

Cheltenham Borough Homes Limited

Report and Financial Statements

For the year ended 31 March 2019

CONTENTS OF THE FINANCIAL STATEMENTS

	Page
Strategic Report	3
Value for Money Statement	13
Financial Review	21
Directors' Report	24
Independent Auditor's Report	28
Consolidated Statement of Comprehensive Income	32
Consolidated Statement of Changes in Reserves	33
Company Statement of Changes in Reserves	33
Consolidated Statement of Financial Position	34
Company Statement of Financial Position	35
Consolidated Statement of Cash Flows	36
Notes to the Financial Statements	37
Registered Office and Professional Advisers	63

STRATEGIC REPORT

The Directors submit their strategic report and financial statements of the Cheltenham Borough Homes Group for the year ended 31 March 2019. The group comprises the parent company, Cheltenham Borough Homes Limited (the company), and its subsidiary undertaking Cheltenham Borough Homes Services Limited.

Strategic Context

Cheltenham Borough Homes (CBH) is the main delivery vehicle for Cheltenham Borough Council's (the Council) social/affordable housing priorities as set out in the 'HRA Business Plan to 2042': the 'HRA' is the Council's Housing Revenue Account (HRA) which funds 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.

Following on from the Budget on 8th July 2015 and the announcement of 1% year on year rent reductions for the 4 years to March 2020, both the HRA and CBH business plans were reviewed and amended where appropriate. These plans are updated each year to ensure that they remain viable and able to deliver on all key objectives in the plans. On 4th October 2017, the (then) DCLG announced that "increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020". This gives a degree of certainty on rent policy and has been built into the amended business plans.

Despite the four-year rent reduction measure CBH has been able to, and will be able to, deliver on the 3 key priority areas for investment within the HRA Business Plan.

- Further investment in new build – including future development within the HRA
- Ongoing improvements to existing stock including measures to address fuel poverty and to improve external areas
- Increased support for tenants facing issues of anti-social behaviour, financial/digital exclusion, and unemployment

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 affordable 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 involved, inspired, appreciated and fulfilled.

STRATEGIC REPORT

These broad, long term aspirations guide the development of our goals. Our goals are specific, realistic targets for the medium term, and these determine the projects which drive positive changes and outcomes for our business and stakeholders. We regularly monitor the delivery of these changes to ensure they are successful whilst maintaining excellent service delivery, monitored through a suite of key performance indicators and annual targets.

We consider that good VFM (Value for Money) is about understanding the need to spend and managing that effectively to maintain strong core services and continue to achieve positive change and outcomes. The following narrative provides examples of successes against our Goals and the following VFM Statement sets out some of the achievements and outcomes across CBH teams and the performance against targets.

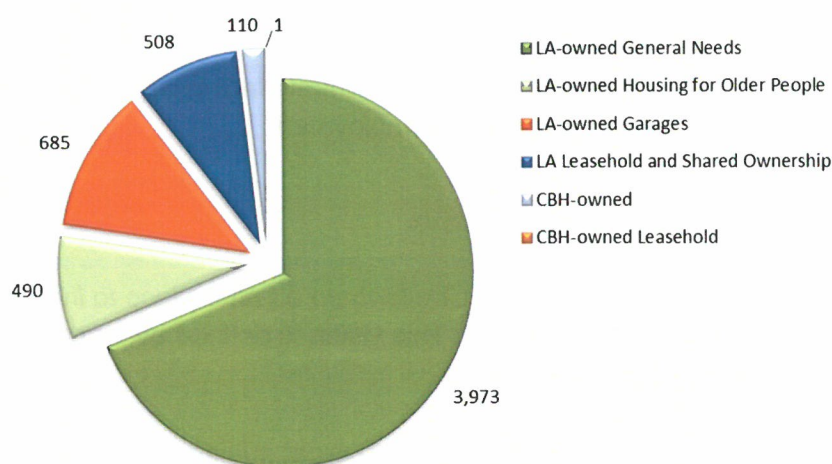
Over the course of 2018/19 CBH has successfully balanced the need to meet the challenge of rental income reduction, set out in the HRA and CBH business plans, whilst continuing to deliver against our aims and the HRA business plan priorities. We continue to have a very positive working relationship with the Council and high levels of customer satisfaction.

Great Homes

Our stock profile

At the end of 2018/19 we delivered services to the tenants and leaseholders living in the 5,082 homes managed by CBH, in addition to managing 685 garages. Our most recent STAR survey demonstrates that 88% of our tenants are either very or fairly satisfied with the services provided by CBH.

At 31st March 2019 we managed a total of 4,463 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 4,463 29% are one, 36% two, 32% three, 3% four and five bedroomed homes. We also manage 508 Council leasehold and shared ownership properties plus 111 CBH homes: 95 of which are general needs, 15 shared ownership with one CBH leasehold property.



During 2018/19, 21 Council homes were sold under the Right to Buy (RTB) scheme. Ten new Council-owned homes were built, and a further 8 homes acquired through our new

STRATEGIC REPORT

supply programme making excellent use of funds received from RTB sales. Although RTB sales decreased from the previous year numbers remain high.

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 affordable housing need. We maintain an Asset Management Strategy to ensure there remains a clear rationale for planned spend and an HRA Business 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.

Providing new homes

Meeting local housing need remains a significant challenge and CBH continues to be a key partner in supplying new homes. During the year we acquired eight homes across the town, making excellent use of the money received from properties sold under the right to buy scheme. We also built ten new homes on two sites and both projects were delivered ahead of time and on budget.

Building on our excellent relationship with Cheltenham Borough Council and track record of delivery, a housing investment plan was successfully developed and agreed. This significant partnership with the Council has secured a potential £100 million loan facility to help CBH deliver additional high quality homes for private rent in Cheltenham. The decision to remove the HRA borrowing cap in October 2018 unlocks additional capacity for new supply, thus enabling the potential for CBH to escalate its current programme of supplying affordable homes within the HRA.

Our life changing scheme which provided ten new 'homes for veterans' in 2017 has received local recognition and was shortlisted for a Civic Award in 2019. We are currently investigating the feasibility of a range of modern methods of construction as part of our supply plans with the key aim of reducing build costs and times.

In 2017/18 we began an ambitious project called '*Cheltenham West Vision*', which explored the opportunities for regeneration in communities within West Cheltenham. We received a grant of £350,000 from the Department for Communities and Local Government and with that completed an initial master planning exercise. This covered 1,500 homes and took account of the wider view of the current and future housing needs for communities within these areas. The outputs of the consultation with local people and partners, along with the main master planning report, will be used to guide us when making decisions about potential future changes.

This area of Cheltenham already has significant plans being mapped out to provide new business and investment opportunities. We have taken the opportunity to link in with these proposed plans and are working closely with the Council in understanding the broader benefits and milestones.

STRATEGIC REPORT

Improving existing homes

We understand the importance of maintaining the homes we manage. Analysis of feedback provided by our tenants 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 will ensure homes remain decent and in good order into the future.

In 2018/19 we have successfully completed the third of our six-year windows and doors programme to improve security and energy efficiency across every home we manage. In 2018/19 we achieved our targets to install new windows in 930 homes and new doors in a further 873 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 for our tenants has also been carried out, in 2018/19:

- 55 homes benefited from improved loft or wall cavity insulation, making excellent use of over £10,200 worth of grant funding received
- 500 new energy efficient boilers have been installed to help lower energy costs
- 36 homes have benefited from updated gas central heating
- 82 blocks of flats have had energy efficient LED lighting installed in stairways and corridors

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 71.67 to 72.02.

We have continued to successfully deliver our programme of kitchen works with 45 kitchens and 19 bathrooms being renewed over the year. Our redecoration programme carried out works on over 700 homes and at year end only one relevant property had decent homes work outstanding. A small number of non-traditional properties will undergo an improvement programme in 2019/20 to ensure they meet decency standards.

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 fifth 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. We continue to work closely with our partner Liberty Gas who carried out checks on fire and carbon monoxide detectors during annual gas safety checks. At year end 99.9% of all

STRATEGIC REPORT

relevant homes have a valid gas safety certificate. Every relevant home has a 10 year Electrical Installation Condition Report (EICR) in place and every communal area has a 5 year EICR in place.

Maintaining and repairing homes

We delivered almost 10,500 responsive repairs over the year with 100% of emergency, 99% of urgent and 98% of routine repairs completed within target times. Of these 92% were completed on the first visit with 99% of tenants 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 20.6 days.

Stronger Communities

Maintaining neighbourhoods

Our Safer Estates Team closed 222 ASB (Anti-Social Behaviour) cases during the year, successfully resolving 100% of them. 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 89% 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 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 helped victims of Domestic Abuse and assisted in over 40 cases involving CBH tenants.

Involving residents

Last year, we delivered 11 family events across Cheltenham to find out more about the types of activities and education opportunities that people would like to see in their local area. Over 1,000 surveys were received in response and 378 young people shared their views on the types of schemes that will make a difference to their communities. These ideas have been worked up with over 50 organisations and community groups to create area-specific action plans for delivery over the next two years.

Over 21% of our tenant population have been recorded as participating in the various activities that influence our services. We established a new quarterly survey of tenants that has begun to provide increasingly 'live' information on some key measures that is being used to shape services and respond even quicker to tenants' needs.

STRATEGIC REPORT

This approach is already generating information and shows that, at this point in time, the percentage of tenants satisfied that CBH listens to their views and acts upon them has increased to 79% from 66% in 2017/18, and overall satisfaction has increased to 91% from 88% in 2017/18.

Our tenant scrutiny improvement panel (TSIP) members are very active. During 2018/19 they received training to enhance their scrutiny skills, proactively engaged with a number of local and national projects and teamed up with TPAS, England's leading tenant engagement experts. TSIP worked with TPAS to organise a successful meeting with other landlords and tenants from across the South West Region to discuss the latest engagement trends in social housing.

TSIP also carried out improvement activities within CBH, which helped to reduce multiple responsive repair visits and improved the information available to people who are looking to apply for social housing.

Our windows and doors programme was scrutinised by TSIP who investigated satisfaction levels of tenants who had received works and those who were waiting for work to begin.

Employment and training

In 2018/19 our Employment Initiatives Team were commissioned by local partners 'Going the Extra Mile' (GEM) to deliver 3 Employability Workshops. These were aimed at parents who were looking to go back to work and those people where English is not their first language. These programmes helped 39 people boost their employability skills and progress towards their chosen career path.

ASDAN is a curriculum development and awarding organisation, the team are now an ASDAN Registered Training Centre. As a recognised training provider, we are now able to offer our customers accredited short courses in employability skills, and careers and work experience.

During 2018/19 our Employment Initiatives Team:

- helped 68 people into work and 225 people into training
- 92% of work club attendees reported an increase in confidence
- 94% noted an increase in employability skills
- 100% satisfaction received from work club attendees

The team were runners up in the 24Housing Awards. They were nominated for the Alternative Provision Programme (APP); set up to help inspire a group of young people from a local school to stay in mainstream education and for the work they do with tenants, which has helped over 350 people into employment since 2016. Our APP was enhanced and re-launched in 2018/19 and is now known as 'THRIVE'.

During the year we launched a new initiative, 'Strive', with a local partner 'Enterprise CUBE' to deliver a six-week free business training course. Fifteen tenants and local residents

STRATEGIC REPORT

attended and were given expert guidance on marketing, sales, business planning, managing budgets and improving their confidence. The programme ended with the graduates presenting their ideas for business to a panel made up of local business leaders, gaining useful feedback and guidance on their proposals.

Since then three graduates of the programme have gone on to bid successfully for business loans to start or grow their businesses.

Benefit and Money Advice

The team met with almost 1,170 people over the year to provide advice about benefits and financial help. This helped tenants to claim an additional £1.2m in appropriate benefits. The team helped 449 tenants at our regular Jobcentre drop-in sessions, providing support and advice on Universal Credit (UC).

Our successful Loan Shark Awareness Campaign last year won a national prize of £3k, on top of this we secured a further £5k from the Illegal Money Lending Team. The combined total of £8k has been re-invested to enhance our awareness raising activities and continue to protect communities from illegal money lenders.

Our People

People Plan

We are now in the final year of our People Plan (2017-2020) where we set an aim to create a place where our colleagues feel involved, inspired, appreciated and fulfilled at work. We wanted it to be great for our colleagues so that they could deliver “great” to our customers.

One of the highlights was training 16 colleagues to become Mental Health First Aiders. We encourage open conversations about issues (personal or work) to try to reduce ‘crisis’ at work. We care about our colleagues and the tough times they are going through and so are there to listen. We have also spent more time actively promoting and sharing our benefits package, ensuring that all colleagues use them to their fullest. This year we produced individual ‘benefit statements’ so that colleagues could understand the impact on them personally. We have also made sure that we have made best use of the Apprenticeship Levy, with internal candidates having the opportunity to develop their skills and progress in their chosen career path.

We are passionate about making a difference to the lives of our customers. To do so we recognise the crucial role of our dedicated and passionate employees. We are therefore focussed on supporting, developing, empowering and inspiring colleagues so that they are fully equipped to deliver for our customers. With their support we can ‘go the extra mile’ and help those people who are experiencing significant hardships in their lives.

Launched by CBH colleagues, our ‘Help2’ volunteering scheme has grown and developed to be able to help even more people who are faced with difficult circumstances. Since its

STRATEGIC REPORT

introduction, teams from across CBH have helped to provide additional support for a number of people and their families who were in need of some extra help, from garden and house clearances, to re-decorating and providing white goods, clothes or beds.

In addition to our People Plan we continued to support the hugely successful 'Hamper Scamper' appeal, which involves buying gifts for children living within disadvantaged households across Gloucestershire. CBH provided over 250 toys, gifts, 257 coats for disadvantaged children, and 32 food hampers for young people, families and vulnerable adults. Our own Help2 Christmas Giving scheme generated over £1,000 worth of presents for children.

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 planned go live date is in July 2019. This programme is a significant investment for CBH both in terms of finances and employee time. The new, integrated solution will enhance our business capability with additional functions and features for both colleagues and customers including interactive, online access for customers and contractors, integrated data including electronic document management, comprehensive mobile working for colleagues and flexible workflow configuration to enable end to end system processing.

The SIP Implementation Team has spent significant time working with the business to shape and configure QL to deliver our agreed business processes, along with understanding Best Practice within QL.

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.

STRATEGIC REPORT

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 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 have been brought forward, 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 has also appointed a Board Champion for health and safety.

Brexit

If there is a 'deal' or 'no-deal' Brexit there may be adverse impacts on finances, the services CBH provides, either directly or by contracted partners, on communities and colleagues, and on the continued delivery of key projects. This could lead to increasing costs and being unable to deliver critical services.

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 closely monitored.

Social Housing Rent Policy

The 1% year on year rent reductions for the 4 years to March 2020 was estimated to result in the loss of £110million of rental income from the HRA over 30 years. We have detailed plans to offset the impact of rent reductions for both CBH and the HRA which we continue to deliver on. 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.

The clarity provided by Government with regards to rent levels post March 2020 is welcome and this should provide additional resources in future years.

STRATEGIC REPORT

Impact of Welfare Reform

The most significant impact of this range of policy reforms relates to Universal Credit (UC). CBH has had a fantastic year of performance in arrears prevention and rent collection despite the challenges of the Welfare Reform Act, in particular the roll out of Universal Credit. 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 between and commitment demonstrated by our experienced Rents, Benefit and Money Advice and Employment Initiatives teams coupled with initiatives such as 'Help2' have undoubtedly aided our success in this area.

Quality of the Housing Stock

The capital investment programme is closely managed to ensure that we maintain Decent Homes Standard 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 are doing 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 is negated somewhat should there be a lack of data accuracy and integrity. Good information management will reduce the probability of this happening while increasing better informed decision making and efficient working. Good information practises will 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.

STRATEGIC REPORT

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. A key milestone in the delivery of the strategy has been the development of 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 2018/19 CPP figures in the following tables are currently indicative only as they have not yet been subjected to final validations by Housemark.

These indicators are included in detail in the following pages, demonstrating the balance across costs, performance and satisfaction. 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 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

STRATEGIC REPORT

consider various different 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 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	2017-18	2018-19	2019-20
	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	£1,756	£1,626 (£1,820)	£2,250
% dwellings non-decent at the end of the period	0.37%	0.39%	0.35%
% dwellings with a valid gas safety certificate	99.81%	99.90%	100%
Average SAP rating (2009 methodology)	71.67	72.02	72.2
Biennial STAR Survey: satisfaction with overall quality of the home	87.2%	87.2%	90%
Direct cost per property of Responsive Repairs & Void Works	£568	£636 (£581)	£580
% of Emergency, Urgent and Routine repairs completed within target	99.04%	98.28%	99%
% tenants satisfied with repairs carried out	99.22%	99.14%	99%
Direct cost per property of Rent Arrears and Collection	£89	£89 (£90)	£93
Current arrears as % of rental income (excluding court costs)	1.51%	1.62%	2.65%
Rent collected from current & former tenants as % rent due (excluding arrears brought forward)	99.19%	98.95%	97%
Direct cost per property of Lettings	£38	£39 (£42)	£42

STRATEGIC REPORT

VFM Key Performance Indicators	2017-18	2018-19	2019-20
	year-end outturn compared to target (as a RAG)	year-end outturn compared to target (as a RAG)	year-end target
% Rent lost through CBC dwellings becoming vacant excluding temporary furnished	0.68%	0.79%	0.73%
Average time taken to re-let minor void CBC properties (excluding FA and JDC) in days	17.85	20.60	19
Complaints closed at stage 1 - % within agreed timescales	100%	95.45%	96%
Number of complaints per 1000 properties	9.5	9.05	10
Percentage of contact centre calls answered	92.98%	88.93%	96%
Contact centre calls answered within 60 seconds ¹		new	90%
Number of additional homes supplied	9	18	35

¹This indicator has been introduced for 2019/20

Major Works and Cyclical Maintenance

CBH maintains appropriate capital investment in our stock, based on up to date data sourced from our stock surveys: 97% of properties have had stock condition data updated in the past 5 years. Our 2018/19 direct costs per property to deliver major works and cyclical maintenance are lower than budgeted due to longer than expected procurement processes required on two specific programmes. In addition 2018/19 was a challenging year for the replacement windows and doors contract, but the position at the end of the year for the installation of replacement windows and replacement standard doors is ahead of target. This has been achieved as a consequence of excellent contract management and working relationships with our contracts. The installation of fire doors was paused early in the year due to the Government's moratorium on the sale of composite fire doors following investigations from the Grenfell fire. The moratorium was lifted in December and approximately 150 fire door installations are outstanding.

This CPP is worse than the sector average and places CBH in the lower quartile. Local Authority (LA) owned stock requires greater investment than housing sector stock as it is recognised as being generally older. The English Housing Survey 2017-18 found that around 73% of LA stock was built between 1945 and 1980, compared with 49% of housing association homes: 75% of homes managed by CBH were built in this time period.

Performance remains strong across KPIs. Gas servicing remains high, with a robust approach taken to ensure access through legal means where this is necessary. In some instances, this requires 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 satisfaction with the quality of the home remains high and compares well with the sector, placing CBH in the upper middle quartile.

STRATEGIC REPORT

Challenging targets for 2019/20 maintain a clear direction of travel. The change in Direct cost per property of Major Works & Cyclical Maintenance reflects the increase in some aspects of major work (e.g. showers) and significant investment in non-traditional properties.

The target of 0.35% for the percentage of dwellings non-decent at the end of the period takes into account a small number of Cornish and pre-fabricated properties that are not due decent homes work as they remain subject to option appraisal. Sufficient responsive repairs will still be undertaken and satisfaction with the quality of the home remains high. SAP figures have risen as a consequence of investment in energy reduction initiatives, such as the installation of PV panels, and the ongoing windows and doors replacement programme.

Responsive Repairs and Void Works

The costs per property to deliver our responsive repairs and void works during 2018/19 are higher than expected. This increase has been driven by a number of factors, including a higher number of voids and responsive repairs than is usual. It is likely that Direct CPP figures for Responsive Repairs and Void Works will remain better than the sector average when compared with our chosen peer group, placing CBH in the upper middle quartile.

Our successful 'sustaining successful tenancies' project, which involved visiting each tenancy over the year generated some fantastic outcomes and support for tenants. It also generated a higher than normal number of repairs which has also affected the year-end repairs KPI. A higher than normal number of voids and 'difficult-to-let' properties also contributed to the increases in rent loss to voids and re-let times. Re-let time, although off target demonstrates strong performance with the sector, placing CBH in the upper middle quartile. Performance in terms of customer satisfaction with repairs is strong and compares well with sector, placing CBH in the top quartile.

The 2019/20 target CPP demonstrates that it is expected that numbers of repairs and voids will return to more usual levels over the coming year.

Rent Arrears and Collection and Lettings

The Direct CPP for Rent Arrears and Collection for 2018/19 is better than the figure that was modelled during the annual budget setting process. When compared with the peer group it is worse than the median figure and it is likely that this will place CBH in the lower middle quartile.

The housing revenues team has been resourced as the roll out of Universal Credit across Cheltenham continues. This has been carefully considered and modelled and has enabled strong rent collection and arrears performance in this area, with current arrears levels consistently demonstrating top quartile performance. Future targets reflect the local challenges to be faced as the roll out of Universal Credit increases across the town. These targets are arrived at following analysis of in-year change and through use of sector modelling tools.

Rent loss and re-let time in 2018/19 were affected by our new 'downsizing programme', aimed at making better use of existing stock. It successfully at helped 30 households with

STRATEGIC REPORT

three or more bedrooms to 'downsize' into more appropriately sized homes, freeing up larger properties for those people more in need. However, relevant properties were 'held' for those people wishing to downsize which resulted in slightly longer void periods.

Direct CPP for the delivery of our Lettings service is 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 maintains strong performance, with void re-let times and low rent loss. Future targets seek to maintain those levels whilst reflecting the local challenges to be faced.

Complaints

Complaints performance is strong although slightly off target, reflecting the ease with which customers can make complaints and the effectiveness of the processes dealing with them. Contact centre calls answered is slightly off target but future targets reflect the desire to drive that figure higher. Work to enhance customer contact and related telephony systems was successfully completed towards the end of year and this has already seen a significant upturn in performance. A new tenant-approved performance indicator to measure the number of calls answered within 60 seconds is already performing well and will 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 satisfaction levels.

Number of Additional Homes Supplied

Our target of 25 additional homes for 2018/19 included both newly built homes and acquisitions. Five acquisitions completed in early April 2019 thereby reducing actual 'in year' delivery from 23 to 18. The successful agreement with the Council of the Housing Investment Plan and Government's decision to remove the HRA borrowing cap provides CBH with potential to deliver more affordable homes than ever before and diversify into the private rented sector with a high quality product. As plans are finalised in these two areas future targets will be set accordingly.

Stronger Communities

VFM Key Performance Indicators	2017-18	2018-19	2019-20
	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	£58	£54 (£55)	£58
% closed ASB cases that were resolved	96.79%	100%	99%
% satisfied with the way their ASB complaint was dealt with	100%	100%	98%
Biennial STAR Survey: tenants feeling safe in their homes	89%	89%	93%
Direct cost per property of Resident Involvement	£62	£40 (£75)	tbc
Biennial STAR Survey: customers satisfied that CBH listens to their views and acts upon them	65.8%	65.8%	74%
Direct cost per property of Tenancy	£93	£83	£111

STRATEGIC REPORT

VFM Key Performance Indicators	2017-18	2018-19	2019-20
	year-end outturn compared to target (as a RAG)	year-end outturn compared to target (as a RAG)	year-end target
Management		(£93)	
Biennial STAR Survey: overall customer satisfaction	88.2%	88.2%	90%
Biennial STAR Survey: satisfaction with value for money of the rent	87.5%	87.5%	90%
Income generated on behalf of customers year to date	£1,105,268	£1,217,200	£1,000,000
Direct cost per property of Community Investment*	new	£102	tbc

**This indicator was new in 2018/19*

ASB

Direct CPP for the delivery of our ASB service is better than the target set for 2018/19. This area demonstrates 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 CBH in the bottom quartile. The new question asked of tenants as part of the biennial STAR survey shows that 89% of respondents felt safe in their homes. The question will be part of a quarterly survey of tenants from 2019/20 onwards that will provide 'live' information to be used to shape services and respond even quicker to tenants' needs.

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 provide a new opportunity to consider the CPP for community investment activities.

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 CBH meets their needs.

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 £1.2m of income for tenants), employment and training (which helped 68 people into work and 225 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.

Tenancy Management

Direct Tenancy Management CPP is 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.

STRATEGIC REPORT

CBH has made the decision to continue to invest appropriately in supporting strong communities through effective neighbourhood and community management and involving residents. This supports local agendas which CBH is well placed to help deliver.

Overall customer satisfaction with CBH remains high, exceeding target and when compared with others' outturn positions CBH in the upper middle quartile. 87.5% of tenants consider that the rent they pay provides Value for Money and, although just below the target set, this is a high level of satisfaction and compares well with others; again, placing CBH in the upper middle quartile. These questions will be part of a quarterly survey of tenants from 2019/20 onwards that will provide 'live' information to be used to shape services and respond even quicker to tenants' needs.

Our People

VFM Key Performance Indicators	2017-18	2018-19	2019-20
	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	8.86	5.62	7
Percentage of staff satisfied with your organisation as an employer	64.95%	95.80%	90%

Employee sickness levels have continued to fall and at the end of 2018/19 are better than the target set. Employee satisfaction with CBH as their employer has increased greatly and is also better than the target set.

This has been achieved through the ongoing delivery of our People Plan, which was developed with our employees. It has enhanced policies and procedures and introduced employee-led initiatives that have made people feel more valued and the business a better place to work. The People Plan aims to make CBH a great place to work and to create an environment where people feel supported and empowered to make things happen for both colleagues and customers alike. A recent survey found that 85% of our employees felt inspired to 'go the extra mile' and 88% feel that they are developing at CBH.

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 110 units of its own housing stock (at the end of March 2019). 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 a valuable addition to the social housing stock of the town. CBH has also managed the development of new CBC-owned homes. This has resulted in the completion of 10 units in 2018/19 with a further 8 acquired from the open market. Each

STRATEGIC REPORT

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 capital receipts, revenue reserves and borrowing.

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. 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	2017/18	2018/19
Reinvestment %	4%	1%
New supply delivered (social housing units) %	10%	1%
New supply delivered (non-social housing units) %	0%	0%
Gearing %	55%	54%
EBITDA %	142%	153%
Headline social housing cost per unit	£1,064	£1,473
Operating margin (social housing lettings only) %	42%	41%
Operating margin (overall) %	42%	41%
Return on capital employed (ROCE) %	2%	2%

The reinvestment percentage fell from 4% to 1%. In 2017/18 CBH purchased six existing properties on a long leasehold basis; during 2018/19 CBH purchased one additional property. In addition, in 2017/18, CBH leased five new properties on an operating lease basis with no new leased properties in 2018/19.

The increase in the headline cost per unit reflects the timing of when these new properties were added during 2017/18. The additional units were all added near the end of the financial year thereby increasing the number of properties used to calculate the metrics in 2017/18 but not the related costs.

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 94% of CBH's annual turnover.

In September 2015 the Board approved a four-year financial plan of which 2018/19 was year three. 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. This review has been updated concluding that the four-year financial plan does not need amending. The targets for year three, 2018/19, have been met and CBH remains on track to meet the targets for the whole four-year plan.

At the end of the financial year CBH owned 105 properties and leased a further 5 properties: 45 for social rent, 50 for affordable rent, and 15 on a shared ownership basis. During the year one property was completed on a long leasehold basis and £105,000 of Homes England grant funding received.

The group 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 £12,594,000, £1,122,000 higher than the previous year. This increase was mainly due to increased maintenance costs (£950,000) recharged to the Council by CBH rather than these costs being directly incurred by the Council. During the year there has been a conscious effort to deliver more planned maintenance work 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. In addition, the final element of the DCLG grant on the *Cheltenham West Vision* (£110,000) was spent and recognised in turnover.

The operating result for the group for the year ended 31 March 2019 was a deficit of £948,000 compared to a deficit of £745,000 for the previous year. The main change year on year is 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). However, the underlying operating result, before loan interest and the FRS 102 pension cost

STRATEGIC REPORT

adjustment, was a surplus of £246,000 against an operating surplus of £341,000 in the previous year. The reduction was due to one off project costs agreed by the Board during the year.

The current service cost for the pension scheme under FRS102 increased in the year from £1.9m to £2.1m. This reflects the fall in corporate bond yields used as part of the FRS102 pension valuation. This is not a cash item and is charged to a separate pension reserve.

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 2019 the deficit position worsened significantly due to the fall in the discount rate from 2.7% to 2.4%.

The most recent actuarial triennial valuation of the fund showed the fund was 102% 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 2019 shows total negative reserves of £8,158,000, comprising a pension fund liability of £10,658,000 offset by an income and expenditure reserve of £2,500,000. The income and expenditure reserve decreased by £16,000 during the year.

Financial Position

The balance sheet at the end of March 2019 included £12,934,000 of fixed assets at depreciated cost, £6,521,000 of long-term loans and £4,479,000 of capital grants. One additional long leasehold housing property was acquired during the year by reinvesting capital receipts and loan funding from previous property sales. Net current assets decreased by £505,000 due to this investment in the additional property and the investment in computer software as part of the Service Improvement Programme.

On 31 March 2017 the company received a grant of £350,000 from the Department for Communities and Local Government to support an initial master planning exercise to explore the potential regeneration of the Council's housing stock in the West Cheltenham area. The remaining £110,000 of this grant has been fully spent in the year.

STRATEGIC REPORT

Cash flow

At year end, cash and cash equivalents totalled £162,000, having increased from £1,000 at the previous year end. This increase reflects the timing of payments and receipts at year end. Included within debtors is a balance of £1,882,000 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 24th July 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'H. Price', followed by a period.

Helen Price
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	
W Britton-Lewis	Appointed 26 th September 2018
D M Clowes	
A C Foster	Chair of Audit and Risk Committee
C M Mason	
U Pearce-Lynch	
S Williams	

J Rawson was appointed as a director on 29th May 2019.

Company Secretary

H Price

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.

P Stephenson	Chief Executive
S Slater	Executive Director – Finance & Resources
P Hatch	Executive Director – Property & Communities

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 by the Board's Governance Champion and the Company Secretary. One area of non-compliance was identified during the year being the need for an up to date skills matrix for the Board and development plans for each Board member. This has subsequently been remedied post year end.

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 Board papers, the sub-committee structure and training and development for Board members.

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.

DIRECTORS' REPORT

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.

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.

DIRECTORS' REPORT

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 24th July 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'H. Price.', with a stylized flourish at the end.

Helen Price
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 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Reserves, the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the financial statements, 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 2019, and of the group's incoming resources and application of resources, including its income and expenditure, 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, 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 Auditor's 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 UK, including the FRC'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.

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

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's 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.

Opinions 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements

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

Matters on which we are required to report by exception

In the light of our 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 strategic report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 set out 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 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's 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 auditor's 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: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the group's and parent company's members, as a body, 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 group's and parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and parent company and the group's and parent company's members as a body, 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

Sutton Harbour

Plymouth

PL4 0BN

29th July 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 £'000	2018 £'000
Turnover	3	12,594	11,472
Operating expenditure		13,542	12,217
Operating deficit	3	(948)	(745)
Surplus from disposal of fixed assets	6	-	79
Interest receivable	7	1	-
Interest and financing costs	8	437	437
Deficit before tax		(1,384)	(1,103)
Taxation	10	10	40
Deficit for the year		(1,394)	(1,143)
Actuarial (loss)/gain in respect of pension schemes		(3,048)	1,360
Total comprehensive (loss)/income for the year		(4,442)	217

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 2017	2,423	(6,356)	(3,933)
Surplus/(Deficit) for the year	93	(1,236)	(1,143)
Other comprehensive income for the year	-	1,360	1,360
Balance at 31 March 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)

COMPANY STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve £'000	Pension reserve £'000	Total £'000
Balance as at 1 April 2017	2,491	(6,356)	(3,865)
Surplus/(Deficit) for the year	94	(1,236)	(1,142)
Other comprehensive income for the year	-	1,360	1,360
Balance at 31 March 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)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	11	602	9
Tangible fixed assets – housing properties	12	12,063	12,174
Tangible fixed assets – other	13	269	330
		12,934	12,513
Current assets			
Trade and other debtors	15	2,059	2,151
Cash and cash equivalents		162	1
		2,221	2,152
Creditors: amounts falling due within one year	16	1,826	1,252
Net current assets		395	900
Total assets less current liabilities		13,329	13,413
Creditors: amounts falling due after more than one year	17	10,829	10,897
Pension provision	20	10,658	6,232
Total net liabilities		(8,158)	(3,716)
Reserves			
Income and expenditure reserve		2,500	2,516
Pension reserve		(10,658)	(6,232)
Total reserves		(8,158)	(3,716)

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 24th July 2019.



Director
J Langley



Director
S Brimfield

Company number: 04587658

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	11	602	9
Tangible fixed assets – housing properties	12	12,116	12,228
Tangible fixed assets – other	13	269	330
Investment in subsidiaries	14	-	-
		12,987	12,567
Current assets			
Trade and other debtors	15	2,076	2,151
Cash and cash equivalents		161	1
		2,237	2,152
Creditors: amounts falling due within one year	16	1,825	1,237
Net current assets		412	915
Total assets less current liabilities		13,399	13,482
Creditors: amounts falling due after more than one year	17	10,829	10,897
Pension provision	20	10,658	6,232
Total net liabilities		(8,088)	(3,647)
Reserves			
Income and expenditure reserve		2,570	2,585
Pension reserve		(10,658)	(6,232)
Total reserves		(8,088)	(3,647)

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 24th July 2019.



Director
J Langley



Director
S Brimfield

Company number: 04587658

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2019 £'000	2018 £'000
Net cash generated from operating activities	22	1,167	183
Cash flow from investing activities			
Purchase of tangible fixed assets		(734)	(539)
Proceeds from sale of tangible fixed assets		-	211
Grants received		105	-
Grants repaid		(22)	-
Interest received		1	-
		<u>(650)</u>	<u>(328)</u>
Cash flow from financial activities			
Interest paid		(253)	(257)
New secured loans		-	-
Repayments of borrowings		(103)	(99)
		<u>(356)</u>	<u>(356)</u>
Net change in cash and cash equivalents		161	(501)
Cash and cash equivalents at beginning of the year		1	502
Cash and cash equivalents at end of the year		<u>162</u>	<u>1</u>

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 2014: Statement of Recommended Practice for Registered Social Housing Providers. The company has early 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 is making 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. The cashflows for this investment, along CBH's existing housing and management activities, have been modelled through to March 2021 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 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 £1,383,000 (2018: deficit of £1,102,000).

NOTES TO THE FINANCIAL STATEMENTS

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 2019 was £315,000.

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 2019 was £10,658,000.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Software configuration and implementation costs for the company's new core operating software QL have been recognised as an intangible asset. The intangible asset will be 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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	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>

NOTES TO THE FINANCIAL STATEMENTS

Group – continuing activities

	Turnover	2018 Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings	500	261	239
Amortisation of capital grant	63	63	-
	<u>563</u>	<u>324</u>	<u>239</u>
Recognition of government grant	240	240	-
Management and maintenance services for Cheltenham Borough Council	10,669	11,653	(984)
	<u>11,472</u>	<u>12,217</u>	<u>(745)</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	
	2019 No.	2018 No.
General social housing	95	94
Affordable home ownership	15	15
Total owned	<u>110</u>	<u>109</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	
	2019	2018
	No.	No.
Local Authority general social housing	3,973	3,971
Local Authority housing for older people	490	491
Local Authority garages	685	685
Local Authority leasehold and shared ownership	508	508
	<hr/> 5,656	<hr/> 5,655
CBH general social housing	95	94
CBH leasehold and shared ownership	16	16
Total in management	<hr/> 5,767	<hr/> 5,765

5. Operating (deficit)/surplus

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

	Group and Company	
	2019	2018
	£'000	£'000
Depreciation of housing properties	199	189
Depreciation of other tangible fixed assets	116	128
Amortisation of intangible assets	-	-
Operating lease rentals		
- land and buildings	239	230
- vehicles and other equipment	153	121
Auditors' remuneration (excluding VAT)		
- audit fee	12	11
- tax administration	2	2
- other services	1	1
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

6. Surplus on sale of fixed assets

	Group and Company	
	2019	2018
	£'000	£'000
Disposal proceeds	-	305
Carrying value of fixed assets	-	(245)
Other costs of sale	-	(1)
	-	59
Capital grant released to income	-	20
	-	79

7. Interest receivable and other income

	Group and Company	
	2019	2018
	£'000	£'000
Interest receivable and similar income	1	-
	1	-

8. Interest and financing costs

	Group and Company	
	2019	2018
	£'000	£'000
Defined benefit pension charge	184	180
Loan interest	253	257
	437	437

NOTES TO THE FINANCIAL STATEMENTS

9. Employees

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

	Group and Company	
	2019 No.	2018 No.
Administration and operational	173	156

Employee costs

	Group and Company	
	2019 £'000	2018 £'000
Wages and salaries	5,193	4,557
Social security costs	513	454
Other pension costs	2,115	1,874
	7,821	6,885
Restructuring costs	-	153
	7,821	7,038

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:

	2019 No.	2018 No.
£60,000 to £70,000	7	4
£100,001 to £110,000	1	2
£110,001 to £120,000	1	-
£130,001 to £140,000	1	1

The emoluments of the chief executive (the highest paid executive team member), excluding pension contributions, were £117,300 (2018: £113,673). 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 £355,726 (2018: £339,606).

10. Tax on surplus on ordinary activities

	Group and Company	
	2019	2018
	£'000	£'000
Current tax		
UK corporation tax on deficit for the year	25	40
Adjustments in respect of prior years	(15)	-
Tax on deficit for the year	10	40

The tax assessed for the year is lower than the standard rate of corporation tax in the UK at 19% (2018: 19%). The differences are explained as follows:

	Group and Company	
	2019	2018
	£'000	£'000
Tax reconciliation		
Deficit on ordinary activities before tax	(1,386)	(1,103)
Theoretical tax at UK corporation tax rate 19% (2018: 19%)	(263)	(221)
-exempt activities	288	261
-adjustments to tax charge in respect of prior periods	(15)	-
Total tax charge	10	40

NOTES TO THE FINANCIAL STATEMENTS

11. Intangible assets

Group and Company

	Software costs £'000	Total £'000
Cost		
At 1 April 2018	9	9
Additions	593	593
Disposals	-	-
At 31 March 2019	602	602
Amortisation		
At 1 April 2018	-	-
Charged in year	-	-
Disposals	-	-
At 31 March 2019	-	-
Net book value		
At 31 March 2019	602	602
At 31 March 2018	9	9

The intangible asset relates to software configuration and implementation costs for the company's new core operating software QL. The intangible asset will be 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 2018	11,638	-	465	964	13,067
Additions	-	-	90	-	90
Schemes completed	-	-	-	-	-
Disposals	2	-	-	-	2
At 31 March 2019	11,636	-	555	964	13,155
Accumulated depreciation					
At 1 April 2018	820	-	-	73	893
Depreciation charged in year	175	-	10	14	199
Released on disposal	-	-	-	-	-
At 31 March 2019	995	-	10	87	1,092
Net book value					
At 31 March 2019	10,641	-	545	877	12,063
At 31 March 2018	10,818	-	465	891	12,174

Social housing assistance

	Group and Company	
	2019	2018
	£'000	£'000
Social housing grant		
Total received or receivable at 31 March	4,245	4,140
Total released to income at 31 March	(325)	(270)
Total repaid or repayable at 31 March	(152)	(152)
	3,768	3,718
Other capital grant		
Total received or receivable at 31 March	2,339	2,339
Total released to income at 31 March	(1,628)	(1,618)
Total repaid or repayable at 31 March	-	-
	711	721

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 2018	11,694	-	465	965	13,124
Additions	-	-	90	-	90
Schemes completed	-	-	-	-	-
Disposals	2	-	-	-	2
At 31 March 2019	11,692	-	555	965	13,212
Accumulated depreciation					
At 1 April 2018	823	-	-	73	896
Depreciation charged in year	176	-	10	14	200
Released on disposal	-	-	-	-	-
At 31 March 2019	999	-	10	87	1,096
Net book value					
At 31 March 2019	10,693	-	545	878	12,116
At 31 March 2018	10,871	-	465	892	12,228

Housing properties book value net of depreciation

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Freehold land and buildings	11,520	11,709	11,573	11,763
Leasehold buildings	534	465	534	465
	12,054	12,174	12,107	12,228

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 2018	4	198	583	535	129	32	1,481
Additions	-	17	30	2	-	6	55
Disposals	-	-	-	-	-	-	-
At 31 March 2019	4	215	613	537	129	38	1,536
Depreciation							
At 1 April 2018	4	160	537	416	7	27	1,151
Charged in year	-	18	32	60	2	4	116
Disposals	-	-	-	-	-	-	-
At 31 March 2019	4	178	569	476	9	31	1,267
Net book value							
At 31 March 2019	-	37	44	61	120	7	269
At 31 March 2018	-	38	46	119	122	5	330

Grant assistance – freehold land and buildings

	Group and Company	
	2019	2018
	£'000	£'000
Other capital grant		
Total received or receivable at 31 March	17	17
Total released to income at 31 March	(17)	(17)
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Investments in subsidiaries

Company

	2019 £	2018 £
Cost and net book value	1	1

At 31 March 2019 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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Due within one year				
Rent and service charges receivable	9	5	9	5
Less: provision for bad and doubtful debts	(6)	(1)	(6)	(1)
	3	4	3	4
Amount due from Cheltenham Borough Council	1,882	1,870	1,882	1,870
Other debtors	26	93	43	93
Prepayments and accrued income	148	184	148	184
	2,059	2,151	2,076	2,151

NOTES TO THE FINANCIAL STATEMENTS

16. Creditors: amounts falling due within one year

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Debt (note 19)	106	102	106	102
Trade creditors	543	88	524	68
Rent and service charges received in advance	8	8	8	8
Amount due to Cheltenham Borough Council	188	27	188	27
Amount owed to subsidiary undertaking	-	-	19	6
Deferred capital grant (note 18)	65	63	65	63
Government grant received in advance	-	111	-	111
Corporation tax	25	41	25	41
Other taxation and social security	461	304	461	304
Unpaid contributions for retirement benefits	105	73	105	73
Other creditors	8	27	7	27
Accruals and deferred income	317	408	317	407
	<u>1,826</u>	<u>1,252</u>	<u>1,825</u>	<u>1,237</u>

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

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Debt (note 19)	6,415	6,521	6,415	6,521
Deferred capital grant (note 18)	4,414	4,376	4,414	4,376
	<u>10,829</u>	<u>10,897</u>	<u>10,829</u>	<u>10,897</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Deferred capital grant

	2019 £'000	2018 £'000
At 1 April	4,439	4,628
Grant received in the year	105	-
Grant repayable in the year	-	(106)
Released to income in the year	(65)	(83)
At 31 March	4,479	4,439

	2019 £'000	2018 £'000
Amounts to be released within one year	65	63
Amounts to be released in more than one year	4,414	4,376
At 31 March	4,479	4,439

19. Debt analysis

Borrowings

	Group and Company	
	2019 £'000	2018 £'000
Due within one year		
Local authority loans	106	102
Due after more than one year		
Local authority loans	6,415	6,521
Total loans	6,521	6,623

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 2019 was £1,327,884 (2018: £1,338,371). 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 2019 was £1,858,866 (2018: £1,884,723). 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 2019 was £1,324,652 (2018: £1,341,006). 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 2019 was £2,009,473 (2018: £2,059,310). 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	
	2019	2018
	£'000	£'000
Within one year or on demand	106	102
One year or more but less than two years	110	106
Two years or more but less than five years	355	343
Five years or more	5,950	6,072
	6,521	6,623

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 2019 were £930,000 (2018: £765,000).

The most recent actuarial valuation of the fund was as at 31 March 2016. This valuation showed the fund was 102% funded. This valuation determined the contribution rates for the 2017/18 year onwards.

The employer’s current service contribution rate is 18%. The amount paid to insurers for ill-health liability insurance was an amount equivalent to 1.4% of pensionable pay, thereby reducing the employer’s current service contribution rate to 16.6%. The ill-health liability insurance amount will increase to 1.5% from 1 April 2019 thereby changing the employer’s current service contribution rate to 16.5%.

The actuary has estimated that employer’s contributions for the year ending 31 March 2020 will be approximately £925,000.

Financial assumptions

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

	2019 % per annum	2018 % per annum
Rate of increase in salaries	2.8	2.7
Rate of increase in pensions in payment	2.5	2.4
Discount rate	2.4	2.7
Inflation assumption (CPI)	2.5	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:-

	2019 and 2018 No. of years
Current Pensioners	
Males	22.4
Females	24.6
Future Pensioners (figures assume members aged 45 as at the last formal valuation date)	
Males	24.0
Females	26.4

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

	2019 £'000	2018 £'000
Amounts charged to operating costs		
Current service cost	2,076	1,856
Past service cost	39	18
	<u>2,115</u>	<u>1,874</u>
Amounts charged to other finance costs		
Interest income on pension scheme assets	(859)	(775)
Interest cost on pension scheme liabilities	1,043	955
	<u>184</u>	<u>180</u>

Reconciliation to the consolidated statement of financial position

	2019 £'000	2018 £'000
Fair value of pension scheme assets	34,015	31,451
Present value of pension scheme liabilities	(44,673)	(37,683)
	<u>(10,658)</u>	<u>(6,232)</u>

NOTES TO THE FINANCIAL STATEMENTS

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

	2019 £'000
Opening fair value of scheme assets	31,451
Interest income	859
Return on scheme assets (excluding amounts included in net interest)	932
Contributions by employer	930
Contributions by employees	337
Benefits paid	(494)
Closing fair value of scheme assets	34,015

	2019 £'000	2018 £'000
Actual return on scheme assets	1,791	1,314

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

	2019 £'000
Opening scheme liabilities	37,683
Current service cost	2,076
Past service cost	39
Interest cost	1,043
Contributions by employees	337
Remeasurements	3,989
Benefits paid	(494)
Closing scheme liabilities	44,673

NOTES TO THE FINANCIAL STATEMENTS

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

	2019 %	2018 %
Equities	67	67
Bonds	23	23
Property	8	8
Cash	2	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

	2019 £'000	2018 £'000
Deficit for the year	(948)	(745)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	314	317
Decrease in trade and other debtors	91	208
Increase/(Decrease) in trade and other creditors	717	(322)
Utilisation of government grant received in advance	(110)	(240)
Pension costs less contributions payable	1,194	1,056
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed assets	-	-
Social housing grants utilised in the year	(65)	(63)
Corporation tax paid	(26)	(28)
Net cash generated from operating activities	1,167	183

NOTES TO THE FINANCIAL STATEMENTS

23. Capital commitments

	Group and Company	
	2019	2018
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	83	338
	<u>83</u>	<u>338</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 HCA (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.

25. Operating lease commitments

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

	Group and Company			
	Buildings		Other	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	233	238	25	95
Between one and five years	393	541	3	83
In more than five years	515	616	-	-
	<u>1,141</u>	<u>1,395</u>	<u>28</u>	<u>178</u>

NOTES TO THE FINANCIAL STATEMENTS

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 £11,848,000 (2018: £10,677,000). The Company purchased goods and services of £585,000 (2018: £659,000) from the Council during the year.

Balances outstanding at the year-end were as follows:

	2019 £'000	2018 £'000
The Council owed the Company	1,882	1,870
The Company owed the Council	(6,709)	(6,650)
	<u>(4,827)</u>	<u>(4,780)</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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