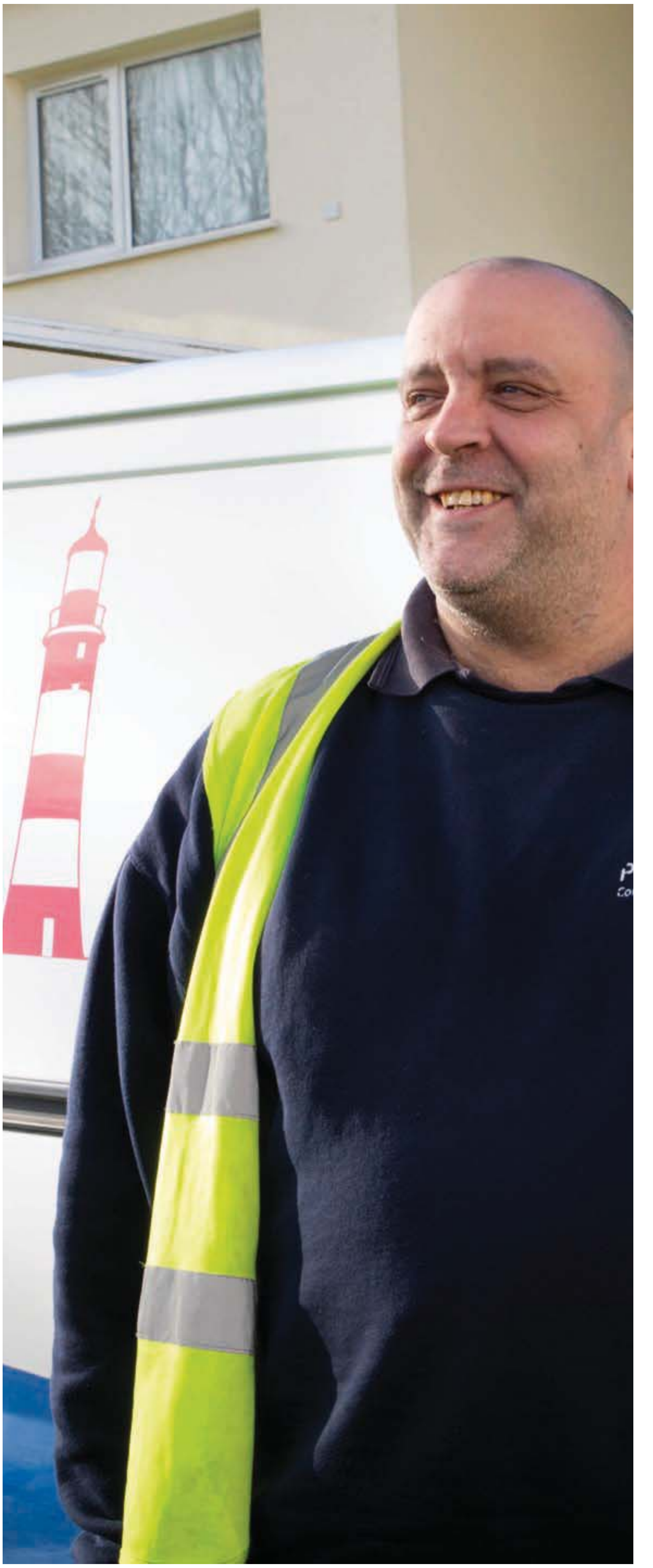
• Future retiree upon reaching 65: 24.3 years (male), 25.5 years (female)

We have also assumed that:

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

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

• 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 2020	31 March 2019	31 March 2018
Present value of scheme liabilities	(95,031)	(103,738)	(100,346)
Fair value of scheme assets	69,774	75,848	72,303
Deficit	**(25,257)**	**(27,890)**	**(28,043)**

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 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 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 we do not believe we need to make any adjustments to the value placed

Impact of McCloud/Sargeant judgement

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned the Government Actuaries Department (GAD) to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019.

We have used this analysis provided by GAD to estimate the possible impact of the McCloud/Sargeant judgement for the Employer. The key assumption is the assumed rate of future salary increases which is set out in the Financial assumptions section of this disclosure. The average age of the Employer's membership in years is : Active 50 ; Deferred 45 ; Pensioners 65.

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.

The Ministry of Housing, Communities and Local Government has launched a consultation in relation to an age discrimination case that has arisen with regards to public sector pensions (the McCloud judgement). This announcement is likely to change to our pension liability, however there is not currently sufficient information to base any calculations on as to what kind of impact this will have and therefore no reliable estimation can be made. These changes will be calculated following the decision and any resulting changes will be reflected in the pension liability as at 31 March 2021.

29. Social housing pension scheme

SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme.

	31 March 2020 £'000	31 March 2019 £'000
Present value of funded defined benefit obligations	(8,289)	(8,485)
Fair value of plan assets	6,979	6,300
Net pension liability	**(1,310)**	**(2,185)**

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

	31 March 2020 £'000	31 March 2019 £'000
Defined benefit obligation at 1 April	8,485	7,410
Current service cost	442	440
Expenses	13	12
Interest cost	210	198
Contributions by scheme participants	140	125
Actuarial losses/(gains) due to scheme experience	408	(257)
Actuarial (gains)/losses due to changes in demographic assumptions	(74)	21
Actuarial (gains)/losses due to changes in financial assumptions	(1,257)	654
Benefits	(78)	(118)
Defined benefit obligation at 31 March	**8,289**	**8,485**

Social housing pension scheme continued

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

	31 March 2020 £'000	31 March 2019 £'000
Fair value of scheme assets at 1 April	6,300	5,548
Interest on assets	156	149
Experience on plan assets (excl amounts included in interest income) gain (loss)	106	-
Contributions by employer	355	255
Contributions by plan participants	140	341
Benefits paid and expenses	(78)	125
Assets acquired in a business combination	-	(118)
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of scheme assets at 31 March	**6,979**	**6,300**

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2019 to 31 March 2020 was £262,000.

Expense recognised in the profit and loss account

	31 March 2020 £'000	31 March 2019 £'000
Current service cost	442	440
Expenses	13	12
Net interest expense	54	49
Total	**509**	**501**

Social housing pension scheme continued

The estimated asset allocation for Plymouth Community Homes as at 31 March 2020 is as follows::

Employer asset share - bid value	Assets at 31 March 2020 £'000	Assets at 31 March 2019 £'000
Absolute Return	364	545
Alternative Risk Premia	488	363
Corporate Bond Fund	398	294
Opportunistic liquid Credit	169	-
Liquid Credit	3	-
Credit Relative Fund	191	115
Distressed Opportunities	134	115
Emerging Markets Debts	211	217
Fund of Hedge Funds	4	28
Global Equity	1,021	1,060
Infrastructure	519	330
Insurance-Linked Securities	214	181
Liability Driven Investment	2,316	2,304
Long Lease Property	121	93
Net Current Assets	30	12
Over 15 Year Gifts	-	-
Private Debt	141	85
Property	154	142
Risk Sharing	236	190
Secured Income	265	226
Total Expected Return on Assets	**6,979**	**6,300**

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 2020 % p.a.	31 March 2019 % p.a.
Discount Rate	2.32%	2.40%
RPI Increases	2.48%	3.19%
CPI Increases	1.48%	2.19%
Salary Growth	2.48%	3.19%
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 2020.

The average duration of the defined benefit obligation at the period ended 31 March 2020 is 30 years.

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life Expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

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.

	2020 No.	2019 No.
At 1 April	42	45
Issued during the year	2	5
Cancelled during the year	(6)	(8)
At 31 March	**38**	**42**

31. Operating Leases

	2020		2019	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Less than one year	131	153	150	193
Between one and five years	135	108	264	5
More than five years	-	-	-	-
	266	**261**	**414**	**198**

32. Leases as lessor

	2020 £'000	2019 £'000
Less than one year	1,432	1,472
Between one and five years	2,329	2,609
More than five years	1,647	1,850
TOTAL	**5,408**	**5,931**

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

33. Commitments

	2020 Group £'000	2019 Group £'000	2020 Association £'000	2019 Association £'000
The Company contractual commitments to purchase tangible fixed assets at the year-end were	51,087	38,675	51,087	38,675
The Company has expenditure authorised by the Board but has not yet been contracted for of	23,521	14,273	23,521	14,273
TOTAL	**74,608**	**52,948**	**74,608**	**52,948**

34. Contingencies

Social Housing Grant of £22,335,000 (2019:£19,038,000) 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.

PCHMS Ltd was made aware of a legal claim from a customer on 17th July 2020 regarding apparently defective joinery product and installation. At this time the claim cannot be substantiated and any liability, if one arises, cannot currently be estimated. The customer concerned also has an outstanding debt due to the company.

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 26 and 27.

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: £2,799,054 (2019: £2,255,003). PCH Manufacturing Services received £10,266 (2019 : £508,838) from PCH Ltd in respect of block refurbishment works awarded as an external contractor.

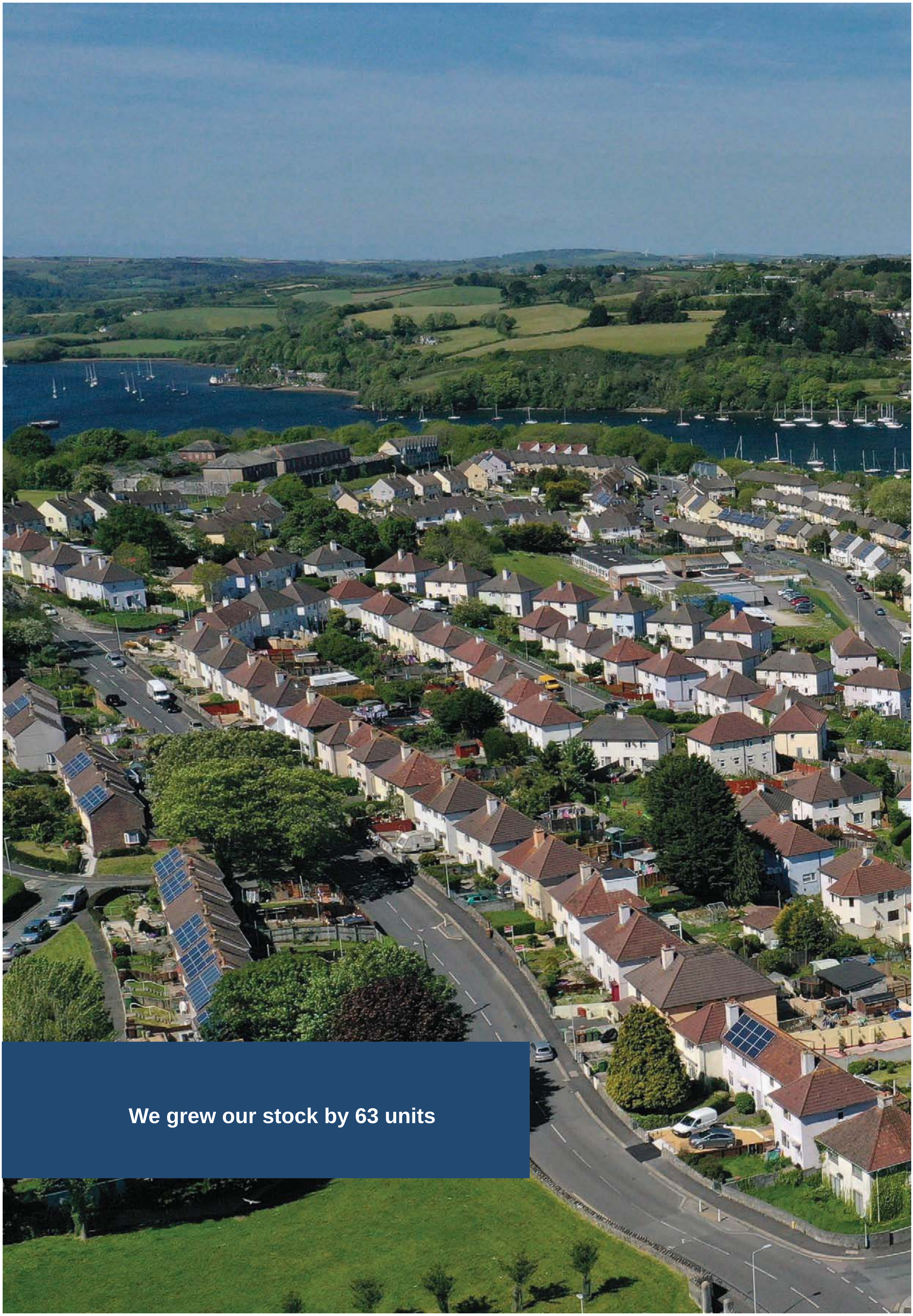
PCH Regeneration Company Ltd: service charge from PCH Ltd to PCH Regeneration: £329,000 (2019: £314,000); lease of properties from PCH Ltd to PCH Regeneration: £526 (2019: £1,263); design & build work invoiced from PCH Regeneration to PCH Ltd: £7,189,474 (2019: £12,705,062).

PCH Energy Ltd: service charge from PCH Ltd to PCH Energy : £41,108 (2019: £38,216); charge from PCH Ltd to PCH Energy for lease of roofs : £105,210 (2019: £106,830). Charge from PCH Energy to PCH Ltd for electricity: £109,331 (2019: £109,779).

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

36. Subsequent Events

The covid-19 pandemic is disclosed as a non-adjusting balance sheet event and the Board has adopted the going concern basis in preparing the annual financial statements.



We grew our stock by 63 units

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

FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, employee turnover, expected return on plan assets and discount rates. There has been a change of accounting estimate under FRS102 10.18 in relation to the long term gap between RPI and CPI of 80 basis points, compared to 100 basis points at the prior year end. The impact is expected to be a circa £4m increase in the DBO as the CPI assumption is now higher than it would have been under the previous approach. Substantial changes in the assumed development of any one of these variables may significantly change the company's retirement benefit obligation and pension assets.

Valuation of housing properties

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

Provision for tower block cladding removal

The provision in the accounts for the removal of the cladding on the Mount Wise Towers blocks has been calculated based on information and estimates contained in a report supplied by a firm of Quantity Surveyors, contracted by us, to manage the project to remove and replace the cladding. The provision is for the remainder of the removal cost.

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

39. Board members, Executives and advisors

Members of the Board

Nick Lewis	Chair of Plymouth Community Homes Ltd
Katie McBride	Vice Chair of Plymouth Community Homes Ltd to 25 February 2020 Chair of Customer Focus Committee
Debbie Roche	Vice Chair of Plymouth Community Homes Ltd from 25 February 2020
Nigel Pitt	Chair of Development Committee
Simon Ashby	Chair of Audit and Risk Committee
Graham Stirling	Chair of Plymouth Community Homes Manufacturing Services Board
Maureen Alderson	
Tina Tuohy	
Graham Clayton	
Maddi Bridgeman	
Lavinia Porfir	
Liz Nicolls	

Directors of Plymouth Community Homes Manufacturing Services Ltd:

Graham Stirling	Chair
Nicholas Jackson	
Simon Ashby	Vice Chair from 27 November 2018 to 26 November 2019
Maddi Bridgeman	Vice Chair from 26 November 2019

Directors of Plymouth Community Homes Regeneration Company Ltd:

John Clark	Chair
Susan Shaw	
Gillian Martin	
Nicholas Jackson	

Directors of Plymouth Community Homes Energy Ltd

John Clark	Chair
Susan Shaw	
Gillian Martin	
Nicholas Jackson	

Audit and Risk Committee

Simon Ashby	Chair
Maureen Alderson	Vice Chair to 26 November 2019
Liz Nicolls	Vice Chair from 26 November 2019
Graham Clayton	
Debbie Roche	To 26 November 2019
Nigel Pitt	from 26 November 2019

Customer Focus Committee

Katie McBride	Chair
Lavinia Porfir	Vice Chair from 26 November 2019
Tina Tuohy	
Nigel Pitt	to 26 November 2019
Liz Nicolls	to 26 November 2019
Debbie Roche	from 26 November 2019
Ember Wolffire	Co-optee
Kelly Wilding	Co-optee

Development Committee:

Nigel Pitt	Chair
Graham Stirling	Vice Chair
Debbie Roche	
Maddi Bridgeman	
Katie McBride	to 26 November 2019
Liz Nicolls	from 26 November 2019
Richard Connelly	Co-optee

Remuneration Panel

Katie McBridge	Chair to 25 February 2020
Debbie Roche	Chair from 25 February 2020

Nick Lewis
Lavina Porfir

Resident Scrutiny Team

Joanne Bowden	
Susan Drury	Resigned 13 July 2019
Patrick Gillespie	
Bridget Bimha	Resigned 19 June 2019
Chris Matthews	
Mel Leonis	
Christine Field	Resigned 7 October 2019
Shirley Knibb	

Executive Management Team:

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

Company Secretary

Belinda Pascoe	Head of Governance

External auditor:

KPMG LLP
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Internal auditor:

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Tax advisor:

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Funders:

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