

Cheltenham Borough Homes Limited

Report and Financial Statements

For the year ended 31 March 2017

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STRATEGIC REPORT

The Directors submit their strategic report and financial statements of the Cheltenham Borough Homes Group for the year ended 31 March 2017. The group comprises the parent company, Cheltenham Borough Homes Limited (the company), and its subsidiary undertaking Cheltenham Borough Homes Services Limited.

Our Vision and Aims

Our vision is to make Cheltenham a better place to live by providing great quality affordable homes and helping to build stronger communities. We express this vision through the following aims:

- Provide great quality affordable homes that meet the needs of the Cheltenham community,
- 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 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' being 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 to ensure both remain viable and able to deliver on all key areas of the original plans. The rent reduction measure and uncertainty over future rent policy remains the most significant risk for CBH and our management of the HRA.

Despite this significant negative impact upon the HRA's reserves, CBH is still confident of the HRA being able to deliver on the 3 key priority areas for investment within the HRA Business Plan. These being:

- 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; and
- Increased support for tenants facing issues of anti-social behaviour, financial/digital exclusion, and unemployment.

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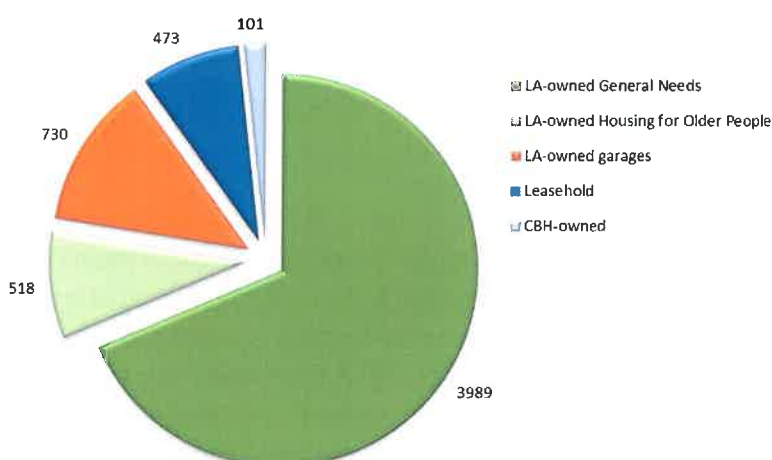
Over the course of 2016/17 CBH has successfully balanced the need to meet the challenge of rental income reduction, set out in the HRA and CBH business plans, whilst continuing to deliver against our aims and the HRA business plan priorities.

Great Homes

Our stock profile

CBH manages 5,081 homes and 730 garage units. During 2016/17 28 Council homes were sold under the Right To Buy (RTB) scheme and 24 homes added from our new supply programme (20 built and 4 acquired) making excellent use of funds received from RTB sales. RTB sales increased in the year and we are seeking innovative ways to mitigate the effects of this stock loss.

As at the year-end we managed a total of 4,507 Council owned General Needs and Sheltered homes. These are made up of 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 4,507 29% are one, 36% two, 32% three, 3% four and five bedroomed homes. We also manage 473 Council leasehold properties and a total of 101 CBH-owned homes, 76 of these are houses and 25 flats; 10% one, 44% two, 40% three and 6% four bedroomed homes.



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 have an Asset Management Strategy in place with a clear rationale for spend and an HRA Business Plan with the funds in place to ensure that the Asset Management Strategy is deliverable over the next 30 years based on appropriate assumptions for rent policy and other key parameters.

Providing new homes

During the year, we built 20 new council-owned homes including 10 'homes for veterans' and acquired 4 houses from the open market. The properties received a 100% satisfaction rating from the new tenants.

We are now working on two former garage sites which will provide six new homes and we have planning consent on two more sites which will provide a further ten new homes.

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Improving homes

We successfully delivered year one of a six year Windows and Doors Programme, installing new windows in approximately 1,100 homes and new doors in approximately 1,500 homes. Tenant satisfaction levels are running at 96%. The improvements will increase security and help reduce the energy needed to heat homes whilst also reducing future cyclical maintenance costs.

Looking forward we will improve over 1,000 homes with new windows and over 2,000 homes with new doors during the second year of our windows and doors programme.

The installation of 415 new energy efficient 'A' rated boilers, which achieved 95% customer satisfaction, and the 212 homes which were re-roofed and rendered all contributed to the average SAP rating (energy performance rating) of the housing stock improving from 66.56 to 69.67. Our Solar PV system programme has also contributed to this increase and over the space of 3 years it has helped tenants to make savings of around £233,000 on their energy bills. It is expected that the SAP figure will improve further as the windows and doors programme progresses.

Maintaining and repairing homes

We delivered 11,500 responsive repairs over the year with 99.8% of all emergency, urgent and routine repairs completed within target times. Of these 95% were completed on the first visit with 99% of tenants satisfied with the repairs carried out. Repairs to properties that were vacated contributed to excellent re-let times for minor voids; on average it took 17.41 days to re-let an empty home which required minor repairs.

Stronger Communities

Maintaining neighbourhoods

Our Safer Estates Team dealt with 261 ASB (Anti-Social Behaviour) cases during the year, successfully resolving 98% of those cases and with 99% of people satisfied with the way their ASB complaint was handled. CBH became an ambassador for the crime fighting charity 'Crimestoppers', joining a regional network of local organisations to help tackle crime and make our communities safer places to live. The team works very closely with the Gloucestershire Constabulary and has been proactive in helping to keep the community safe through assisting them in dealing with Dangerous Drug Networks (DDNs). We also introduced a mobile 'Noise APP' to make it easier for tenants to report noise nuisance through their smart phone.

CBH is committed to meeting diverse needs. Our working practices in Equality & Diversity were judged to meet the highest level of the Social Housing Equality Framework (SHEF) achieving the 'Excellent' standard. We recently teamed up with Action for Blind to deliver assistive technology training to visually impaired customers at our 'Digi Den' based in one of our community offices.

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Involving residents

Over 600 people are actively involved in helping us to shape our services through a variety of mechanisms and meetings: that is just over 10% of our overall tenants. Almost 800 people attended a CBH-led training event during the year, often held in our community offices and delivered with partners.

The CBH Tenant Scrutiny and Improvement Panel (TSIP) helped us to test and shape our services including working with our Gas contractor, Liberty Gas, to improve communications and reinforce the importance of maintaining annual gas servicing. TSIP also helped to improve the information available to people who are applying for social housing.

Employment and training

Our Employment Initiatives Team received 193 referrals – the highest we’ve ever seen and we have been able to help 68 people into work and 37 into education and training. We have worked proactively to build strong links with other partners to deliver training and awareness raising and we’ve introduced 4 further weekly work clubs. The work clubs receive 100% satisfaction ratings from attendees with 94% of people reporting an increase in confidence and 85% an increase in employability skills.

Looking forward we will be delivering a new six month youth project to help students who are at risk of being excluded from school.

Benefit and Money Advice

Our Benefit and Money advisors received 706 referrals and carried out 984 face to face meetings with tenants during 2016/17. In doing so they secured additional benefits of over £804,000 for tenants who were struggling to deal with changes to benefits and/or who were facing financial difficulties. Our Housing Options Team secured over £1.5 million in unclaimed and backdated benefits for all people who visited their office or who were referred to them; this advice and assistance has helped people to pay their rent and remain in their homes.

Our Business and People

CBH successfully completed the restructure of its top two tiers of management, culminating in the appointment of a new Executive Director of Property and Communities. This has reduced the number of roles at this level, reduced costs and redistributed areas of responsibility to better meet our customer needs.

People Strategy

CBH recognises the importance of our employees in continuing to deliver exceptional levels of service to our residents. Investment in our employees is a top priority for the organisation to ensure their wellbeing and professional development.

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Our People Strategy (2017-2020) has been developed in partnership and consultation with colleagues from across the business. The aim of the People Strategy is to create a place where colleagues feel involved, inspired, appreciated and fulfilled at work, to be achieved via the following four objectives.

- Reward & wellbeing - we will recognise and value the efforts and contribution of colleagues in supporting CBH's aims.
- Values - we will live our values because they are inspired by colleagues and reflect a culture we all believe in.
- Development - we will empower and support colleagues to achieve their potential through personal and professional development opportunities.
- Acquire & retain - we will modernise the recruitment and selection process.

There is a detailed action plan to be implemented over the next three years to deliver the aim and objectives. The action plan sets out clear timescales and measures for success.

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. The scope of this work is to further develop and enhance the processes, applications and supporting technologies that enable CBH, in an efficient and cost effective manner to deliver these services into the future. During 2016/17 Phase 2 of the work was completed with a company-wide exercise to seek clarification of the outcomes sought, confirm and prioritise the criteria that would be used to judge submissions and the development of a tender document. The tender process (Phase 3) is due to end in summer 2017.

Health and Safety

Our approach to health, wellbeing and safety was awarded the highest level by the Royal Society for the Prevention of Accidents (RoSPA). This is the third consecutive year that our processes and practices have received a 'Gold' standard.

Accommodation Strategy

The delivery of our Accommodation Strategy is ongoing. CBH has formed an internal steering group for the planning and delivery of the accommodation strategy. Achievements made this year include successfully negotiating a new lease at Cheltenham House up to 2020 and at the Depot up to 2023. The strategy continues to focus on ensuring that all CBH offices are fit for purpose and best placed to enable an excellent service to be delivered to customers.

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.

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The regular assessment of the operating environment supports the identification, assessment and management of these risks. Risks are accompanied by relevant and appropriate controls and actions to mitigate the risks, where necessary. These risks are subject to regular review by the Board, the Audit and Risk Committee, and management teams. 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.

Social Housing Rent Policy

The 1% year on year rent reductions for the 4 years to March 2020 is estimated to result in the loss of £110 million 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 and will be keeping a close watching brief regarding any further impacts related to post March 2020 rent policy. 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.

Sale of Higher Value Assets

This entails a levy being charged to the HRA based upon the predicted level of higher value voids during each financial year. The receipts from this levy are expected to support the recompense of Registered Providers for the discounts given as part of the Voluntary Right to Buy process, to enable 1 for 1 replacement of higher value Local Authority stock sold, and to support the Government's funding of brownfield site regeneration to enable house building.

We will be keeping a very close watching brief on this area and working closely with the National Federation of ALMOs to highlight our concerns whilst also trying to shape the final regulations into a format that minimises the financial burden upon the HRA.

Use of Right to Buy Receipts

Increased RTB sales mean that there is increased opportunity to re-invest capital receipts in generating new affordable housing. To date CBH has been effective in making use of the funds available but opportunities are finite and 70% of balance funding needs to be available in order to fully use RTB receipts within the given three year deadline. CBH is working closely with the Council to re-invest the funds appropriately and efficiently to achieve the best outcomes for the HRA and for the people who are most in need of affordable housing.

Impact of Welfare Reform

The most significant impact of this range of policy reforms relates to Universal Credit. At present only single people making new claims for Job Seekers Allowance are affected. The Department for Work and Pensions has announced that a 'full service' will be rolled out in Cheltenham from December 2017. We have modelled the potential impact upon both our

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residents and the financial position of the HRA. We have taken positive action to strengthen our Benefit and Money Advice service while amending the financial assumptions on bad debts.

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.

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. In addition, revised sentencing guidelines have resulted in higher fines and an 'aggressive' approach to culpability and corporate manslaughter.

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 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.

Information Technology (IT)

A crucial element for the continued improvement of the company's service delivery to our residents is the IT infrastructure and the associated systems.

Our IT shared service provider has made significant improvements to the infrastructure, developing a stable and robust environment. Server, data storage, network and desktop issues have all now been addressed. We have worked closely with our IT shared service provider in defining our telephony requirements and infrastructure requirements aligned to the development of the Service Improvement Programme (SIP).

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 take action based on actuarial advice to ensure the long term viability of the scheme.

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Value for Money Statement

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



The company is responsible for managing the resources of both CBH and the Council's HRA. 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.

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 (within 5%) and **Red** = off target.

CBH also compares outturn with sector peers and has used Housemark for this over a number of years. Housemark provides benchmarking data for the majority of the sector. Benchmarking data and sector performance is a useful point of reference and provides context to our own data and targets. CBH makes use of the functionality available to consider various different peer groups and this sector data is taken into consideration each

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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 key 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 allocation 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.

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Great Homes

VFM Key Performance Indicators	2015-16	2016-17	2017-18
	year-end outturn compared to target (as a RAG) where available	year-end outturn compared to target (as a RAG) where available	year-end target
Total cost per property of Major Works & Cyclical Maintenance	£1,708 *	£2,717	£2,492
% dwellings non-decent at the end of the period	1.84%	0.46%	0.75
% dwellings with a valid gas safety certificate	99.76%	99.93%	100
Average SAP rating (2009 methodology)	66.56	69.67	70.50
STAR Satisfaction with overall quality of the home	86.56%	86.56%	88
Total cost per property of Responsive Repairs & Void Works	£819 *	£749	£804
% of Emergency, Urgent and Routine repairs completed within target	99.75%	99.78%	99%
% tenants satisfied with repairs carried out	99.48%	99.40%	99%
Direct cost per property of Rent Arrears and Collection	£99	£105	£115
Current arrears as % of rental income (excluding court costs)	1.21%	1.20%	1.85%
Rent collected from current & former tenants as % rent due (excluding arrears brought forward)	99.47%	100.16%	98%
Direct cost per property of Lettings	£37	£40	£41
% Rent lost through CBC dwellings becoming vacant excluding temporary furnished	0.72%	0.76%	0.71%
Average time taken to re-let minor void CBC properties (excluding FA and JDC) in days	17.44	17.41	17.00
Complaints closed at stage 1 - % within agreed timescales	94%	96.3%	96%
Number of complaints per 1000 properties	10.83	12.01	13
Percentage of contact centre calls answered	not collected	91.67%	95%

* no RAG stated as local targets were not established at this time

Major Works and Cyclical Maintenance

As planned our costs per property to deliver major works and cyclical maintenance showed an increase on the previous year. This is due primarily to planned investment in improving windows and doors across the stock. In-year decisions, for example to accelerate stock condition surveys, have also contributed to a Total CPP slightly higher than that which was modelled through our annual budget setting process. This investment has resulted in an enhanced understanding of our stock which will enable us to make even better decisions about where and when to make best use of capital budgets.

When compared with the external peer group, Total CPP for Major and Cyclical Maintenance is worse than the median figure, placing CBH in the bottom quartile.

Performance across the range of indicators in the table above remains strong and has improved on last year's outturn and targets for 2017/18 set a clear direction of travel. The non-decency target reflects a conscious decision with regard to a small number of non-

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traditional build properties awaiting options appraisal and will therefore have no decent homes work carried out. Sufficient responsive repairs will still be undertaken. Satisfaction with the quality of the home remains high. This data is obtained by carrying out a regular STAR (Survey of Tenants and Residents) satisfaction survey. STAR data will be re-visited in 2017/18 as the latest STAR survey is carried out.

Responsive Repairs and Void Works

The costs per property to deliver our responsive repairs and void works have fallen compared to the previous year. This was expected and exceeds the target modelled through our annual budgeting process. It has in part been driven by more efficient ways of working in the responsive repairs team, meaning fewer operatives have been required to maintain those levels, allied to more efficient use of subcontractors and materials.

Total CPP figures for Responsive Repairs and Void Works is better than the median figure when compared with our chosen peer group, placing CBH in the upper middle quartile. There has been excellent performance in terms of repairs completed within target times and customer satisfaction levels remain high.

Total CPP for Responsive Repairs and Void Works has fallen from 2015/16 to 2016/17, demonstrating outturn lower than budgets. Prudent budgeting for 2017/18, taking into account exceptional weather and one off costs for example, means that Total CPP at year end currently shows an increase, when compared with 2016/17 outturn.

Rent Arrears and Collection

The Direct CPP for Rent Arrears and Collection is slightly higher than the figure that was modelled during the annual budget setting process. When compared with the peer group CBH Direct CPP positions us in the bottom quartile.

This is due to the resourcing of the housing revenues team in preparation for the roll out of Universal Credit across Cheltenham. This has been carefully considered and modelled and has enabled strong rent collection and arrears performance in this area, whilst also enabling highly effective work to support those people facing financial difficulties to help them improve their quality of life and maintain their tenancies.

Lettings

Direct CPP for the delivery of our Lettings service is only slightly off target for 2016/17. When compared with the peer group CBH Direct CPP is just below the median figure, placing CBH in the lower middle quartile. This area maintains strong performance, with void re-let times and rent loss low. Future targets seek to maintain those levels.

Complaints

Complaints performance is strong, 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 telephony systems will support our ability to achieve this.

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Stronger Communities

VFM Key Performance Indicators	2015-16	2016-17	2017-18
	year-end outturn compared to target (as a RAG) where available	year-end outturn compared to target (as a RAG) where available	year-end target
Direct cost per property of ASB	£56 *	£60	£61
% closed ASB cases that were resolved	98.94%	98.10%	98%
% satisfied with the way their ASB complaint was dealt with	91.03%	98.85%	95%
Direct cost per property of Resident Involvement	£101 *	£68	£81
STAR % Customers satisfied that CBH listens to their views and acts upon them	66%	66%	69%
Direct cost per property of Tenancy Management	£89 *	£101	£98
Overall Customer satisfaction (%) STAR Survey	86.13%	86.13%	87%
STAR Satisfaction with value for money of the rent	87.04%	87.04%	88%
Income generated on behalf of customer year to date	£753,326	£794,721	£680,000

* no RAG stated as local targets were not established at this time

ASB

Direct CPP for the delivery of our ASB service has met the target that was set for 2016/17. This area demonstrates strong performance and satisfaction, and future targets seek to maintain those levels. When compared with peers Direct CPP places CBH in the bottom quartile.

Resident Involvement

Direct CPP for Resident Involvement has exceeded the target set. This has been achieved through changes to structures at a senior level and a pause on recruitment to vacant posts to enable a review of relevant service areas.

CBH is always seeking to refine the data used in generating this kind of business critical information; and a review of the allocation of employee time to this service area also contributed to the reduction in CPP. This cost re-allocation has generated a corresponding rise in tenancy management employee costs.

When compared with the peer group Direct CPP places CBH in the bottom quartile.

Tenancy Management

Direct Tenancy Management CPP has increased, as mentioned above, following the re-allocation of employee time to this function area. Changes to the methodology behind the benchmarking model we use have also impacted in CPP: a greater proportion of legal costs is now associated with tenancy management. Overall customer satisfaction with CBH and with the Value for Money for their rent remains high. This STAR data will be re-visited in early 2017/18 as the latest STAR survey is carried out. When compared with peers Direct CPP is below the median figure, placing CBH in the bottom quartile. CBH has made the

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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.

It is anticipated that the outcomes of current service reviews for the three areas above will affect the CPP achieved at the end of 2017/18.

Our People and Business

VFM Key Performance Indicators	2015-16	2016-17	2017-18
	year-end outturn compared to target (as a RAG)	year-end outturn compared to target (as a RAG)	year-end target
Average number of working days lost to total sickness	8.18	9.64	8
Percentage of staff satisfied with your organisation as an employer	84.75%	63.87%	75%

Although employee sickness levels have increased they were still within the target set for 2016/17. This area is closely monitored and future targets reflect an expectation for levels to fall as a consequence of enhancements to policies and procedures.

Levels of employee satisfaction with '*CBH as an employer*' returned from regular employee survey have fallen. This point in time survey was carried out during a period of change and uncertainty and following a full review of pay structures, as part of our 'pay harmonisation' project. Since then our 'People Strategy' has been developed with employees; it aims to make CBH a great place to work and to create an environment where colleagues feel supported and empowered to make things happen for both colleagues and customers alike. The future target reflects the confidence that this figure will rise when the question is next asked.

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 owns 101 units of its own housing stock (at the end of March 2017). CBH stock has been funded using a balance of grant (from the Homes and Communities Agency and Cheltenham Borough Council) and long term borrowing which has enabled the Company to achieve early cash surpluses on each scheme, with the prospect of future significant profits being generated to strengthen reserves. All schemes have been delivered within budget 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 20 units in 2016/17 with a further two schemes on site at the end of the year. Each scheme is subjected to a rigorous option appraisal to confirm viability and a

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positive contribution to reserves. The programme is being funded by a combination of capital receipts, revenue reserves and borrowing.

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 CBH 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 owned at the end of the financial year a total of 101 properties, 46 for social rent, 38 for affordable rent, and 17 on a shared ownership basis. CBH recharges the cost of its management and maintenance services to the Council via management fees and repairs and maintenance charges.

In September 2015 the Board approved a four year financial plan of which 2016/17 was year one. 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 one, 2016/17, have been met and CBH remains on track to meet the targets for the whole four year plan.

The group has in place long-term debt facilities which provide adequate resources to finance its recently built 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

The operating result for the group for the year ended 31 March 2017 was a surplus of £427,000 compared to a deficit of £445,000 for the previous year. The previous year included a one off cost of £296,000 for management restructuring, £264,000 investment in new services for the last year of the successful 3 year £1m investment programme, £400,000 higher FRS 102 pension cost adjustment than the current year and a credit of £180,000 for non-monetary capital grants related to donated land. Adjusting for these items the underlying operating surplus of the group has increased by £92,000 in the year.

This increase of £92,000 in the operating surplus is a combination of £50,000 of additional efficiency savings identified in the year and £42,000 of budgeted expenditure to be rolled over into 2017/18.

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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 2017, there has been an actuarial loss on the pension scheme of £2,552,000 (2016: gain of £2,823,000), reflecting less favourable financial assumptions used by the Actuary to value the pension fund, the most significant impact being a reduction in the discount rate which has led to a sizeable increase in the valuation of fund liabilities.

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 2017 shows total negative reserves of £3,933,000, comprising a pension fund liability of £6,356,000 offset by an income and expenditure reserve of £2,423,000.

Balance Sheet

The balance sheet at the end of March 2017 included £12,519,000 of tangible fixed assets at depreciated cost, £11,186,000 of long term loans, and £1,090,000 of net current assets. During the year, net current assets increased by £286,000.

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. This has been included in creditors, amounts falling due within one year, at the year end.

Cash flow

During the year cash and cash equivalents increased by £235,000, partly due to the DCLG grant received in advance at year end. Included within debtors is a balance of £2,223,000 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 27th September 2017 and signed on its behalf by:



Caroline Allen
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) owned 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		
A C Foster			
A Oliver			
S Williams			
B McBride	Vice Chair	Appointed	27 April 2016
C M Mason		Appointed	29 June 2016
D M Clowes		Appointed	30 November 2016
U Pearce-Lynch		Appointed	30 November 2016
S Brimfield		Appointed	29 March 2017
D Smith		Removed*	8 July 2016
S L Hutton		Retired	19 October 2016
L King		Resigned	19 October 2016
C L Whitehouse		Resigned	19 October 2016
T Harrison		Appointed	24 August 2016
T Harrison		Resigned	2 November 2016

* removed following changes to Council nominated Board members

DIRECTORS' REPORT

Company Secretary

C Allen

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. During the review in 2016/17, there were no areas of non-compliance.

In accordance with the requirements of the Accounting Direction 2015, the Board certifies that the Company has complied with the requirements of the Homes and Communities Agency's (HCA) Governance and Financial Viability Standard. The Board has reviewed the Company's compliance against each of the required outcomes within the Standard and has ensured appropriate action was taken during the year to meet these outcomes.

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

DIRECTORS' REPORT

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

Bishop Fleming, new external auditors of the Company were appointed at the Board meeting on 29th March 2017.

The Directors' Report was approved by the Board on 27th September 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Caroline Allen', with a large, stylized initial 'C'.

Caroline Allen
Company Secretary

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

We have audited the financial statements of Cheltenham Borough Homes Limited for the year ended 31 March 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Reserves, Consolidated and Company Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the 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 company's member 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 company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Board Responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017, and of the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2015.

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

Opinion on other matter 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.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Fleur Lewis FCA (Senior Statutory Auditor)

for and on behalf of

Bishop Fleming LLP

Chartered Accountants

Statutory Auditors

2nd Floor Stratus House

Emperor Way

Exeter Business Park

Exeter

EX1 3QS

27 September 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2017 £'000	2016 £'000
Turnover	3	10,949	11,146
Operating expenditure		10,522	11,591
Operating surplus/(deficit)	3	427	(445)
Gain on disposal of property, plant and equipment (fixed assets)	6	1	10
Interest receivable	7	-	1
Interest and financing costs	8	390	459
Surplus/(Deficit) before tax		38	(893)
Taxation	10	29	24
Surplus/(Deficit) for the year		9	(917)
Actuarial (loss)/gain in respect of pension schemes		(2,552)	2,823
Total comprehensive (loss)/income for the year		(2,543)	1,906

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 2015	2,544	(5,840)	(3,296)
Deficit for the year	(291)	(626)	(917)
Other comprehensive income for the year	-	2,823	2,823
Balance at 31 March 2016	2,253	(3,643)	(1,390)
Surplus/(Deficit) for the year	170	(161)	9
Other comprehensive loss for the year	-	(2,552)	(2,552)
Balance at 31 March 2017	2,423	(6,356)	(3,933)

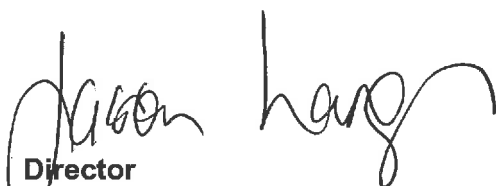
COMPANY STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve £'000	Pension reserve £'000	Total £'000
Balance as at 1 April 2015	2,604	(5,840)	(3,236)
Deficit for the year	(285)	(626)	(911)
Other comprehensive income for the year	-	2,823	2,823
Balance at 31 March 2016	2,319	(3,643)	(1,324)
Surplus/(Deficit) for the year	172	(161)	11
Other comprehensive loss for the year	-	(2,552)	(2,552)
Balance at 31 March 2017	2,491	(6,356)	(3,865)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets – housing properties	11	12,132	12,315
Tangible fixed assets – other	12	387	484
		12,519	12,799
Current assets			
Trade and other debtors	14	2,358	2,440
Cash and cash equivalents		502	267
		2,860	2,707
Creditors: amounts falling due within one year	15	1,770	1,903
Net current assets		1,090	804
Total assets less current liabilities		13,609	13,603
Creditors: amounts falling due after more than one year	16	11,186	11,350
Pension provision	19	6,356	3,643
Total net liabilities		(3,933)	(1,390)
Reserves			
Income and expenditure reserve		2,423	2,253
Pension reserve		(6,356)	(3,643)
Total reserves		(3,933)	(1,390)

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 27th September 2017.


Director
J Langley

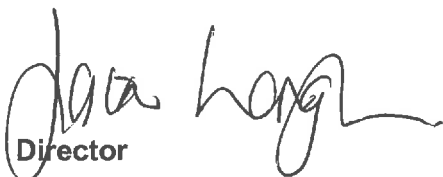

Director
D Clowes

Company number: 04587658

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets – housing properties	11	12,187	12,371
Tangible fixed assets – other	12	387	484
Investment in subsidiaries	13	-	-
		12,574	12,855
Current assets			
Trade and other debtors	14	2,360	2,440
Cash and cash equivalents		500	256
		2,860	2,696
Creditors: amounts falling due within one year	15	1,757	1,882
Net current assets		1,103	814
Total assets less current liabilities		13,677	13,669
Creditors: amounts falling due after more than one year	16	11,186	11,350
Pension provision	19	6,356	3,643
Total net liabilities		(3,865)	(1,324)
Reserves			
Income and expenditure reserve		2,491	2,319
Pension reserve		(6,356)	(3,643)
Total reserves		(3,865)	(1,324)

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 27th September 2017.


Director
J Langley


Director
D Clowes

Company number: 04587658

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2017 £'000	2016 £'000
Net cash generated from operating activities	21	636	(681)
Cash flow from investing activities			
Purchase of tangible fixed assets		(47)	(315)
Proceeds from sale of tangible fixed assets		1	33
Interest received		-	1
		<u>(46)</u>	<u>(281)</u>
Cash flow from financial activities			
Interest paid		(260)	(265)
New secured loans		-	1,500
Repayments of borrowings		(95)	(92)
		<u>(355)</u>	<u>1,143</u>
Net change in cash and cash equivalents		235	181
Cash and cash equivalents at beginning of the year		<u>267</u>	<u>86</u>
Cash and cash equivalents at end of the year		<u>502</u>	<u>267</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 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 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.

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 surplus for the year before taxation for the parent company is £40,000 (2016: deficit of £887,000).

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 2017 was £327,000.

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 19). The liability at 31 March 2017 was £6,356,000.

Impairment reviews

On 8 July 2015 (Summer Budget 2015) the Chancellor announced that rents in social housing would be reduced by 1% a year for four years resulting in a Government estimated 12% reduction in average rents by 2020-21. This has a material effect on the return generated by the company's housing properties and therefore an impairment review was undertaken in 2015/16. This was revisited during 2016/17. Each of the company's four new build development schemes was considered a separate cash generating unit (CGU).

The recoverable amount of each CGU was estimated based on its value in use. The key assumptions used to determine the value in use were: the level of rent increases in future years and the discount rate used to estimate the present value of future cash flows. Rental increases used were -1% for the years to March 2020 and 2% for each subsequent year based on the Government's inflation target of CPI. The discount rate used was 2.8% reflecting the rate at which future development finance could be secured.

NOTES TO THE FINANCIAL STATEMENTS

There was no impairment identified in the carrying value of property fixed assets during the year.

Turnover and revenue recognition

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

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

Value Added Tax

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

Employee Benefits

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

Pensions

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

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating surplus. The expected return of the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income/charges. Actuarial gains and losses are recognised in total comprehensive income for the year.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 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

NOTES TO THE FINANCIAL STATEMENTS

Donated land and other assets

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

Impairment

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

Properties for sale

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

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	20%
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 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. 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

NOTES TO THE FINANCIAL STATEMENTS

in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Group – continuing activities

	Turnover	2017 Operating expenditure	Operating surplus
	£'000	£'000	£'000
Social housing lettings	511	235	276
Donated land recognised in revenue	-	-	-
Management and maintenance services for Cheltenham Borough Council	10,438	10,287	151
	10,949	10,522	427

	Turnover	2016 Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings	494	248	246
Donated land recognised in revenue	180	-	180
Management and maintenance services for Cheltenham Borough Council	10,472	11,343	(871)
	11,146	11,591	(445)

4. Accommodation in management and development

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

	Group and Company	
	2017 No.	2016 No.
General housing	84	84
Low cost housing	17	17
Total owned	101	101
In development	-	-

NOTES TO THE FINANCIAL STATEMENTS

5. Operating (deficit)/surplus

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

	Group and Company	
	2017	2016
	£'000	£'000
Depreciation of housing properties	193	194
Depreciation of other tangible fixed assets	134	192
Surplus on disposal of other tangible fixed assets	1	4
Operating lease rentals		
- land and buildings	152	137
- vehicles and other equipment	127	112
Auditors' remuneration (excluding VAT)		
- audit fee	11	17
- tax administration	1	3
- other services	-	3

6. Surplus on sale of fixed assets

	Group and Company	
	2017	2016
	£'000	£'000
Disposal proceeds	1	29
Carrying value of fixed assets	-	(24)
	1	5
Capital grant released to income	-	5
	1	10

7. Interest receivable and other income

	Group and Company	
	2017	2016
	£'000	£'000
Interest receivable and similar income	-	1
	-	1

NOTES TO THE FINANCIAL STATEMENTS

8. Interest and financing costs

	Group and Company	
	2017	2016
	£'000	£'000
Defined benefit pension charge	130	195
Loan interest	260	264
	<u>390</u>	<u>459</u>

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	
	2017	2016
	No.	No.
Administration and operational	<u>160</u>	<u>169</u>

Employee costs

	Group and Company	
	2017	2016
	£'000	£'000
Wages and salaries	4,558	4,519
Social security costs	438	344
Other pension costs	1,078	1,337
	<u>6,074</u>	<u>6,200</u>
Restructuring costs	57	296
	<u>6,131</u>	<u>6,496</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Executive team

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

	2017 No.	2016 No.
£60,000 to £70,000	3	-
£70,001 to £80,000	1	-
£80,001 to £90,000	-	1
£90,001 to £100,000	1	-
£110,001 to £120,000	-	1
£120,001 to £130,000	-	1
£130,001 to £140,000	1	-
£160,001 to £170,000	-	1

The emoluments of the chief executive (the highest paid executive team member), excluding pension contributions, were £114,712 (2016: £96,880). 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. The chief executive is an ordinary member of the scheme and no enhanced or special terms apply to his pension.

The aggregate remuneration of the Executive Team, including pension contributions but excluding payments for loss of office, amounted to £275,117 (2016: £369,806).

10. Tax on surplus on ordinary activities

	Group and Company	
	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profit/(loss) for the year	29	24
Adjustments in respect of prior years	-	-
Tax on loss for the year	29	24

NOTES TO THE FINANCIAL STATEMENTS

The tax assessed for the year is lower than the standard rate of corporation tax in the UK at 20% (2016: 20%). The differences are explained as follows:

	Group and Company	
	2017	2016
	£'000	£'000
Tax reconciliation		
Surplus/(Deficit) on ordinary activities before tax	38	(893)
Theoretical tax at UK corporation tax rate 20% (2016: 20%)	8	(179)
-exempt activities	21	203
-adjustments to tax charge in respect of prior periods	-	-
Total tax charge	29	24

11. Fixed assets – housing properties

Group – housing properties

	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Shared ownership housing properties £'000	Total housing properties £'000
Cost				
At 1 April 2016	11,804	-	1,042	12,846
Additions	10	-	-	10
Schemes completed	-	-	-	-
Disposals	-	-	-	-
At 31 March 2017	11,814	-	1,042	12,856
Depreciation and impairment				
At 1 April 2016	482	-	49	531
Depreciation charged in year	178	-	15	193
Released on disposal	-	-	-	-
At 31 March 2017	660	-	64	724
Net book value				
At 31 March 2017	11,154	-	978	12,132
At 31 March 2016	11,322	-	993	12,315

Following the year end one social housing property was sold under Right to Acquire and one shared ownership property was staircased to 100%.

NOTES TO THE FINANCIAL STATEMENTS

Company – housing properties

	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Shared ownership housing properties £'000	Total housing properties £'000
Cost				
At 1 April 2016	11,861	-	1,043	12,904
Additions	10	-	-	10
Schemes completed	-	-	-	-
Disposals	-	-	-	-
At 31 March 2017	11,871	-	1,043	12,914
Depreciation and impairment				
At 1 April 2016	484	-	49	533
Depreciation charged in year	179	-	15	194
Released on disposal	-	-	-	-
At 31 March 2017	663	-	64	727
Net book value				
At 31 March 2017	11,208	-	979	12,187
At 31 March 2016	11,377	-	994	12,371

Social housing assistance

	Group and Company	
	2017	2016
	£'000	£'000
Social housing grant		
Total received or receivable at 31 March	4,140	4,140
Total released to income at 31 March	(226)	(171)
Total repaid or repayable at 31 March	(37)	(37)
	3,877	3,932
Other capital grant		
Total received or receivable at 31 March	2,339	2,339
Total released to income at 31 March	(1,588)	(1,578)
Total repaid or repayable at 31 March	-	-
	751	761

NOTES TO THE FINANCIAL STATEMENTS

Housing properties book value net of depreciation

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Freehold land and buildings	12,132	12,315	12,187	12,371

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.

12. Tangible fixed assets – other

Group and Company

	Vehicles and plant £'000	Fixtures and fittings £'000	Computer equipment £'000	Leasehold buildings £'000	Freehold buildings £'000	Tools and other equipment £'000	Total £'000
Cost							
At 1 April 2016	8	155	578	535	129	31	1,436
Additions	-	14	22	-	-	1	37
Disposals	(4)	(2)	(49)	-	-	(5)	(60)
At 31 March 2017	4	167	551	535	129	27	1,413
Depreciation							
At 1 April 2016	8	140	480	295	5	24	952
Charged in year	-	11	57	61	1	4	134
Disposals	(4)	(2)	(49)	-	-	(5)	(60)
At 31 March 2017	4	149	488	356	6	23	1,026
Net book value							
At 31 March 2017	-	18	63	179	123	4	387
At 31 March 2016	-	15	98	240	124	7	484

NOTES TO THE FINANCIAL STATEMENTS

Grant assistance – freehold land and buildings

	Group and Company	
	2017 £'000	2016 £'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>

13. Investments in subsidiaries

Company

	2017 £	2016 £
Cost and net book value	<u>1</u>	<u>1</u>

At 31 March 2017 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

14. Debtors

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Due within one year				
Rent and service charges receivable	4	10	4	10
Less: provision for bad and doubtful debts	(2)	(6)	(2)	(6)
	<u>2</u>	<u>4</u>	<u>2</u>	<u>4</u>
Amount due from Cheltenham Borough Council	2,223	2,267	2,223	2,267
Other debtors	16	20	17	20
Prepayments and accrued income	117	149	118	149
	<u>2,358</u>	<u>2,440</u>	<u>2,360</u>	<u>2,440</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Debt (note 18)	99	95	99	95
Trade creditors	411	379	361	331
Rent and service charges received in advance	9	10	9	10
Amount due to Cheltenham Borough Council	17	328	17	328
Amount owed to subsidiary undertaking	-	-	36	28
Deferred capital grant (note 17)	65	66	65	66
Government grant received in advance	350	-	350	-
Corporation tax	29	24	29	24
Other taxation and social security	441	441	439	441
Unpaid contributions for retirement benefits	87	271	87	271
Other creditors	57	112	60	111
Accruals and deferred income	205	177	205	177
	<u>1,770</u>	<u>1,903</u>	<u>1,757</u>	<u>1,882</u>

On 31 March 2017 the company received a grant of £350,000 from the Department for Communities and Local Government to support an initial masterplanning exercise to explore the potential regeneration of the West Cheltenham area.

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

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Debt (note 18)	6,623	6,723	6,623	6,723
Deferred capital grant (note 17)	4,563	4,627	4,563	4,627
	<u>11,186</u>	<u>11,350</u>	<u>11,186</u>	<u>11,350</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Deferred capital grant

	2017 £'000	2016 £'000
At 1 April	4,693	4,478
Grant received in the year	-	480
Grant repayable in the year	-	(15)
Released to income in the year	(65)	(250)
At 31 March	4,628	4,693

	2017 £'000	2016 £'000
Amounts to be released within one year	65	66
Amounts to be released in more than one year	4,563	4,627
At 31 March	4,628	4,693

18. Debt analysis

Borrowings

	Group and Company	
	2017 £'000	2016 £'000
Due within one year		
Local authority loans	99	95
Due after more than one year		
Local authority loans	6,623	6,723
Total loans	6,722	6,818

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 2017 was £1,348,398 (2016: £1,357,987). 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 2017 was £1,909,598 (2016: £1,933,527). 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 2017 was £1,356,691 (2016: £1,371,734). It has a fixed rate of interest of 4.22%. Repayments, including interest, are £36,387 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 St Paul's Phase 2 Project as at 31 March 2017 was £2,107,647 (2016: £2,154,529). 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	
	2017 £'000	2016 £'000
Within one year or on demand	99	95
One year or more but less than two years	102	99
Two years or more but less than five years	331	319
Five years or more	6,190	6,305
	6,722	6,818

NOTES TO THE FINANCIAL STATEMENTS

19. 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 2017 were £982,000 (2016: £837,000).

The employer’s current service contribution rate is 18.9%. The amount paid to insurers for ill-health liability insurance is an amount equivalent to 1.5% of pensionable pay, thereby reducing the employer’s current service contribution rate to 17.4%. In addition to the current service contribution rates, additional employer contributions of £51,000 per annum are required to recover an actuarial deficit of £674,000 within the fund as at 31 March 2013.

The most recent actuarial valuation of the fund was as at 31 March 2016. This valuation showed the fund was 102% funded. This valuation determines the contribution rates for the 2017/18 year onwards. The employer’s current service contribution rate will be 18%. The amount paid to insurers for ill-health liability insurance will be an amount equivalent to 1.3% of pensionable pay, thereby reducing the employer’s current service contribution rate to 16.7%. The actuary has estimated that employer’s contributions for the year ending 31 March 2018 will be approximately £776,000, including the cost of insurance premiums.

Financial assumptions

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

	2017 % per annum	2016 % per annum
Rate of increase in salaries	2.7	3.7
Rate of increase in pensions in payment	2.4	2.2
Discount rate	2.6	3.5
Inflation assumption (CPI)	2.4	2.2
Expected return on scheme assets	3.6	3.5

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:-

	2017 and 2016 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:

	2017 £'000	2016 £'000
Amounts charged to operating costs		
Current service cost	1,078	1,337
Amounts charged to other finance costs		
Interest income on pension scheme assets	(841)	(744)
Interest cost on pension scheme liabilities	971	939
	130	195

Reconciliation to the consolidated statement of financial position

	2017 £'000	2016 £'000
Fair value of pension scheme assets	29,528	23,668
Present value of pension scheme liabilities	(35,884)	(27,311)
	(6,356)	(3,643)

NOTES TO THE FINANCIAL STATEMENTS

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

	2017 £'000
Opening fair value of scheme assets	23,668
Interest income	841
Return on scheme assets (excluding amounts included in net interest)	4,232
Contributions by employer	982
Contributions by employees	288
Benefits paid	(483)
Closing fair value of scheme assets	29,528

	2017 £'000	2016 £'000
Actual return on scheme assets	5,073	28

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

	2017 £'000
Opening scheme liabilities	27,311
Current service cost	1,078
Interest cost	971
Contributions by employees	288
Remeasurements	6,719
Benefits paid	(483)
Closing scheme liabilities	35,884

NOTES TO THE FINANCIAL STATEMENTS

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

	2017 %	2016 %
Equities	71	70
Bonds	20	21
Property	7	8
Cash	2	1

20. 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.

21. Cash flow from operating activities

	2016 £'000	2016 £'000
Surplus/(Deficit) for the year	427	(445)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	327	386
Decrease/(Increase) in trade and other debtors	81	(1,367)
(Decrease)/Increase in trade and other creditors	(141)	573
Receipt of donated land	-	(180)
Pension costs less contributions payable	31	431
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed assets	-	(4)
Government grants utilised in the year	(65)	(65)
Corporation tax paid	(24)	(10)
Net cash generated from operating activities	636	(681)

NOTES TO THE FINANCIAL STATEMENTS

22. Capital commitments

	Group and Company	
	2017	2016
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	-	-
	<u>-</u>	<u>-</u>

The above commitments will be financed primarily through borrowings.

23. Contingent assets/liabilities

At year end, the company had a contingent liability of £53,212. 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.

24. Operating lease commitments

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

	Group and Company	
	2017	2016
	£'000	£'000
Within one year	290	236
Between one and five years	692	519
In more than five years	399	-
	<u>1,381</u>	<u>755</u>

NOTES TO THE FINANCIAL STATEMENTS

25. 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 £10,403,351 (2016: £12,558,128). The Company purchased goods and services of £629,166 (2016: £777,930) from the Council during the year.

Balances outstanding at the year-end were as follows:

	2017 £'000	2016 £'000
The Council owed the Company	2,223	2,267
The Company owed the Council	(6,739)	(7,146)
	<u>(4,516)</u>	<u>(4,879)</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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