

Cheltenham Borough Homes Limited

Report and Financial Statements

For the year ended 31 March 2020

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STRATEGIC REPORT

The Directors submit their strategic report and financial statements of the Cheltenham Borough Homes Group for the year ended 31 March 2020. The group comprises the parent company, Cheltenham Borough Homes Limited (the company), and its subsidiary undertaking Cheltenham Borough Homes Services Limited.

Strategic Context and COVID-19

Cheltenham Borough Homes (CBH) is a strategic partner of Cheltenham Borough Council (the Council) focusing on delivering great homes and building strong communities in Cheltenham where everyone thrives. The 'HRA' is the Council's Housing Revenue Account (HRA) which funds housing related activities. The HRA Business Plan states that the main focus of CBH's work is concerned with the delivery of core landlord services; ensuring they are being delivered to excellent standards and are responsive to customer expectations and needs.

The biggest impact during the year and post year end, as with most organisations, has been the coronavirus crisis, 'lockdown' and subsequent easing of these restrictions. The majority of this impact has been felt post year end however the crisis did have an impact on our programmes particularly during March 2020. Despite the impact of COVID-19 CBH has and will continue to work in partnership with the Council to support their 'Place Vision' and the following 3 key priority areas for investment within the HRA:

- Building and maintaining homes that support strong, sustainable communities
- Providing modern, efficient services that meet the needs of our customers
- Achieving carbon neutrality by 2030

As the coronavirus crisis broke and 'lockdown' began CBH adapted quickly to keep our customers and colleagues safe, while continuing to deliver essential services. We identified those people who needed extra support during these difficult times, and we enhanced some existing services and also set up new ones in response. These new services included: helping customers and residents across the town who are vulnerable or shielding from the virus, working closely with our partners at Cheltenham Borough Council and Gloucestershire County Council to support the Gloucestershire Community Help Hub to co-ordinate and deliver prescriptions across Cheltenham; joining forces with P3 and the Springbank Community Food Bank to deliver food parcels and hot meals by the Long Table; and carrying out welfare calls to identify tenants without a strong support system in place and who needed help with accessing food, prescriptions, emergency repairs and benefit and money advice.

Essential services were maintained including emergency repairs, essential gas safety checks, cleaning of communal areas, emergency lettings and benefit and money advice. As the situation has eased post year end the focus has been on restarting as many services as possible on a safety-first approach. Thorough risk assessments across the business have been conducted to understand and put in place adaptations needed to minimise risks to customers and colleagues. This has required new ways of working which will continue to be

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reviewed and amended during 2020/21. Further work is continuing as we review the impact of the virus on our programmes of work and the impact on our partners and contractors.

Looking forward, a key area of focus for 2020/21 and beyond, along with customer service, will be increasing the supply of new homes which will help to support the Council's housing and community agenda and economic recovery in Cheltenham following the impact of the coronavirus crisis.

Our Vision and Aims

Our vision is to *make Cheltenham a better place to live by providing great homes and stronger communities*. This vision is defined by, and will be achieved by, working towards the following aims:

- Great Homes - provide great quality homes that meet the needs of the Cheltenham community
- Stronger Communities - build stronger communities and make Cheltenham a better place to live

We will achieve this by being a business where people are engaged, motivated, supported, inspired, and developed.

Over the course of 2019/20 CBH has successfully delivered against our aims and the HRA business plan priorities. We continue to have a very positive working relationship with the Council and high levels of customer satisfaction. Our Vision and Aims remain the same for the next three years as set out in our Business Plan to 2023. The updated priorities set out in this Business Plan were approved by Board in August 2020 setting out the focus of our work over the next three years. The business plan reflects the volatile operating environment we find ourselves in whilst being shaped by our customers and colleagues via various feedback routes including a number of surveys.

Our top priority is Customer Service. We will be aiming to keep improving our Customer Service which means looking at how we can deliver great service on every occasion that we come into contact with our customers – day in, day out, and across all areas of the business. Delivering great Customer Service is the responsibility of each and every one of our colleagues.

As we increase the supply of new homes and deliver improvements to existing homes, including a carbon strategy, our aim is to support neighbourhoods that are truly integrated, promote health and wellbeing, and present opportunities to improve the quality of life for all residents.

These and our other priorities, will all be achievable due to our inspired CBH colleagues who are caring, professional, and hardworking, aiming to take a 'neighbourly' approach in all the services we provide. The new People Plan is therefore a crucial element of our success.

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Without great colleagues who are well supported, trained, and fit and well, CBH will not be able to deliver on our 11 Business Plan priorities.

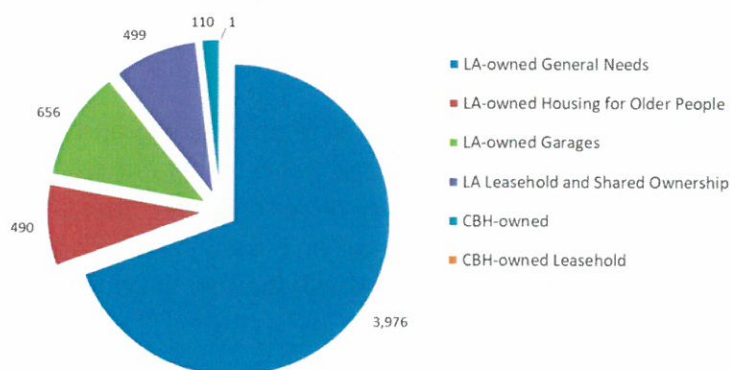
Our message is simple - with well looked after and supported colleagues working every day with a clear focus on delivering for customers, everything in the Business Plan will be ultimately achievable and to the benefit of CBH, its customers, and the town of Cheltenham as a whole.

Great Homes

Our stock profile

At the end of 2019/20 we delivered services to the tenants and leaseholders living in the 5,076 homes managed by CBH, in addition to managing 656 garages. Our most recent STAR survey demonstrates that 90% of our tenants are either very or fairly satisfied with the services provided by CBH. Reaching this 90% satisfaction level was a key objective of our 2020 business plan and is a credit to the hard work of all of our colleagues throughout the year.

At 31st March 2020 we managed a total of 4,466 Council-owned General Needs and Sheltered homes. These are made up of approximately 72% traditional and 28% non-traditional build properties, with the majority of the stock built before 1955. The majority are flats, making up 53% of the total. Out of the 4,466 29% are one, 36% two, 32% three, and 3% four and five bedroomed homes. We also manage 499 Council leasehold and shared ownership properties plus 111 CBH homes: 95 of which are general needs, 15 shared ownership with one CBH leasehold property.



Providing new homes

Meeting local housing need remains a significant challenge and CBH continues to be a key partner in supplying new homes. During 2019/20 building works on 35 new homes were begun at Monkscroft Villas and Holy Name Hall, and a further 27 homes were acquired through our new supply programme making excellent use of funds received from RTB sales. This offset the loss of 20 Council homes which were sold under the Right to Buy (RTB) scheme.

We have a strategy in place to deal with non-traditional build properties and an ongoing programme of new supply to counterbalance stock loss and help meet local housing need. We maintain an Asset Management Strategy to ensure there remains a clear rationale for

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planned spend and an HRA Financial Plan with the funds in place to ensure that it is deliverable over the next 30 years based on appropriate assumptions for rent policy and other key parameters.

Built on the success achieved to date, in partnership with Cheltenham Borough Council (CBC), we have plans to embark on an ambitious 2025 New Homes and Regeneration strategy to significantly increase the supply of high quality, environmentally sustainable, new homes for people across Cheltenham. Our priority is to maximise the quantity of new homes we can build by carefully, and creatively, using the finite resources of land and funding available to us.

Our strategy is based on our shared desire to deliver a 'step change' in the provision of new homes across a range of different types and tenures whilst building strong, healthy and inclusive neighbourhoods. The affordable homes we develop will generally be funded by the Council's considerable investment through its Housing Revenue Account (HRA) and the private housing will be funded from the £100m facility CBC has agreed to provide to CBH. Through consultation with our customers we are also looking at plans to re-develop and transform some of our existing estates over the next 5 years. Customers living on these estates will be fully engaged in the redevelopment process.

Improving existing homes

We understand the importance of maintaining and improving the existing homes we manage. Analysis of feedback provided by our customers consistently shows that the quality of their home is a key driver of overall satisfaction. We have a well-planned investment programme based on recent survey data that ensures we have a programme of improvements into the future with the aim of bridging the quality gap where possible between existing and new homes.

In 2019/20 we have successfully completed the fourth of our six-year windows and doors programme to improve security and energy efficiency across every home we manage installing new windows in 1,025 homes and new doors in a further 510 homes. The new windows and doors are not only reducing heat loss to provide a more comfortable and secure home, but are also bringing down energy costs, lowering the level of noise that can be heard from outside and reducing day to day maintenance costs.

Further work to improve the energy efficiency of homes and help to reduce fuel bills has also been carried out, in 2019/20:

- 373 new energy efficient boilers have been installed to help lower energy costs
- 37 of our non-traditional Cornish homes have received upgraded wall insulation, roofs, windows and doors
- 158 blocks of flats have had energy efficient LED lighting installed in stairways and corridors.

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The Standard Assessment Procedure (SAP) is the UK government's recommended method system for measuring the energy rating of residential dwellings. This investment has helped to increase our average SAP rating from 72.02 to 72.80.

We have continued to successfully deliver our programme of kitchen works with 51 kitchens and 43 bathrooms being renewed over the year and our redecoration programme carried out works on 710 homes.

Health and Safety

During the year we continued to develop and improve our approach to wellbeing, health and safety across the organisation. Particular focus was again placed on continuous improvement of our property compliance management systems and effective communication of this across the organisation and to our Board.

We were delighted to receive our sixth consecutive Royal Society for the Prevention of Accidents (RoSPA) Gold Award for Health & Safety management and in doing so received the coveted Gold Medal.

Reducing the risk of fire and keeping our customers safe in their home is critical and a number of planned works programmes will continue to be delivered in this area. We work closely with our contractors who carry out checks on fire and carbon monoxide detectors during annual gas safety checks. At year end 99.8% of all relevant homes had a valid gas safety certificate, every relevant home had a 10-year Electrical Installation Condition Report (EICR) in place and every communal area had a 5 year EICR in place.

Maintaining and repairing homes

We delivered over 11,200 responsive repairs over the year with 99.6% of these completed within target times; 81% of customers were satisfied with the repairs carried out. Repairs to properties that were vacated contributed to an average total time to re-let voids which required minor repairs of 18.8 days.

Stronger Communities

Maintaining neighbourhoods

Our Safer Estates Team closed 187 ASB (Anti-Social Behaviour) cases during the year, successfully resolving 100% of them with no evictions for ASB during the year. Our follow up survey showed that 100% of respondents were satisfied with the way their ASB complaint was handled. Results from our most recent STAR survey demonstrate that 92% of tenants feel safe in their homes.

Our ASB team continues to carry out proactive and preventative measures with our local Police and Crime Operations team to continue to tackle criminal activities. This has involved keeping our vulnerable residents safe from drug gangs, joining forces with multiple local

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organisations to engage with the community on set days to deal with neighbourhood issues more effectively.

The team also attend local multi-agency meetings to identify residents who need extra support and safeguarding from abuse. Thanks to our close links with our partners in the Police Public Protection Bureau we've also helped victims of Domestic Abuse.

Supporting customers

Following the launch of our new IT applications, last year we enhanced the way that we carry out tenancy visits to work even more closely with partners to provide support where necessary for those people who are struggling with their mental and emotional wellbeing. During 2019/20 we visited a total of 4,576 homes and, where relevant, these visits included providing advice and support for people struggling with hoarding issues, customers looking to move to a smaller home that better meets their needs and customers with mental health issues who would benefit from support from local partners. We care and by building on these relationships we are able to make sure our customers remain safe in their homes and sustain their tenancies.

In addition, we teamed up with other community organisations to lead a successful pilot project to tackle the impact of Adverse Childhood Experiences (ACE's) within our neighbourhoods; the first of its kind we believe to be led by a housing provider. The scheme was put in place to help customers and their families identify and tackle the trauma they have experienced. We have worked closely with several young people to provide them with the support needed, to help them return to education following long periods of time away from school. This successful project received winning recognition at the recent CBC No Child Left Behind awards.

Employment and training

During 2019/20 our Employment Initiatives Team:

- helped 61 people into work and 99 people into training
- 96% of work club attendees reported an increase in confidence
- 97% noted an increase in employability skills
- received 99% satisfaction from work club attendees

The Team worked alongside Pittville School and All Saints' Academy to deliver our award winning Thrive programme to inspire young people to stay in education. Working closely with local schools and contractors, our employment experts developed the scheme to deliver six months of alternative provision to young people who were at risk of exclusion from mainstream education. The programme provided training and work experience placements with some of our main contractors and 6 young people learned practical skills for the building industry/sector. This work was recognised by winning Travis Perkins' 'Employment and Community Skills' Award for the amazing work the scheme does with young people in Cheltenham - securing £5,000 to enhance the employment and training service we offer.

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Benefit and Money Advice

The team met with over 1,050 people over the year to provide advice about benefits and financial help. This helped tenants to claim an additional £1m in appropriate benefits. The team helped 225 customers at our regular Jobcentre drop-in sessions, providing support and advice on Universal Credit (UC).

We continued to work very closely with the Illegal Money Lending Team to raise awareness of the risks of using Loan Sharks; a further £3,500 of funding was secured to enhance our awareness raising activities and continue to protect neighbourhoods from illegal money lenders.

Housing Options and Homelessness Prevention

Since the implementation of the Homelessness Reduction Act 2018, demand on the Housing Options Service has increased significantly. Additional funding has been received from MHCLG via the Council to help support this increase in demand on the Housing Options Service. The result is that successful homelessness preventions have increased significantly in recent years from 140 in 2017/18 to over 350 during 2019/20; whilst the number of households who have been accepted as statutorily homeless (because homelessness prevention wasn't possible) have decreased from 106 in 2017/18 to approximately 60 over 2019/20. In addition, this service has supported customers in accessing £1.5m of additional income and benefits for their housing needs during the year.

Additional fixed term posts will be created in this service area for 2020/21 to support further early intervention work and target resources more effectively to support rough sleeper pathways.

Involving residents

Last year we delivered over 1800 training sessions and events to give our customers opportunities to learn new skills, take part in health and wellbeing initiatives, opportunities for volunteering, crafting sessions and healthy activities for 900 children over the summer across Cheltenham to support CBC's No Child Left Behind campaign.

We launched Fuel Tuesdays, alongside our partners The Cheltenham Trust and The Wiggly Worm, to offer the young people of Hesters Way a safe and fun space to go after school. Here they were given the opportunity to learn about healthy eating, play team games and relax with friends. The scheme was well attended with 15 -17 young people coming along to take part in social activities. There was also the opportunity for them to learn how to cook a 2 course healthy meal that they could enjoy with their peers at the end of the session.

Last year we received over a thousand responses to our successful quarterly telephone survey, carried out on our behalf by Acuity. This new approach is not only giving us a better understanding of how happy customers are with our services, it is also giving us a better idea of where we're not doing so well and most importantly, why. This gives us the opportunity to try and resolve any issues where we can, so that we can continue to improve

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our services based on customer feedback. This commitment to listen and act upon what we hear is absolutely vital if we are to continually improve our services.

The results showed 90% of people said that they are happy with CBH overall, 85% are happy with the quality of their home, 93% thought their rent was value for money and 92% felt safe in their home. When the results for the same questions are viewed in comparison with other housing providers they show that we are performing above average in all areas, and we are in the top 25% of providers in the country for overall satisfaction with CBH, Value for Money (VFM) of the rent and that we listen to customer views and act on them.

Our tenant scrutiny improvement panel (TSIP) members are very active. During 2019/20 the members reviewed the way that we carry out our Tenancy Management visits - increasing the communication and contact we have with our customers so that they have a better understanding of the process and to remind them that we're here to provide support and help them with their tenancy.

The panel members improved awareness of TSIP within communities, at events and online, to further connect with customers and promote the vital role that the group play in shaping CBH services. They attended a Board and Committee meeting at CBH to get a better understanding of the important behind the scenes work that is carried out by Board members and they contributed to the review of Customer Services, which included call handling and mental health training for our Customer Service Officers.

Our People

People Plan

We successfully delivered our People Plan (2017-2020); after 11 years of Investors in People accreditation, we were delighted to earn 'One to Watch' with The Sunday Times Best Companies list. This demonstrates that CBH has "good" levels of workplace engagement and 'promising signs for the future' – a great result and testament to the supportive collaboration and hard work of CBH colleagues in delivering significant workplace improvements during the last 3 years of the CBH People Plan.

The current coronavirus crisis has shown that this approach of working collaboratively with colleagues to understand how the working environment and workplace needs to change and ensure there are high levels of colleague engagement is crucial to the future success of CBH.

We continue to develop and support our managers. As part of Best Companies, CBH is focusing on manager development in four particular areas: Motivating, Considering, Conversing, Caring, along with their sub behaviours. These are key behaviours that all managers and colleagues are encouraged to use with each other; they are all proven to improve workplace engagement and create an approach we would like to see in each and every colleague/manager interaction at CBH.

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We also continued to support colleague wellbeing, with the Mental Health First Aiders now fully integrated across the business offering guidance to colleagues who contact them. CBH also continues to invest in a Health Cash Plan, an Employee Assistance Programme, flu jabs and health MOTs for all colleagues.

CBH remains ambitious, 'One to Watch' is just the start. We are keen to improve our star status and continuous participation of colleagues in the development of the next People Plan from 2020 onwards will support us in that ambition.

Service Improvement Programme (SIP)

The 'Service Improvement Programme' is a change programme that covers all areas of CBH's service delivery, IT applications and business processes. Implementation of the Aareon QL system commenced in January 2018 and the successful go live date was in July 2019. This programme is a significant investment for CBH both in terms of finances and employee time. The new, integrated solution enhances our business capability with additional functions and features for both colleagues and customers including interactive, online access for customers, integrated data including electronic document management, comprehensive mobile working for colleagues and flexible workflow configuration to enable end to end system processing.

One unplanned significant outcome from SIP was the ability to quickly transition many of our services and colleagues to 'Working from Home' when 'lockdown' was introduced by the government in March ensuring our essential services could continue.

Business Risks

Risk management is an essential component in the successful delivery of our Vision, Aims and ongoing viability. CBH maintains a register of the most fundamental, long-lived risks to the ongoing viability of the business, with accompanying controls and mitigation measures. The regular assessment of the operating environment through PESTLE and SWOT analyses and the Sector Risk Profile supports the identification, assessment and management of these risks. These risks are subject to regular review by senior leadership, Audit and Risk Committee and the Board. Our Board Risk Champion helps to provide scrutiny and positive challenge on individual risks and helps to ensure the risk framework is up to date and appropriate. CBH uses insurance brokers to ensure appropriate cover exists for assets and business operations.

The key risks which the group currently face are set out below.

COVID-19

CBH has managed the impact of COVID-19 to ensure we continue to deliver core business processes and essential services remotely and maintain compliance during 'lockdown'. This was achieved due to the flexibility of IT, systems and colleagues; developments undertaken partly due to previous risk management reviews. Following a period of assessment, the business has been bringing paused services back online in a planned and safe way and is taking advantage of opportunities to retain changes that have delivered improved efficiencies and effectiveness.

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Safety of colleagues and customers is key and there has been an emphasis on completing risk assessments in all areas of the business and in particular in preparation for the gradual return to offices for colleagues. The senior management team is maintaining a very close watch on government guidelines to be able to respond appropriately and is maintaining communication with key partners to ensure that CBH is well positioned to be able to support them appropriately.

Housing Investment Programme

This risk is linked to two areas of growth, one concerned with establishing a new area of work to provide homes in the private rented sector and for private sale, and the other concerned with the escalation of existing plans for the provision of affordable homes.

Both require careful planning and management to avoid impacting on the ongoing viability of CBH and the HRA and to ensure core delivery does not suffer. A suite of relevant controls and actions ensure that this area is closely monitored and managed.

Health and Safety

In the aftermath of the Grenfell Tower tragedy, there has been a significant increase in health and safety risk awareness and compliance nationally with a particular focus on fire safety measures. The outcome of reviews which followed this are closely monitored to ensure CBH is well positioned as early as possible to react appropriately.

CBH has taken a proactive approach to this changing landscape. A number of planned works continue, additional fire safety measures initiated, and reassurance and guidance issued to customers. Health and safety performance is monitored by the Executive Team monthly and the Board receives additional information via the Audit & Risk Committee where health and safety is a standing agenda item. The Board maintains a Board Champion for health and safety.

Brexit

The Regulator of Social Housing considers that registered providers like CBH are domestically focused organisations with no direct trading exposures to the EU and therefore will be less directly affected than other sectors of the economy. Nevertheless, CBH has identified areas of the business exposed to this risk and has established controls and completed mitigating actions, while working closely with partners and the Council. This situation is being closely monitored as we approach the end of the transition period on 31 December 2020.

Social Housing Rent Policy

The commitment provided by Government with regards to rent levels for the five years post March 2020 is welcome and this provides stability for future years. There continues to be threats in the operating environment for CBH and other housing providers which could impact on rental income levels and arrears levels and these are monitored carefully. We have contingency plans at our disposal to cope with various magnitudes of future impact and feel confident that we can maintain a financially viable HRA which delivers against the key needs of our customers.

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Impact of Welfare Reform

The most significant impact of this range of policy reforms relates to Universal Credit (UC). CBH has had a strong year of performance in arrears prevention and rent collection despite the challenges of Universal Credit roll-out. The investment and solid foundations built in Housing Services as a consequence of proactive and careful modelling has enabled CBH to help tenants deal with the changes in the benefits system and maintain low current arrears levels. Excellent collaboration and commitment demonstrated by our experienced Rents, Benefit and Money Advice and Employment Initiatives teams have undoubtedly aided our success in this area.

Quality of the Housing Stock

The capital investment programme is closely managed to ensure that we improve the quality of existing homes each year across all units of stock. The HRA business plan is reviewed annually to confirm our ability to invest in the stock sufficiently to maintain decency. The only properties failing to meet this standard at year end were a small number of non-traditional construction stock which are being managed with funded improvement plans in place. Significant provision is in place to deliver programmes of investment to ensure homes meet legislative safety standards, particularly in connection with fire safety and asbestos compliance. Improvements to the energy performance of homes, in line with identified targets, are achieved through a number of the investment work streams.

Information Technology (IT)

A crucial element of the continued improvement of the company's service delivery to our customers is the work we have completed on our IT infrastructure and associated operating systems. We work closely with our IT service providers to ensure CBH has a secure and fit for purpose infrastructure. Over the year we transitioned to a new cloud-based infrastructure to support the implementation of the Service Improvement Programme (SIP).

The benefit of having efficient and effective systems can be negated somewhat should there be a lack of data accuracy and integrity. Good information management reduces the probability of this happening while increasing better informed decision making and efficient working. Good information practises also reduce the probability of privacy breaches and failure to meet legal obligations.

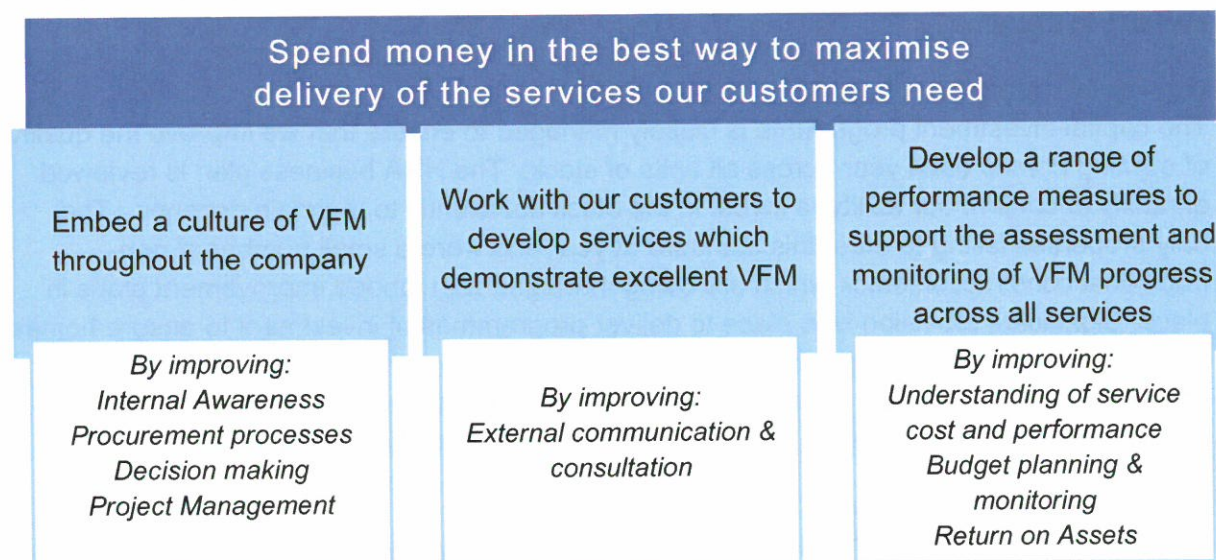
Pension Fund

The Pension Fund Valuation recognised in these statements reflects the latest accounting valuation of the pension fund. The Board will continue to monitor the financial position of the fund and act based on actuarial advice to ensure the long-term viability of the scheme.

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Value for Money Statement

CBH is clear that achieving good Value for Money (VFM) is not solely concerned with reducing costs; it is about understanding the need to spend and managing that effectively to maintain strong core services and continue to achieve positive change and outcomes. Our VFM strategy seeks to embed a culture that will maximise delivery of social value, driving improvements in service delivery to customers. It sets out a vision and aims as follows:



The company is responsible for managing the resources of both CBH and the Council's HRA. CBH maintains a suite of Key Performance Indicators (KPIs) demonstrating the balance across costs, performance and satisfaction, where costs relate to both CBH and the HRA. It makes use of Housemark's benchmarking model to arrive at an understanding of annual costs per property (CPP) for service areas: it is used to look back at the year just completed and, importantly, to 'look forward' during the annual budget process. This has informed discussions about spend and enabled CPP 'targets' for the financial year ahead to be set. This suite is regularly monitored by the Executive and Leadership Teams and reported to our Board and key stakeholders. The 2019/20 CPP figures in the following tables are currently indicative only as they have not yet been subjected to final validations by Housemark.

In these tables outturn is shown as a 'RAG' statement, comparing outturn to our own internal targets, generated each year as part of the annual budget and target setting process, where: **Green** = on or better than target, **Amber** = slightly off target and **Red** = off target.

CBH also compares outturn with sector peers and has used Housemark for this over a number of years. Housemark provides benchmarking data for the majority of the sector. Benchmarking data and sector performance is a useful point of reference and provides context to our own data and targets. CBH makes use of the functionality available to consider various peer groups and this sector data is taken into consideration each year during the annual process setting out plans and budgets to arrive at meaningful internal cost

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targets. It is our performance against these internal targets, rather than the external sector performance that is our key indicator of success. Our focus is to understand in detail our own indicators as they currently stand and to establish how we want these to move going forwards, aligned to our service delivery aspirations.

There are certain challenges to benchmarking, including ensuring the use of robust and valid data from our own perspective and with regard to the submission of others' data. Also, the submission of that data to the benchmarking model being used in consistent and comparable ways is vitally important to enable accurate comparisons. Selecting the most appropriate peer group for comparative purposes is important: this should ideally reflect that CBH is an ALMO managing approximately 5,000 units of relatively old housing stock with various fixed costs within the cost base, recharged by CBH to the HRA.

Currently, setting a peer group with these exact criteria is not possible. The following section therefore includes comparisons with the following external peer group: all housing providers in England with 1,000 to 7,500 units of stock, using the latest data available at the time of writing this document.

Great Homes

VFM Key Performance Indicators	2018-19	2019-20	2020-21
	year-end outturn compared to target (as a RAG)	year-end outturn compared to target (as a RAG)	year-end target
Direct cost per property of Major Works & Cyclical Maintenance	£1,616 (£1,820)	£2,123 (£2,250)	£2,366
% dwellings non-decent at the end of the period	0.39%	0.09% (0.35%)	0.25%
% dwellings with a valid gas safety certificate	99.90%	99.81% (100%)	100%
Average SAP rating (2009 methodology)	72.02	72.80 (72.20)	73
STAR Survey: satisfaction with overall quality of the home	87.2%	85% (90%)	90%
Direct cost per property of Responsive Repairs & Void Works	£647 (£581)	£642 (£580)	£660
% of Emergency, Urgent and Routine repairs completed within target	98.28%	99.57% (99%)	99%
Direct cost per property of Rent Arrears and Collection	£89 (£90)	£93 (£93)	£93
Current arrears as % of rental income (excluding court costs)	1.62%	2.14% (2.65%)	2.8%
Rent collected from current & former tenants as % rent due (excluding arrears brought forward)	98.95%	99.71% (97%)	98%
Direct cost per property of Lettings	£41 (£42)	41 (£41)	£45
% Rent lost through CBC dwellings becoming vacant excluding temporary furnished	0.79%	0.55% (0.70%)	0.77%

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VFM Key Performance Indicators	2018-19	2019-20	2020-21
	year-end outturn compared to target (as a RAG)	year-end outturn compared to target (as a RAG)	year-end target
Average time taken to re-let minor void CBC properties (excluding FA and JDC) in days	20.60	18.84 (19)	19
Complaints closed at stage 1 - % within agreed timescales	95.45%	96.15% (96%)	100%
Number of complaints per 1000 properties	9.05	9.68 (12)	10
Contact centre calls answered within 60 seconds ¹		91.56 (90%)	90%
Number of additional homes supplied	18	27 (50)	75

¹This indicator was introduced for 2019/20

Major Works and Cyclical Maintenance

CBH maintained appropriate capital investment in our stock, based on up to date data sourced from our stock surveys, enabling us to maintain safe, and high-quality homes. Page 6 of this report details some of the work undertaken to improve existing homes. Our cyclical maintenance costs were lower than budgeted due to having to pause on programmes of work for the impact of COVID-19 near year end. The level of investment in existing homes will continue reflecting the increase in some aspects of major work (e.g. showers) and significant investment in non-traditional properties. CPP was higher than the average spend by other providers in our peer group, and places CBH in the lower quartile due to the age and nature of the stock we maintain and the improvements we made to existing homes.

Performance remained strong across KPIs. Gas servicing remained high, with a robust approach taken to ensure access through legal means where this is necessary. In some instances, this required a joined-up approach with other local agencies to support those tenants who have been resistant to volunteering access due to mental health issues. SAP figures have increased as a consequence of planned, appropriate investment, and our regular STAR surveys show that satisfaction with the quality of the home remains high at 85% and compares well with our peer group, placing CBH in the upper middle quartile.

Responsive Repairs and Void Works

The costs per property to deliver our responsive repairs and void works during 2019/20 were higher than budgeted. This increase was driven by a number of factors, in particular a higher number of high cost voids due to our 'downsizing' programme and a proactive approach to identifying responsive repairs, that may have not been previously reported, through our Sustaining Successful Tenancies project. This also resulted in a higher than normal number of temporary posts brought in to respond to this increased demand. Continuing this approach is reflected in the target for 2020/21.

Although higher than our budgeted figure Direct CPP figures for Responsive Repairs and Void Works remains better than our peer group average, and places CBH in the upper middle quartile.

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Repairs performance has been maintained at above target levels with almost 100% of Emergency, Urgent and Routine repairs completed on time. The average number of days per repair was better than the sector average, placing CBH in the upper middle quartile.

Our regular STAR surveys show that satisfaction with the repairs and maintenance remained high at 81% and compares well with our peer group, placing CBH in the upper middle quartile.

Rent Arrears and Collection and Lettings

The Direct CPP for Rent Arrears and Collection for 2019/20 was slightly higher than the figure that was modelled during the annual budget setting process. When compared with the peer group it was worse than the median figure and it is likely that this will place CBH in the lower middle quartile. This small increase in cost has proven to be time well spent in terms of arrears performance which is significantly better than target. This remains a particular area of focus and investment as the roll out of Universal Credit continues across the town and due to the impact of the coronavirus crisis.

Direct CPP for the delivery of our Lettings service was better than the target set. When compared with the peer group it is likely that this will place CBH better than the sector average, placing CBH in the upper middle quartile.

This area has maintained strong void re-let times and void rent loss performance which were both better than target and which demonstrate top quartile performance when compared with our sector peer group. This has been achieved whilst also enabling 19 tenancies to successfully 'downsize' as part of our programme which began as a pilot in 2018/19, and which was so successful was extended into 2019/20. This programme makes better use of existing stock by supporting people in households with three or more bedrooms to 'downsize' into more appropriately sized homes, freeing up larger properties for those people more in need. This programme will continue in 2020/21.

Complaints

Complaints performance was strong reflecting the ease with which customers can make complaints and the effectiveness of the processes dealing with them. Contact centre calls answered within 60 seconds was slightly ahead of target and future targets reflect the desire to maintain this high figure. This was a new tenant-approved performance indicator to replace the older indicator in this suite. Our new Customer Services Strategy will prioritise and focus efforts in this area over the coming years to drive up performance and maintain high satisfaction levels.

Number of Additional Homes Supplied

Our target of 50 additional homes for 2019/20, including both newly built homes and acquisitions, was not met. Although the challenge of identifying and acquiring land for development remains a significant one in Cheltenham, the focus in 2020/21 continues to be

STRATEGIC REPORT

the acquisition of sites for future development within the HRA in order to build a more certain pipeline for future years, provide much needed housing and support the economic recovery in Cheltenham. To this end approval to purchase two sites in 2020/21 is in place which will deliver approximately 90 new homes in future years. In addition, Heads of Terms have been agreed for the purchase of 33 homes under s106 opportunities.

The 27 acquisitions demonstrated excellent use of funds received from RTB sales. This offset the loss of 20 Council homes which were sold under the Right to Buy (RTB) scheme, meaning that there was a net gain in the number of homes available for the second year running. This is a significant milestone and this trend is set to continue as our new homes and regeneration strategy developed with CBC is being finalised, two planned development schemes are due to be ready to let within the next financial year with further opportunities currently being explored. Our 2020/21 target reflects our continued ambition within this programme of work.

Stronger Communities

VFM Key Performance Indicators	2018-19	2019-20	2020-21
	year-end outturn compared to target (as a RAG)	year-end outturn compared to target (as a RAG)	year-end target
Direct cost per property of ASB	£54 (£55)	£57 (£58)	£63
% closed ASB cases that were resolved	100%	100% (99%)	99%
% satisfied with the way their ASB complaint was dealt with	100%	100% (98%)	98%
STAR Survey: tenants feeling safe in their homes	89%	92% (100%)	95%
Direct cost per property of Resident Involvement	£40 (£75)	£31 (£35)	£32
STAR Survey: customers satisfied that CBH listens to their views and acts upon them	65.8%	76.8% (70%)	80%
Direct cost per property of Tenancy Management	£83 (£93)	£89 (£91)	£96
STAR Survey: overall customer satisfaction	88.2%	90% (90%)	90%
STAR Survey: satisfaction with value for money of the rent	87.5%	93% (90%)	90%
Income generated on behalf of customers year to date	£1,217,200	£1,026,470 (£1m)	£1,000,000
Direct cost per property of Community Investment	£109	£105	£107

ASB

Direct CPP for the delivery of our ASB service was better than the target set for 2019/20. This area demonstrated strong performance and satisfaction, and future targets seek to maintain those levels. When compared with the sector it is likely that Direct CPP will place

STRATEGIC REPORT

CBH in the bottom quartile however it is an area of high performance and it is considered very important in building safe and strong neighbourhoods. The new question asked of tenants as part of the biennial STAR survey showed that 92% of respondents felt safe in their homes and although a local, non-benchmarkable figure we believe this is a significant positive response. We have adjusted down future targets now that we better understand the responses this new question produces but have ensured it remains challenging.

Resident Involvement and Community Investment

Regular reviews of our use of the benchmarking tool are carried out to ensure current ways of working are accurately reflected. Following such a review we have made changes that have resulted in the Direct CPP for Resident Involvement being lower than expected but does demonstrate the significant investment in numerous community investment activities as set out in our Strategic Report.

When compared with the peer group CPP for Resident Involvement is likely to place CBH in the lower middle quartile. This reflects our desire to invest appropriately to involve our tenants and leaseholders to ensure they can scrutinise and shape CBH services to best meet their needs. Our regular STAR surveys showed that 76% of tenants agree that CBH listens to their views and acts upon them, this places CBH in the top quartile, when compared to our peer group.

The CPP for community investment enables CBH to improve the life chances of our tenants and reduce the stigma associated with social housing. It includes, for example, benefit and money advice (which generated over £1m of income for tenants) and employment and training (which helped 67 people into work and 99 into training) plus broader community development and support work such as our job and employment clubs, regular activities at our Community Hubs seeking to promote healthy eating, digital inclusion and boosting IT skills and personal confidence. Feedback from attendees was hugely positive both in terms of satisfaction for the service and the difference it makes.

Tenancy Management

Direct Tenancy Management CPP was lower than the expected level, this is following a review of structures, roles and processes and a recognition of time spent on community investment activities. When compared with the sector this CPP is likely to place CBH in the lower middle quartile.

CBH has made the decision to continue to invest appropriately in supporting strong communities through effective neighbourhood and community investment, and by involving residents. This supports local aims shared with CBC and which CBH is very well placed to help deliver.

Overall customer satisfaction with CBH remained high, meeting our challenging target of 90%. This outturn positions CBH in the top quartile when compared to other housing providers in our peer group. 93% of tenants considered that the rent they pay provides Value

STRATEGIC REPORT

for Money which is a very high level of satisfaction and compares well with others; again, placing CBH in the top quartile.

Our People

VFM Key Performance Indicators	2018-19	2019-20	2020-21
	year-end outturn compared to target (as a RAG)	year-end outturn compared to target (as a RAG) where available	year-end target
Average number of working days lost to total sickness	5.62	9.45 (7)	7
Best Companies	new	One to watch (one to watch)	1 star

Both long-term and short-term sickness levels have been challenging throughout the year. We continue to support colleagues through our Wellbeing Programme, which includes regular fruit deliveries to offices, health MOTs and 'flu jabs' in December. The last quarter, from January onwards saw an increase in cold/flu related sickness, with March being affected most significantly. COVID-19 has had an impact on our short-term sickness figures for March, with 14 colleagues registering 60 days due to related symptoms. It may be that January and February's increases were also COVID-related before we were fully aware of the crisis. Managers continue to monitor and address unsatisfactory levels of absences. We have seen a reduction in April's figures as colleagues recover from likely COVID-19 and working from home is currently reducing other sickness absence issues.

Return on Assets

In addition to our prime function of managing and maintaining the Council's housing stock, the Company is also a Registered Provider (RP) and manages 111 units of its own housing stock (at the end of March 2020). CBH stock has been funded using a balance of grant (from Homes England and Cheltenham Borough Council) and long-term borrowing. All schemes have been delivered within budget, are forecast to deliver budgeted surpluses for future years and provide valuable additional homes for Cheltenham.

CBH has also managed the acquisition and development of new CBC-owned homes. This has resulted in the acquisition of 27 homes in 2019/20 and the commencement of building works on a further 35 homes to be completed in 2020/21. Each scheme is subject to a rigorous option appraisal to confirm viability and a positive contribution to reserves and cashflow. The programme is being funded by a combination of Home England grant, capital receipts, revenue reserves and borrowing.

STRATEGIC REPORT

Value for Money Metrics

The Regulator of Social Housing has issued seven VFM metrics that allow housing providers to compare like with like, while at the same time recognising that the housing sector is diverse, encompassing a wide range of legitimate social missions. The seven metrics are shown in the table below.

VFM is taken seriously by CBH and we have taken the 'sector scorecard' methodologies and applied relevant data relating solely to our operations as a small registered provider, i.e. discounting our role as the local authority's ALMO to match our balance sheet position. The table below displays outturn for the current and previous years. We consider that the outturn of these metrics can support the more detailed information in the VFM Statement but currently has limited value as a comparative tool due to the small number of properties held by CBH.

Value for Money Metrics	2018/19	2019/20
Reinvestment %	1%	0%
New supply delivered (social housing units) %	1%	0%
New supply delivered (non-social housing units) %	0%	0%
Gearing %	54%	53%
EBITDA %	153%	144%
Headline social housing cost per unit	£1,473	£1,764
Operating margin (social housing lettings only) %	41%	36%
Operating margin (overall) %	41%	36%
Return on capital employed (ROCE) %	2%	2%

The reinvestment percentage fell from 1% to 0%; in 2018/19 CBH purchased one additional property on a long leasehold basis; during 2019/20 CBH purchased no additional properties as all additional homes were delivered for the Council's HRA.

The increase in the headline cost per unit reflects the timing of cyclical external painting works at two schemes.

STRATEGIC REPORT

Financial Review

The accounting policies of the group are set out in note 2 to the financial statements.

The results included in these financial statements relate to the activities of the CBH group only and not the Council's HRA. The results shown here therefore only cover the CBH specific portion of the activities set out in the Strategic Report above.

CBH recharges the cost of its management and maintenance services, for Cheltenham Borough Council properties, to the Council via management fees and repairs and maintenance charges. This makes up 95% of CBH's annual turnover.

In September 2015 the Board approved a four-year financial plan of which 2019/20 was year four. This was in response to the four-year rent reduction measures imposed by the Government. As with the HRA, a full review of all key financial projections relating to CBH was completed and the key variables stress tested to provide comfort over the long-term financial viability of CBH. The targets for year four, 2019/20, and for the plan overall have been met. A new financial plan will support CBH's new business plan for the period 2020 to 2023.

At the end of the financial year, CBH owned 111 properties: 1 leasehold, 15 shared ownership with the remaining 95 made up of 45 social rent and 50 affordable rent homes.

CBH has in place long-term debt facilities which provide adequate resources to finance its housing schemes along with the group's day to day operations. The group is able to service these debt facilities whilst continuing to comply with its commitments to its parent undertaking Cheltenham Borough Council.

Income and Expenditure

Turnover for the year was £12,597,000, £3,000 higher than the previous year. During the year additional planned maintenance work was delivered through the CBH in house repairs team to deliver cost savings and make the most effective use of in-house skills. This has been successful and includes kitchens and bathroom replacements, works on market purchase properties to reach letting standard and fire protection works. This increase was offset by a one-off grant receipt in 2018-19 turnover which was not repeated in 2019-20.

The operating result for the group for the year ended 31 March 2020 was a deficit of £1,645,000 compared to a deficit of £948,000 for the previous year. The main change year on year was the increase in the FRS102 current service cost due to the reduction in the opening net discount rate (discount rate less pension increase rate at the beginning of the year). The underlying operating result, before loan interest and the FRS 102 pension current service cost adjustment, was a deficit of £41,000 against an operating surplus of £246,000 in the previous year. The reduction was due to investment in one off project costs agreed by the Board during the year for example SIP and expanding community services such as the ACEs programme and Thrive.

STRATEGIC REPORT

The current service cost for the pension scheme under FRS102 increased in the year from £2.1m to £2.6m. This reflects the reduction in the opening net discount rate as noted above. This is not a cash item and is charged to a separate pension reserve.

Lease renewals for two of our offices are being negotiated and nearing completion at the time of signing these accounts.

Pensions

Under Financial Reporting Standard 102 ("FRS102"), the group is required to include the financial position of the pension fund within the balance sheet. For the year ended 31 March 2020 the deficit position improved due to the fall in the salary and pension increase rates, partly offset by a fall in the discount rate. See note 20 for further details.

The most recent actuarial triennial valuation of the fund as at 31 March 2019 showed CBH's element of the fund was 120% funded. Responsibility for both the pension fund and the payment of employer contributions lies with CBH. CBH is confident in its ability to make the necessary contributions, as recommended by the Actuary, to ensure that there are sufficient pension fund assets to settle all liabilities as and when they fall due.

Reserves

The statement of financial position for the group as at 31 March 2020 shows total negative reserves of £5,259,000, comprising a pension fund liability of £7,449,000 offset by an income and expenditure reserve of £2,190,000. The income and expenditure reserve decreased by £310,000 during the year due to the project costs noted above.

Financial Position

The balance sheet at the end of March 2020 included £12,985,000 of fixed assets at depreciated cost, £6,415,000 of long-term loans and £4,414,000 of capital grants. Net current assets decreased by £536,000 due to the investment in computer software and related equipment as part of the Service Improvement Programme.

Cash flow

At year end, cash and cash equivalents totalled £251,000, having increased from £162,000 at the previous year end. This increase reflects the timing of payments and receipts at year end. Included within debtors is a balance of £954,000 due from the company's parent undertaking Cheltenham Borough Council. This is a current account balance and can be drawn down in cash as required.

The Strategic Report was approved by the Board on 30th September 2020 and signed on its behalf by:



Stafford Cruse
Company Secretary

DIRECTORS' REPORT

Principal Activities

The principal activities of the company during the year were the management and maintenance of Cheltenham Borough Council (CBC) and Cheltenham Borough Homes (CBH) homes in Cheltenham and the development of new social housing for CBC and CBH. The principal activity of the subsidiary company, Cheltenham Borough Homes Services Limited, during the year was the supply of construction services to Cheltenham Borough Homes Limited.

The parent company, Cheltenham Borough Homes Limited, is a company limited by guarantee and is governed by its memorandum and articles of association. The liability in respect of the guarantee is set out in the memorandum of association and is limited to £1 per member of the company, the sole member being Cheltenham Borough Council. Cheltenham Borough Homes Services Limited is a limited company, the sole shareholder being Cheltenham Borough Homes Limited.

Directors

The non-executive Board of Directors of the company, which includes Borough Councillors, tenants and independent professionals, oversees and directs strategy. All Board members act in an unpaid, voluntary capacity. The following directors served during the year:

J Langley	Chair
P Blain	
S Brimfield	Chair of New Supply Committee
W Britton-Lewis	
D M Clowes	Chair of Remuneration and Nominations Committee
A C Foster	Chair of Audit and Risk Committee
C M Mason	
U Pearce-Lynch	
J Rawson	
S Williams	

Company Secretary

S Cruse

DIRECTORS' REPORT

Audit and Risk Committee

The Audit and Risk Committee reviews the annual internal and external audit plans and reports and meets with the internal and external auditors both in meetings and privately to satisfy themselves that the company's internal control systems are operating effectively. The Audit and Risk Committee reviews a report on the company's corporate risks at every meeting. The agreed minutes of every Audit and Risk committee meeting are presented to Board in order to inform all Board members of the decisions and actions taken. Key issues are fed back to Board by the Chair of the Committee.

Executive Team

An Executive Team of three senior officers, led by the Chief Executive, is responsible for the strategic management of the group and also manages a team of operational managers responsible for the day-to-day activity. During the year Peter Hatch (Executive Director – Property & Communities) left CBH to be Chief Executive of another housing organisation and following the year end Paul Stephenson (Chief Executive) retired after 15 years with CBH. The Board of Directors, on behalf of the whole organisation, recognise and appreciate the strong and effective leadership of Paul Stephenson over the last 8 years as Chief Executive Officer up until his retirement in August 2020.

Steve Slater has been appointed Chief Executive on an interim basis recognising a full CEO recruitment process has not been possible during the COVID-19 crisis.

S Slater	Interim Chief Executive
E Wall	Executive Director – Property & Communities
S Cruse	Interim Executive Director – Finance & Resources

Governance: Annual Statement of Compliance

As a registered provider and, in accordance with regulatory requirements, CBH adopted the National Housing Federation's "Excellence in Governance" code of governance in 2011. The Code was reviewed and re-issued in February 2015.

An assessment of compliance against this Code is undertaken each year and the review relating to the period 2019-20 demonstrates full compliance.

CBH undertakes an independent review of the Board and governance structure at least every three years. The latest review took place in December 2018 and resulted in an action plan for enhancements to certain Board processes that is currently in the process of being delivered.

DIRECTORS' REPORT

In accordance with the requirements of the Accounting Direction 2019, the Board certifies that the Company has complied with the requirements of the Regulator's Governance and Financial Viability Standard. The Board has reviewed the Company's compliance against each of the required outcomes within the Standard and has ensured appropriate action was taken during the year to meet these outcomes.

A process to review the company's compliance with the Governance and Financial Viability Standard is in place and will be followed annually.

Statement of Board Responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the group and of the profit or loss of the group for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Ensure that UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

DIRECTORS' REPORT

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

Auditors

A resolution to reappoint Bishop Fleming as the Company's external auditor will be proposed at the forthcoming Annual General Meeting.

The Directors' Report was approved by the Board on 30th September 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Stafford Cruse', written in a cursive style.

Stafford Cruse
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHELTENHAM BOROUGH HOMES LIMITED

OPINION

We have audited the financial statements of Cheltenham Borough Homes Limited (the 'parent Company') and its subsidiary (the 'Group') for the year ended 31 March 2020, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statement of financial position, the Consolidated and Company Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2019.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHELTENHAM BOROUGH HOMES LIMITED

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group or parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHELTENHAM BOROUGH HOMES LIMITED

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

USE OF OUR REPORT

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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 Company and the Company's members for our audit work, for this report, or for the opinions we have formed.



Nathan Coughlin FCA (Senior Statutory Auditor)
For and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
Salt Quay House
4 North East Quay
Plymouth
PL4 0BN

Date: 19 October 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2020 £'000	2019 £'000
Turnover	3	12,597	12,594
Operating expenditure		14,241	13,542
Loss on disposal of fixed assets	6	1	-
Operating deficit	3	(1,645)	(948)
Interest receivable	7	-	1
Interest and financing costs	8	525	437
Deficit before tax		(2,170)	(1,384)
Taxation	10	18	10
Deficit for the year		(2,188)	(1,394)
Actuarial gain/(loss) in respect of pension schemes		5,087	(3,048)
Total comprehensive income/(loss) for the year		2,899	(4,442)

The consolidated results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve £'000	Pension reserve £'000	Total £'000
Balance as at 1 April 2018	2,516	(6,232)	(3,716)
Deficit for the year	(16)	(1,378)	(1,394)
Other comprehensive loss for the year	-	(3,048)	(3,048)
Balance at 31 March 2019	2,500	(10,658)	(8,158)
Deficit for the year	(310)	(1,878)	(2,188)
Other comprehensive gain for the year	-	5,087	5,087
Balance at 31 March 2020	2,190	(7,449)	(5,259)

COMPANY STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve £'000	Pension reserve £'000	Total £'000
Balance as at 1 April 2018	2,585	(6,232)	(3,647)
Deficit for the year	(15)	(1,378)	(1,393)
Other comprehensive loss for the year	-	(3,048)	(3,048)
Balance at 31 March 2019	2,570	(10,658)	(8,088)
Deficit for the year	(310)	(1,878)	(2,188)
Other comprehensive gain for the year	-	5,087	5,087
Balance at 31 March 2020	2,260	(7,449)	(5,189)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	11	870	602
Tangible fixed assets – housing properties	12	11,865	12,063
Tangible fixed assets – other	13	250	269
		12,985	12,934
Current assets			
Trade and other debtors	15	1,128	2,059
Cash and cash equivalents		251	162
		1,379	2,221
Creditors: amounts falling due within one year	16	1,520	1,826
Net current (liabilities)/assets		(141)	395
Total assets less current liabilities		12,844	13,329
Creditors: amounts falling due after more than one year	17	10,654	10,829
Pension provision	20	7,449	10,658
Total net liabilities		(5,259)	(8,158)
Reserves			
Income and expenditure reserve		2,190	2,500
Pension reserve		(7,449)	(10,658)
Total reserves		(5,259)	(8,158)

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 30th September 2020.


Director
J Langley


Director
S Brimfield

Company number: 04587658

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	11	870	602
Tangible fixed assets – housing properties	12	11,917	12,116
Tangible fixed assets – other	13	250	269
Investment in subsidiaries	14	-	-
		13,037	12,987
Current assets			
Trade and other debtors	15	1,150	2,076
Cash and cash equivalents		250	161
		1,400	2,237
Creditors: amounts falling due within one year	16	1,523	1,825
Net current (liabilities)/assets		(123)	412
Total assets less current liabilities		12,914	13,399
Creditors: amounts falling due after more than one year	17	10,654	10,829
Pension provision	20	7,449	10,658
Total net liabilities		(5,189)	(8,088)
Reserves			
Income and expenditure reserve		2,260	2,570
Pension reserve		(7,449)	(10,658)
Total reserves		(5,189)	(8,088)

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 30th September 2020.


Director
J Langley


Director
S Brimfield

Company number: 04587658

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	22	911	1,167
Cash flow from investing activities			
Purchase of tangible fixed assets		(137)	(141)
Purchase of intangible fixed assets		(329)	(593)
Grants received		-	105
Grants repaid		-	(22)
Interest received		-	1
		(466)	(650)
Cash flow from financial activities			
Interest paid		(250)	(253)
Repayments of borrowings		(106)	(103)
		(356)	(356)
Net change in cash and cash equivalents		89	161
Cash and cash equivalents at beginning of the year		162	1
Cash and cash equivalents at end of the year		251	162

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

The company is registered under the Companies Act 2006 and is a registered housing provider.

2. Accounting policies

Basis of accounting

The financial statements of the group and the company are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers. Adoption of the updated SORP has required the inclusion of a net debt reconciliation as part of cash flow disclosures in note 22. The company has adopted the Accounting Direction for Private Registered Providers of Social Housing 2019 in these financial statements with no disclosure changes required.

Going concern

The group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The group has in place long-term debt facilities and a working capital facility which provide adequate resources to finance its recently built housing projects along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with its commitments to its parent undertaking Cheltenham Borough Council.

As noted in the Strategic Report, CBH has made a significant investment in a new integrated housing and asset management system and its implementation. This has reduced CBH's liquidity and increased fixed assets.

Since year end, Coronavirus has had a significant impact on our operations and for a period, limited us to completing only urgent repairs and essential services for tenants. Since lockdown measures have eased, CBH colleagues have worked hard to reinstate non-essential services whether face to face or through electronic means. There has not been a significant impact on our financial resilience to date as a result of the structure of the funding agreement with the Council. The board are satisfied that the financial impact of a second wave or similar scenarios can be absorbed within existing cash reserves.

The cashflows for CBH's housing and management activities have been modelled through to March 2022 which shows sufficient resources are available throughout this period. These cashflow forecasts will continue to be monitored closely over this period.

On this basis, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve

NOTES TO THE FINANCIAL STATEMENTS

months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Basis of consolidation

The group accounts consolidate the accounts of Cheltenham Borough Homes Limited and Cheltenham Borough Homes Services Limited at 31 March using the purchase method. As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent company is omitted from the group financial statements by virtue of Section 408 of the Companies Act 2006. The deficit for the year before taxation for the parent company was £2,169,000 (2019: deficit of £1,383,000).

Investment in subsidiaries

Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of Cheltenham Borough Homes Services Limited during the year are included in total comprehensive income using accounting policies consistent with those of the Company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Depreciation charged for the year ended 31 March 2020 was £343,000 and amortisation of intangible assets was £61,000.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 20). The liability at 31 March 2020 was £7,449,000.

NOTES TO THE FINANCIAL STATEMENTS

Turnover and revenue recognition

Turnover primarily comprises management fees chargeable to Cheltenham Borough Council, invoiced quarterly in arrears and charges made to Cheltenham Borough Council for the repair and maintenance of Council owned homes, invoiced in arrears and recognised on an accruals basis.

In addition turnover includes rental income receivable in the year and grants for donated land recognised in revenue in the year. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Value Added Tax

The group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Employee Benefits

Short-term employee benefits are recognised as an expense in the period in which they are incurred.

Pensions

The Company operates a contributory pension scheme, of the defined benefit type, for employees. The scheme is administered by Gloucestershire County Council and is independent of the company finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary in order that the benefits accruing in respect of current and future service can be met.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current 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 Company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating surplus. The expected return of 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 total comprehensive income for the year. The pension scheme's surplus, to the extent that it is considered recoverable, or deficit, are recognised in full and presented on the face of the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

Interest payable

Interest payable is charged to income and expenditure in the year.

Intangible Assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Software configuration and implementation costs for the company's new core operating software QL have been recognised as an intangible asset. The intangible asset is being amortised over 10 years from 'Go-live' date in 2019-20.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings and development costs.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

NOTES TO THE FINANCIAL STATEMENTS

Depreciation of housing properties

The group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value on a straight line basis, over its estimated useful economic life.

The group depreciates the major components of its housing properties at the following annual rates:

General needs-houses	Over 75 years
Roofs	Over 60 years
Windows & Doors	Over 30 years
Plumbing	Over 30 years
Kitchens & Bathrooms	Over 20 years
Boilers	Over 15 years
Solar Panels	Over 25 years

Freehold land is not depreciated

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. The terms of the donation are deemed to be performance related conditions. A grant that imposes specified future performance-related conditions is recognised in revenue only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

NOTES TO THE FINANCIAL STATEMENTS

Other tangible fixed assets

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:

Freehold buildings	2%
Long leasehold property	over the life of the lease
Furniture, fixtures and fittings	33%
Computers and office equipment	33%
Motor vehicles and plant	20%
Tools and operational equipment	33%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Government grants

Government grants include grants receivable from Homes England (formerly the Homes and Communities Agency, the HCA), local authorities, and other government organisations.

Government grants received for housing properties are recognised over the useful life of the housing property structure under the accruals model.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of a property may be repayable and are included in the statement of financial position in creditors.

If there is no requirement to repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for repayment purposes, any grant which has been allocated to the component is released to income and expenditure. Upon disposal of the associated property, the group is required to repay these proceeds and recognise them as a liability.

NOTES TO THE FINANCIAL STATEMENTS

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs.

Loans

Loans received from Cheltenham Borough Council for development of new social housing are treated as public benefit entity concessionary loan arrangements. The loans are initially recognised at the amount received and are subsequently adjusted for accrued interest payable.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS

Provision for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The group recognises an accrual for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 3 months. The accrual is measured at the salary cost payable for the period of absence.

3. Particulars of turnover, cost of sales, operating costs and operating surplus

Group – continuing activities

	Turnover	2020 Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings	554	329	225
Amortisation of capital grant	65	65	-
	<u>619</u>	<u>394</u>	<u>225</u>
Recognition of government grant	-	-	-
Management and maintenance services for Cheltenham Borough Council	11,978	13,848	(1,870)
	<u>12,597</u>	<u>14,242</u>	<u>(1,645)</u>

NOTES TO THE FINANCIAL STATEMENTS

Group – continuing activities

	Turnover	2019 Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings	551	298	253
Amortisation of capital grant	65	65	-
	<u>616</u>	<u>363</u>	<u>253</u>
Recognition of government grant	110	110	-
Management and maintenance services for Cheltenham Borough Council	11,868	13,069	(1,201)
	<u>12,594</u>	<u>13,542</u>	<u>(948)</u>

4. Accommodation in management and development

At the end of the year the number of properties owned for each class of accommodation was as follows:

	Group and Company	
	2020	2019
	No.	No.
General social housing	95	95
Affordable home ownership	15	15
Total owned	<u>110</u>	<u>110</u>
 In development	 <u>-</u>	 <u>-</u>
 Leasehold	 <u>1</u>	 <u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

At the end of the year the number of properties in management for each class of accommodation was as follows:

	Group and Company	
	2020	2019
	No.	No.
Local Authority general social housing	3,977	3,973
Local Authority housing for older people	490	490
Local Authority garages	679	685
Local Authority leasehold and shared ownership	500	508
	<u>5,646</u>	<u>5,656</u>
CBH general social housing	95	95
CBH leasehold and shared ownership	16	16
Total in management	<u>5,757</u>	<u>5,767</u>

5. Operating (deficit)/surplus

The operating (deficit)/surplus is arrived at after charging/(crediting):

	Group and Company	
	2020	2019
	£'000	£'000
Depreciation of housing properties	198	199
Depreciation of other tangible fixed assets	145	116
Amortisation of intangible assets	61	-
Operating lease rentals		
- land and buildings	216	239
- vehicles and other equipment	119	153
Auditors' remuneration (excluding VAT)		
- audit fee	12	12
- tax administration	1	2
- other services	1	1
	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

6. Deficit on sale of fixed assets

	Group and Company	
	2020 £'000	2019 £'000
Disposal proceeds	-	-
Carrying value of fixed assets	1	-
Other costs of sale	-	-
	<u>1</u>	<u>-</u>
Capital grant released to income	-	-
	<u>1</u>	<u>-</u>

7. Interest receivable and other income

	Group and Company	
	2020 £'000	2019 £'000
Interest receivable and similar income	-	1
	<u>-</u>	<u>1</u>

8. Interest and financing costs

	Group and Company	
	2020 £'000	2019 £'000
Defined benefit pension charge	275	184
Loan interest	250	253
	<u>525</u>	<u>437</u>

NOTES TO THE FINANCIAL STATEMENTS

9. Employees

Average monthly total number of employees and average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37 hrs):

	Group and Company	
	2020 No.	2019 No.
Administration and operational:		
Total number of Employees	191	185
Full Time Equivalents	180	173

Employee costs

	Group and Company	
	2020 £'000	2019 £'000
Wages and salaries	5,428	5,193
Social security costs	528	513
Other pension costs	2,597	2,115
	8,553	7,821

The non-executive company directors received no remuneration during the year.

Executive team

The full time equivalent number of staff who received remuneration of £60,000 or more (excluding company directors) was as follows:

	2020 No.	2019 No.
£60,000 to £70,000	4	7
£70,001 to £80,000	4	-
£100,001 to £110,000	-	1
£110,001 to £120,000	1	1
£130,001 to £140,000	1	1

The emoluments of the chief executive (the highest paid executive team member), excluding pension contributions, were £119,924 (2019: £117,300). Cheltenham Borough Homes is a scheduled employer within the Gloucestershire Local Government Pension Scheme. The scheme is asset backed and funded by employer and employee contributions.

NOTES TO THE FINANCIAL STATEMENTS

The chief executive is an ordinary member of the scheme and no enhanced or special terms apply to their pension.

The aggregate remuneration of the Executive Team, including pension contributions but excluding payments for loss of office, amounted to £332,792 (2019: £355,726).

10. Tax on surplus on ordinary activities

	Group and Company	
	2020	2019
	£'000	£'000
Current tax		
UK corporation tax on deficit for the year	21	25
Adjustments in respect of prior years	(3)	(15)
Tax on deficit for the year	18	10

The tax assessed for the year is lower than the standard rate of corporation tax in the UK at 19% (2019: 19%). The differences are explained as follows:

	Group and Company	
	2020	2019
	£'000	£'000
Tax reconciliation		
Deficit on ordinary activities before tax	(2,170)	(1,386)
Theoretical tax at UK corporation tax rate 19% (2019: 19%)	(412)	(263)
-exempt activities	433	288
-adjustments to tax charge in respect of prior periods	(3)	(15)
Total tax charge	18	10

NOTES TO THE FINANCIAL STATEMENTS

11. Intangible assets

Group and Company

	Software costs £'000	Total £'000
Cost		
At 1 April 2019	602	602
Additions	329	329
Disposals	-	-
At 31 March 2020	931	931
Amortisation		
At 1 April 2019	-	-
Charged in year	61	61
Disposals	-	-
At 31 March 2020	61	61
Net book value		
At 31 March 2020	870	870
At 31 March 2019	602	602

The intangible asset relates to software configuration and implementation costs for the company's new core operating software QL. The intangible asset is being amortised over 10 years from the 'Go-live' date in 2019-20.

NOTES TO THE FINANCIAL STATEMENTS

12. Fixed assets – housing properties

Group – housing properties

	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Leasehold housing properties £'000	Shared ownership housing properties £'000	Total housing properties £'000
Cost					
At 1 April 2019	11,636	-	555	964	13,155
Additions	1	-	-	-	1
Schemes completed	-	-	-	-	-
Disposals	1	-	-	-	1
At 31 March 2020	11,636	-	555	964	13,155
Accumulated depreciation					
At 1 April 2019	995	-	10	87	1,092
Depreciation charged in year	174	-	10	14	198
Released on disposal	-	-	-	-	-
At 31 March 2020	1,169	-	20	101	1,290
Net book value					
At 31 March 2020	10,467	-	535	863	11,865
At 31 March 2019	10,641	-	545	877	12,063

Social housing assistance

	Group and Company	
	2020	2019
	£'000	£'000
Social housing grant		
Total received or receivable at 31 March	4,245	4,245
Total released to income at 31 March	(390)	(325)
Total repaid or repayable at 31 March	(152)	(152)
	3,703	3,768
Other capital grant		
Total received or receivable at 31 March	2,339	2,339
Total released to income at 31 March	(1,628)	(1,628)
Total repaid or repayable at 31 March	-	-
	711	711

NOTES TO THE FINANCIAL STATEMENTS

Company – housing properties

	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Leasehold housing properties £'000	Shared ownership housing properties £'000	Total housing properties £'000
Cost					
At 1 April 2019	11,692	-	555	965	13,212
Additions	1	-	-	-	1
Schemes completed	-	-	-	-	-
Disposals	1	-	-	-	1
At 31 March 2020	11,692	-	555	965	13,212
Accumulated depreciation					
At 1 April 2019	999	-	10	87	1,096
Depreciation charged in year	175	-	10	14	199
Released on disposal	-	-	-	-	-
At 31 March 2020	1,174	-	20	101	1,295
Net book value					
At 31 March 2020	10,518	-	535	864	11,917
At 31 March 2019	10,693	-	545	878	12,116

Housing properties book value net of depreciation

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Freehold land and buildings	11,330	11,518	11,382	11,571
Leasehold buildings	535	545	535	545
	11,865	12,063	11,917	12,116

Impairment

The group considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting 102 and SORP 2014. There was no impairment in the carrying value of property fixed assets during the year.

NOTES TO THE FINANCIAL STATEMENTS

13. Tangible fixed assets – other

Group and Company

	Vehicles and plant	Fixtures and fittings	Computer systems and equipment	Leasehold buildings	Freehold buildings	Tools and other equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2019	4	215	613	537	129	38	1,536
Additions	-	5	112	-	-	9	126
Disposals	-	-	-	-	-	-	-
At 31 March 2020	4	220	725	537	129	47	1,662
Depreciation							
At 1 April 2019	4	178	569	476	9	31	1,267
Charged in year	-	22	57	60	1	5	145
Disposals	-	-	-	-	-	-	-
At 31 March 2020	4	200	626	536	10	36	1,412
Net book value							
At 31 March 2020	-	20	99	1	119	11	250
At 31 March 2019	-	37	44	61	120	7	269

Grant assistance – freehold land and buildings

	Group and Company	
	2020	2019
	£'000	£'000
Other capital grant		
Total received or receivable at 31 March	17	17
Total released to income at 31 March	(17)	(17)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

14. Investments in subsidiaries

Company

	2020 £	2019 £
Cost and net book value	1	1

At 31 March 2020 the Company held more than 20% of the allotted share capital of the following undertaking:

	Country of incorporation	Class of share capital	Proportion held	Nature of business
Cheltenham Borough Homes Services Limited	UK	Ordinary	100%	Property development services

15. Debtors

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Due within one year				
Rent and service charges receivable	19	9	19	9
Less: provision for bad and doubtful debts	(9)	(6)	(9)	(6)
	10	3	10	3
Amount due from Cheltenham Borough Council	954	1,882	954	1,882
Other debtors	40	26	62	43
Prepayments and accrued income	124	148	124	148
	1,128	2,059	1,150	2,076

NOTES TO THE FINANCIAL STATEMENTS

16. Creditors: amounts falling due within one year

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Debt (note 19)	110	106	110	106
Trade creditors	183	543	165	524
Rent and service charges received in advance	9	8	9	8
Amount due to Cheltenham Borough Council	167	188	167	188
Amount owed to subsidiary undertaking	-	-	21	19
Deferred capital grant (note 18)	65	65	65	65
Government grant received in advance	-	-	-	-
Corporation tax	21	25	21	25
Other taxation and social security	493	461	493	461
Unpaid contributions for retirement benefits	102	105	102	105
Other creditors	7	8	7	7
Accruals and deferred income	363	317	363	317
	1,520	1,826	1,523	1,825

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Debt (note 19)	6,305	6,415	6,305	6,415
Deferred capital grant (note 18)	4,349	4,414	4,349	4,414
	10,654	10,829	10,654	10,829

NOTES TO THE FINANCIAL STATEMENTS

18. Deferred capital grant

	2020 £'000	2019 £'000
At 1 April	4,479	4,439
Grant received in the year	-	105
Grant repayable in the year	-	-
Released to income in the year	(65)	(65)
At 31 March	4,414	4,479

	2020 £'000	2019 £'000
Amounts to be released within one year	65	65
Amounts to be released in more than one year	4,349	4,414
At 31 March	4,414	4,479

19. Debt analysis

Borrowings

	Group and Company	
	2020 £'000	2019 £'000
Due within one year		
Local authority loans	110	106
Due after more than one year		
Local authority loans	6,305	6,415
Total loans	6,415	6,521

Security

The local authority loans relate to amounts due to Cheltenham Borough Council. Each loan is secured against the related social housing stock developed.

NOTES TO THE FINANCIAL STATEMENTS

Terms of repayment and interest rates

The outstanding balance on the loan relating to the Brighton Road Project as at 31 March 2020 was £1,316,920 (2019: £1,327,884). It has a fixed rate of interest of 4.52%. Repayments, including interest, are £35,431 six monthly on 30 September and 31 March. Final repayment is due on 31 March 2061.

The outstanding balance on the loan relating to the St Paul's Phase 1 Project as at 31 March 2020 was £1,831,989 (2019: £1,858,866). It has a fixed rate of interest of 3.91%. Repayments, including interest, are £49,649 six monthly on 20 September and 20 March. Final repayment is due on 20 March 2053.

The outstanding balance on the loan relating to the Garage Site Project as at 31 March 2020 was £1,307,602 (2019: £1,324,652). It has a fixed rate of interest of 4.22%. Repayments, including interest, are £36,387 six monthly on 30 September and 31 March. Final repayment is due on 20 March 2053.

The outstanding balance on the loan relating to the St Paul's Phase 2 Project as at 31 March 2020 was £1,958,089 (2019: £2,009,473). It has a fixed rate of interest of 3.08%. Repayments, including interest, are £56,442 six monthly on 30 September and 31 March. Final repayment is due on 31 March 2045.

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group and Company	
	2020	2019
	£'000	£'000
Within one year or on demand	110	106
One year or more but less than two years	114	110
Two years or more but less than five years	369	355
Five years or more	5,822	5,950
	6,415	6,521

NOTES TO THE FINANCIAL STATEMENTS

20. Pensions

Group and Company

All employees are employed by the parent company. The Company participates in the defined benefit Local Government Pension Scheme (LGPS), administered by Gloucestershire County Council. This is a funded scheme, meaning that both employer and employees pay contributions into the fund, calculated at a level that is estimated to balance the pension liabilities with investment assets.

A qualified actuary using the “projected unit” method performs the triennial actuarial valuations and the valuation relates to the whole fund.

Contributions

The employer’s contributions to the LGPS by the Company for the year to 31 March 2020 were £893,000 (2019: £930,000).

The most recent actuarial valuation of the fund was as at 31 March 2019. This valuation showed the fund was 120% funded. This valuation determines the contribution rates for the 2020/21 year onwards.

The employer’s current service contribution rate is 18%. The amount paid to insurers for ill-health liability insurance during the year was an amount equivalent to 1.5% of pensionable pay, thereby reducing the employer’s current service contribution rate to 16.5%. The ill-health liability insurance has transferred to the scheme from 1 April 2020 therefore the employer’s contribution rate from 1 April 2020 is 18%.

The actuary has estimated that employer’s contributions for the year ending 31 March 2021 will be approximately £975,000.

Financial assumptions

The major assumptions used by the Actuary in assessing scheme liabilities on a FRS102 basis were:

	2020 % per annum	2019 % per annum
Rate of increase in salaries	2.1	2.8
Rate of increase in pensions in payment	1.8	2.5
Discount rate	2.3	2.4
Inflation assumption (CPI)	1.9	2.5

NOTES TO THE FINANCIAL STATEMENTS

Mortality assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2013 model, assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%. Based on these assumptions, the average future life expectancies at age 65 are:-

	2020 and 2019 No. of years
Current Pensioners	
Males	21.7
Females	23.9
Future Pensioners (figures assume members aged 45 as at the last formal valuation date)	
Males	22.4
Females	25.3

The amounts recognised in the surplus/(deficit) for the year are as follows:

	2020 £'000	2019 £'000
Amounts charged to operating costs		
Current service cost	2,514	2,076
Past service cost	83	39
	<u>2,597</u>	<u>2,115</u>
Amounts charged to other finance costs		
Interest income on pension scheme assets	(825)	(859)
Interest cost on pension scheme liabilities	1,100	1,043
	<u>275</u>	<u>184</u>

Reconciliation to the consolidated statement of financial position

	2020 £'000	2019 £'000
Fair value of pension scheme assets	32,073	34,015
Present value of pension scheme liabilities	(39,522)	(44,673)
	<u>(7,449)</u>	<u>(10,658)</u>

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of opening and closing balances of the fair value of scheme assets

	2020 £'000
Opening fair value of scheme assets	34,015
Interest income	825
Return on scheme assets (excluding amounts included in net interest)	(3,364)
Contributions by employer	899
Contributions by employees	356
Benefits paid	(658)
Closing fair value of scheme assets	32,073

	2020 £'000	2019 £'000
Actual return on scheme assets	(2,539)	1,791

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2020 £'000
Opening scheme liabilities	44,673
Current service cost	2,514
Past service cost	83
Interest cost	1,101
Contributions by employees	356
Remeasurements	(8,547)
Benefits paid	(658)
Closing scheme liabilities	39,522

NOTES TO THE FINANCIAL STATEMENTS

Major categories of scheme assets as a percentage of total scheme assets

	2020 %	2019 %
Equities	64	67
Bonds	26	23
Property	9	8
Cash	1	2

21. Share capital

Cheltenham Borough Homes Limited is a company limited by guarantee and therefore has no share capital. The liability in respect of the guarantee is set out in the memorandum of association and is limited to £1 per member of the company, the sole member being Cheltenham Borough Council. Cheltenham Borough Homes Services Limited is a company limited by shares, the sole shareholder being Cheltenham Borough Homes Limited.

22. Cash flow from operating activities

	2020 £'000	2019 £'000
Deficit for the year	(1,645)	(948)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	343	314
Amortisation of intangible fixed assets	61	-
Decrease in trade and other debtors	931	91
(Decrease)/Increase in trade and other creditors	(294)	717
Utilisation of government grant received in advance	-	(110)
Pension costs less contributions payable	1,602	1,194
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed assets	-	-
Social housing grants utilised in the year	(65)	(65)
Corporation tax paid	(22)	(26)
Net cash generated from operating activities	911	1,167

NOTES TO THE FINANCIAL STATEMENTS

Analysis of Changes to Net Debt

	At 1 April 2019	Cash Flow	Other non- cash changes	At 31 March 2020
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents				
Cash	162	89	-	251
	<u>162</u>	<u>89</u>	<u>-</u>	<u>251</u>
Borrowings				
Due within 1 year	(106)	106	(110)	(110)
Due after 1 year	(6,415)	-	110	(6,305)
	<u>(6,521)</u>	<u>106</u>	<u>-</u>	<u>(6,415)</u>
Net debt	<u>(6,359)</u>	<u>195</u>	<u>-</u>	<u>(6,164)</u>

23. Capital commitments

	Group and Company	
	2020	2019
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	-	83
	<u>-</u>	<u>83</u>

The above commitments will be financed primarily through use of reserves.

24. Contingent assets/liabilities

At year end, the company had a contingent liability of £38,039. The liability relates to the shared ownership element of the Homes England (formerly the Homes and Communities Agency) grant for St Paul's Phase One. This amount represents the attributable grant on the initial equity purchase where the share exceeded 50%. This liability will crystallise if and when the relevant shared owners buy a further share in their homes.

NOTES TO THE FINANCIAL STATEMENTS

25. Operating lease commitments

The company and group's future minimum operating lease payments are as follows:

	Buildings		Group and Company Other	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Within one year	216	233	119	25
Between one and five years	755	393	158	3
In more than five years	501	515	-	-
	<u>1,472</u>	<u>1,141</u>	<u>277</u>	<u>28</u>

26. Related parties

Cheltenham Borough Homes Limited (the Company), is a not-for-profit arm's length management company that manages and maintains Cheltenham Borough Council's homes.

During the year the Company supplied goods and services to Cheltenham Borough Council totalling £12,249,914 (2019: £11,848,000). The Company purchased goods and services of £468,702 (2019: £585,000) from the Council during the year.

Balances outstanding at the year-end were as follows:

	2020 £'000	2019 £'000
The Council owed the Company	954	1,882
The Company owed the Council	(6,582)	(6,709)
	<u>(5,628)</u>	<u>(4,827)</u>

Cheltenham Borough Council is considered the ultimate parent undertaking, by virtue of its 100% controlling interest in the Company. The Company has taken advantage of the exemptions conferred by FRS102 in not disclosing related party disclosures between group companies which are wholly owned.

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