

Cheltenham Borough Homes Limited

Report and Financial Statements

For the year ended 31 March 2018

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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 2018. 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, 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. 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.

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.

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Our aims define our vision and what success looks like. These broad, long term aspirations guide the development of our goals. Under Great Homes we aim to deliver 90% customer satisfaction, a pipeline of 350 new homes by 2020/21 and 100% of homes meeting the Decent Homes Standard. Under Stronger Communities we aim to deliver £10m of social value each year, 100% of customers feeling safe in their homes and 15% of customers being involved and engaged each year.

Our goals are specific, realistic targets for the medium term and these determine the projects which drive changes to our business. We measure the success of delivering these changes, some of which are set out below, and ensure we maintain excellent service delivery through our key performance indicators and annual targets, as set out in the Value for Money Statement.

Over the course of 2017/18 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.

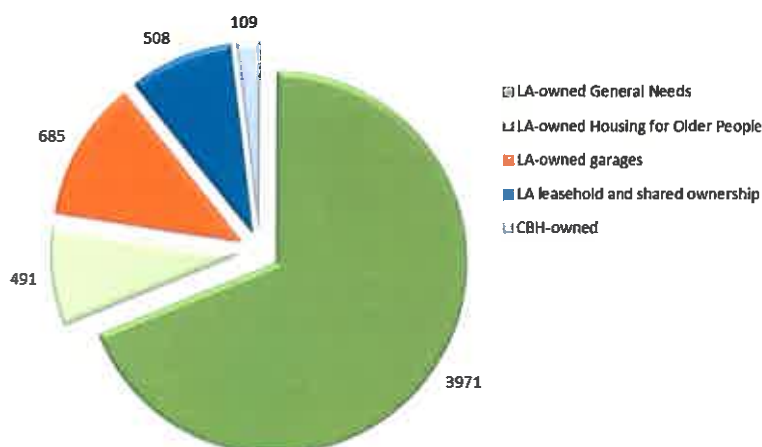
Great Homes

Our stock profile

At the end of 2017/18 we delivered services to around 6,700 customers living in the 5,079 homes managed by CBH. During the year we asked our customers how satisfied they were with the services that CBH provide as their landlord and 88% were very or fairly satisfied which is well above the average for the sector.

During 2017/18 26 Council homes were sold under the Right to Buy (RTB) scheme with a further one property sold under Right to Acquire (RTA) and a further two shared ownership were 'staircased' to 100%. Nine new Council-owned homes were built and a further 11 homes added from our new supply programme making excellent use of funds received from RTB sales. Although RTB sales decreased from the previous year numbers remain high and we are seeking innovative ways to mitigate the effects of this stock loss.

As at the year-end we managed a total of 4,462 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 4,462 29% are one, 36% two, 32% three and 3% four and five bedroomed homes. We also manage 482 leasehold and 26 shared ownership Council



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properties plus 685 garage units; and 109 CBH-owned homes: 94 general needs and 15 shared ownership.

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 are reviewing our 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 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 9 new council-owned homes and added 11 homes in CBH; 5 leased and 6 acquired on a long leasehold basis. We have plans in place that will supply a further 25 homes over 2018/19 and an ambition to build a pipeline of 350 new homes by 2020/21.

We began an ambitious project in 2017/18, '*Cheltenham West Vision*', which explores the opportunities for regeneration in the West Cheltenham area. We received a grant of £350,000 from the Ministry of Housing, Communities and Local Government to support an initial master planning exercise on 1,200 homes and to take a wider view of the current and future housing needs for communities within this area. This includes consultation with local people and partners and the findings will be used to guide us when making decisions about potential future changes. The report from this project will be reported back to the MHCLG in 2018/19.

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 Local Authority in understanding the broader benefits and milestones.

Improving homes

Over 1,200 surveys were carried out in 2017/18, with our overall process and data being externally validated and benchmarked by Savills. We successfully delivered year two of a six year Windows and Doors Programme, installing new windows in approximately 1,200 homes and approximately 2,000 new doors. Customer 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.

The installation of 410 new Energy Related Products Directive (ErP) 'A' rated boilers, which achieved 100% 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 69.67 to 71.67. This positions us just below the average for the sector. Our Solar PV system programme has also contributed to this increase and over the space of 5 years it has helped customers to make savings of around £255,000 on their

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energy bills. During 2017/18 we installed stock energy modelling software which will allow for more targeted energy efficiency programmes to be developed.

Maintaining and repairing homes

We delivered over 10,500 responsive repairs over the year with 99% of all emergency, urgent and routine repairs completed within target times. Of these 93% were completed on the first visit with 99% of customers 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 17.85 days to re-let an empty home which required minor repairs which is top quartile performance for the sector.

Work on property compliance has continued with all fire risk assessments having been renewed in 2017/18 with a resultant programme of improvement work being delivered. All non-domestic asbestos surveys were also renewed as well as asbestos management surveys on garages and all void properties with information disseminated to customers. Robust procedures in relation to gas safety continued with 99.81% of properties having a valid gas safety certificate as at the end of March 2018.

A 7 year cyclical redecoration scheme was successfully completed in 2017/18 with almost 5,000 homes benefiting from painting works, worth over £2.6m gaining excellent customer satisfaction. Feedback from customers via our STAR survey demonstrated that 87.2% were fairly or very happy with the quality of their home.

Stronger Communities

Maintaining neighbourhoods

Our Safer Estates Team dealt with 158 ASB (Anti-Social Behaviour) cases during the year, successfully resolving 97% of those cases and with 100% of respondents satisfied with the way their ASB complaint was handled. Results from our 2017/18 STAR survey demonstrate that 89% of our customers feel safe in their homes.

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 were also proactive in supporting local people to set up a residents group that worked successfully in partnership with the Police to combat crime in specific communities. The combined work has already led to two successful police operations.

Involving residents

Over 700 people are actively involved in helping us to shape our services through a variety of mechanisms and meetings: that is over 16% of our overall customer base. We celebrated our 10th Annual Tenants' and Leaseholders' Award ceremony this year. This is an event which recognises the contributions of our tenants in a range of categories and which is both well-attended and received by tenants.

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Our tenant scrutiny panel, TSIP, is very active. Over the year they have put forward 13 recommendations to enhance the activities available to people at our community hubs. Our popular Lynworth Court, Wallace House and Oasis community hubs ran various activities to help change lives and build stronger communities throughout the year and were attended more than 5,100 times.

Employment and training

Our Employment Initiatives Team dealt with an average of 108 cases per month during 2017/18 and were able to help 74 people into work and 70 into education and training. We work proactively to build strong links with other partners to deliver training and awareness raising. The work clubs received 100% satisfaction ratings from attendees with 94% of people reporting an increase in confidence and 94% an increase in employability skills.

The team were runners up at the 2018 South Region TPAS awards for their 'Alternative Provision Programme'. This was set up to help inspire a group of young people at risk of being excluded from a local school and remain in mainstream education.

Benefit and Money Advice

Our Benefit and Money advisors handled 964 new cases and carried out 959 face to face meetings with customers during the year. This helped to secure additional benefits of over £1.1 million for customers who were struggling to deal with changes to benefits and/or who were facing financial difficulties. Our Housing Options Team secured over £1.7 million in unclaimed and backdated benefits for all people who visited their office or who were referred to them; this advice and assistance helped people to pay their rent and remain in their homes.

Our Business and People

Following the restructure of the top two tiers of management in 2016/17, CBH successfully completed team restructures during 2017/18. This has redistributed resources and created new roles in different areas of the business to better meet our customer needs and support the delivery of our strategic goals.

People Plan

CBH understands that inspired colleagues are essential in continuing to deliver high quality service to our residents. Investment in our employees is a top priority for the organisation to ensure their wellbeing and professional development.

We are now half way through our People Plan (2017-2020) and we are progressing well on our action plan. We have been mainly working on our Wellbeing Programme and have introduced a number of new initiatives including MOT Health Checks, monthly fruit trials, walking clubs and greater recognition for birthdays and long service.

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We have also been developing our Leadership & Management Development Programme. This has seen the launch of formal coaching support for our Executive and Leadership Teams which will be cascaded down via this group to the next team of managers. We have branded and launched a new Learning Management system called CBH Learning Zone which provides a one stop shop for all colleagues' learning, development, wellbeing and Health & Safety compliance.

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. This year the overall appeal raised 2,700 gifts for disadvantaged children of which our colleagues contributed personally and organised through the community almost 300, 11% of the total gifts donated. CBH colleagues also donated enough food to produce 20 food hampers for the appeal that went alongside gifts donated to those families in particular need.

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 tender process for a new, integrated housing and asset management system was completed successfully during the year with Aareon UK being the successful bidder. Implementation of this system commenced in January 2018 with the planned go live date being in quarter one of 2019-20. This programme is a significant investment for CBH both in terms of finances and staff 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.

Health and Safety

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

Following the Grenfell Tower tragedy we reviewed our processes and information to ensure that we have a high quality approach to compliance thoroughly embedded in the business. Our comprehensive compliance report is used by officers and scrutinised monthly by Leadership Teams and regularly by the Audit and Risk Committee and Board.

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

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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 senior leadership, Audit and Risk Committee and the Board. CBH uses insurance brokers to ensure appropriate cover exists for assets and business operations. Our Board Risk Champion helps to provide scrutiny and positive challenge to ensure the risk framework is up to date and appropriate.

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 was 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 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.

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 recompense Registered Providers for the discounts given as part of the Voluntary Right to Buy process, to enable replacement of higher value Local Authority stock sold, and to support the Government's funding of brownfield site regeneration to enable house building.

We keep a watching brief on this area working closely with the National Federation of ALMOs.

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 sufficient match funding needs to be available in order to fully use 1-4-1 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 (UC). We have modelled the potential impact upon both our 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. At the end of the financial year there were 276 tenants claiming Universal Credit (UC), we anticipate this will rise by a further 1,500 by April 2020. Our foundation of sound arrears management means that CBH

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is well placed to manage the risks associated with UC and this is monitored closely each month.

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 our non-traditional construction stock which are being managed with funded improvement plans in place.

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 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 of the continued improvement of the company's service delivery to our residents 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 agreed to transition to a new cloud-based infrastructure to support the implementation 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 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.

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	2016-17	2017-18	2018-19
	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 Major Works & Cyclical Maintenance	£1,897	£1,756	£1,820
% dwellings non-decent at the end of the period	0.46%	0.37%	0.97%
% dwellings with a valid gas safety certificate	99.93%	99.81%	100%
Average SAP rating (2009 methodology)	69.67	71.67	71.9
STAR Satisfaction with overall quality of the home	86.56%	87.2%	every 2 years
Direct cost per property of Responsive Repairs & Void Works	£551	£568	£581
% of Emergency, Urgent and Routine repairs completed within target	99.78%	99.04%	99%
% customers satisfied with repairs	99.40%	99.22%	99%
Direct cost per property of Rent Arrears and Collection	£89	£89	£90
Current arrears as % of rental income (excluding court costs)	1.20%	1.51%	2.86%
Rent collected from current & former tenants as % rent due (excluding arrears brought forward)	100.16%	99.19%	97%
Direct cost per property of Lettings	£40	£38	£42
% Rent lost through CBC dwellings becoming vacant excluding temporary furnished	0.76%	0.68%	0.71%
Average time taken to re-let minor void CBC properties (excluding furnished)	17.41	17.85	16.5

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VFM Key Performance Indicators	2016-17	2017-18	2018-19
	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
accommodation and shared ownership) in days			
Complaints closed at stage 1 - % within agreed timescales	96.3%	100%	96%
Number of complaints per 1000 properties	12	9.5	13
Percentage of contact centre calls answered	91.67%	92.98%	96%

Major Works and Cyclical Maintenance

CBH maintains appropriate capital investment in our stock, based on up to date data sourced from our stock surveys. As planned, our 2017/18 direct costs per property to deliver major works and cyclical maintenance have fallen primarily as a result of the planned scheduling of installations for the windows and doors improvement programme and for works relating to other external components.

When compared with the external peer group, Direct CPP for Major and Cyclical Maintenance is worse than the median figure, placing CBH in the bottom quartile. If this is adjusted to take into account just local authorities (LAs) and ALMOs to provide a more comparative stock profile, i.e. being generally older than the broader sector; that CPP places CBH in the lower middle quartile.

Performance across the range of indicators in the table above remains strong and challenging targets for 2018/19 maintain a clear direction of travel. The non-decency target reflects a conscious decision with regard to a small number of non-traditional build properties awaiting options appraisal and will therefore have no decent homes work carried out. Sufficient responsive repairs will still be undertaken and satisfaction with the quality of the homes 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.

The planned programme for capital works required in 2018/19 means that the year-end target currently shows an increase when compared with 2017/18 outturn. Our capital investment programmes reflect the need to invest each year and as such increase or decrease in line with our planned investment profile. Planned investment in these areas can be linked to the reduction in spend in our responsive repairs and void works.

Responsive Repairs and Void Works

The costs per property to deliver our responsive repairs and void works during 2017/18 have increased slightly compared to the previous year. This increase has occurred due to the number and type of repairs jobs handled during the year. The outturn figure demonstrates 5% cost savings achieved during the year compared to our budget.

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Direct 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 top quartile. Performance in terms of repairs completed within target times remains excellent and customer satisfaction levels remain very high.

Prudent budgeting for 2018/19, taking into account exceptional weather and one off costs for example, means that the year-end target currently shows an increase when compared with 2017/18 outturn.

Rent Arrears and Collection

The Direct CPP for Rent Arrears and Collection during 2017/18 is better than the figure that was modelled during the annual budget setting process. When compared with the peer group CBH Direct CPP is worse than the median figure, placing us in the lower middle quartile.

Resources in the housing revenues team have been increased 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.

Lettings

Direct CPP for the delivery of our Lettings service is better than the target set for 2017/18. 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 whilst reflecting the local challenges to be faced.

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 customer contact and related telephony systems will support our ability to achieve this.

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Stronger Communities

VFM Key Performance Indicators	2016-17	2017-18	2018-19
	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	£60	£58	£55
% closed ASB cases that were resolved	98.10%	96.79%	98%
% satisfied with the way their ASB complaint was dealt with	98.85%	100%	95%
Customers feeling safe in their homes*	not available	89%	90%
Direct cost per property of Resident Involvement	£68	£62	£75
STAR % Customers satisfied that CBH listens to their views and acts upon them	66%	65.8%	every 2 years
Direct cost per property of Tenancy Management	£101	£93	£93
Overall Customer satisfaction (%) STAR Survey	86.1%	88.2%	every 2 years
STAR Satisfaction with value for money of the rent	87%	87.5%	every 2 years
Income generated on behalf of customer year to date	£794,721	£1,105,268	£680,000

* This indicator was new for 2017/18

ASB

Direct CPP for the delivery of our ASB service is better than the target set for 2017/18. This has been possible due to more efficient structures and processes bedding in over the year. 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. The new question asked of customers as part of the annual STAR survey shows that 89% of respondents felt safe in their homes.

Resident Involvement

Direct CPP for Resident Involvement is better than the target set. This has been achieved by adapting structures and roles plus a pause on recruitment to vacant posts during that period. These changes also resulted in some planned budgets for the year remaining unspent; future targets retain those budgets, resulting in a higher CPP target than this year's outturn. When compared with the peer group Direct CPP places CBH in the bottom quartile.

Our new Customer Services Strategy will prioritise and focus efforts in this area over the coming years to drive up performance and satisfaction levels.

Tenancy Management

Direct Tenancy Management CPP has decreased, following a review of structures, roles and processes.

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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 customers 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.

When compared with peers Direct CPP is below the median figure, placing CBH in the bottom quartile. 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.

Our People and Business

VFM Key Performance Indicators	2016-17	2017-18	2018-19
	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	9.64	8.86	8
Percentage of staff satisfied with your organisation as an employer	63.87%	64.95%	82%

Employee sickness levels have fallen during 2017-18 as a consequence of enhancements to policies and procedures and future targets remain challenging. This area is closely monitored and engagement with and investment in our employees remains a priority.

Levels of employee satisfaction with 'CBH as an employer' returned from regular employee survey has risen slightly but remains lower than hoped for. This reflects a period of change within the organisation which has included restructures to both the senior leadership and operational teams. Our 'People Plan' has been developed with colleagues; it 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. The future target reflects the confidence that this figure will improve.

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 109 units of its own housing stock (at the end of March 2018). CBH stock has been funded using a balance of grant (from the Homes and Communities Agency and Cheltenham Borough Council) and long term borrowing. All schemes have been delivered within budget, are forecast to deliver budgeted surpluses for future years, meet our return on investment target and provide a valuable addition to the social housing stock of the town.

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CBH has also managed the development of new CBC-owned homes. This has resulted in the completion of 9 units in 2017/18 with a further 25 expected for 2018/19. Each scheme is subject to a rigorous option appraisal to confirm viability, expected return on investment 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 'Sector Scorecard' was an initiative developed by the sector to compare housing associations' performance and provide an assessment of their VFM. It demonstrates the sector's accountability to its customers and stakeholders, and includes a range of measures ranging from the number of new homes built to customer satisfaction. The initiative received broad support from the sector with backing from the National Housing Federation.

The 'Sector Scorecard' supported the development of seven VFM metrics published by the Regulator of Social Housing 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 currently has limited value as a comparative tool but that aspects are useful and will be maintained. Further consideration will be given to these metrics as comparative data becomes available for the sector.

Value for Money Metrics	2016-17	2017-18
Reinvestment %	0%	4%
New supply delivered (social housing units) %	0%	10%
New supply delivered (non-social housing units) %	0%	0%
Gearing %	51%	55%
EBITDA %	155%	142%
Headline social housing cost per unit	£1,059	£1,064
Operating margin (social housing lettings only) %	48%	42%
Operating margin (overall) %	48%	42%
Return on capital employed (ROCE) %	2%	2%

The reinvestment, new supply and gearing metrics in 2017/18 reflect CBH's investment in eleven leased and long leasehold properties in the year. There were certain set up costs relating to these new property acquisitions which were expensed in the year and which have

STRATEGIC REPORT

increased the headline social housing cost per unit and reduced EBITDA and the operating margin metric year on year.

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 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 93% of CBH's annual turnover.

In September 2015 the Board approved a four year financial plan of which 2017/18 was year two. 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 two, 2017/18, 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 104 properties and leased a further 5 properties: 45 for social rent, 49 for affordable rent, and 15 on a shared ownership basis. During the year 3 properties were sold giving rise to a gain of £79,000 and cash inflows of £211,000. These proceeds and the related loan funding released by these sales were reinvested into six properties acquired on a long leasehold basis. In addition CBH entered into a lease agreement for 5 further affordable rent properties in the year.

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 £11,472,000, £523,000 higher than the previous year. This increase was partly due to recognising an element of the DCLG grant on the West Cheltenham regeneration review (£240,000) and partly due to increased maintenance costs (£220,000) recharged to the Council by CBH rather than these costs being directly incurred by the Council.

The operating result for the group for the year ended 31 March 2018 was a deficit of £745,000 compared to a surplus of £427,000 for the previous year. The main change year

STRATEGIC REPORT

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 adjustment, was a surplus of £341,000 against an operating surplus of £517,000 in the previous year. The reduction was due to one off restructuring costs during the year and certain staff vacancies in the previous year.

The current service cost under FRS102 increased in the year from £1.1m to £1.9m. This has had a significant impact on the operating result for the year. The increase in the service cost is due to the reduction in the opening 'net' discount rate which is the difference between the discount rate and the pension increase rate. This reflects the recent 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 2018 the deficit position has improved slightly due to the increase in the discount rate. There has been an actuarial gain on the pension scheme of £1,360,000 (2017: loss of £2,552,000), reflecting more favourable financial assumptions used by the Actuary to value the pension fund and higher than expected return on assets, and this offsets the higher current service cost in the year.

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 2018 shows total negative reserves of £3,716,000, comprising a pension fund liability of £6,232,000 offset by an income and expenditure reserve of £2,516,000. The income and expenditure reserve increased by £93,000 during the year.

Financial Position

The balance sheet at the end of March 2018 included £12,513,000 of tangible fixed assets at depreciated cost, £6,623,000 of long term loans and £4,439,000 of capital grants. Six additional long leasehold housing properties were acquired during the year by reinvesting capital receipts and loan funding from previous property sales. Net current assets decreased by £190,000 due to this investment in additional properties offset by depreciation.

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

STRATEGIC REPORT

has been partially spent in the year and £111,000 remains in creditors, amounts falling due within one year, at the year end.

Cash flow

At year end, cash and cash equivalents totalled £1,000, having reduced from £502,000 at the previous year end. This fall reflects the timing of payments and receipts at year end and the investment in newly acquired properties at the end of March. Included within debtors is a balance of £1,870,000 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 25th July 2018 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

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		Appointed	28 March 2018
S Brimfield			
D M Clowes			
A C Foster	Chair of Audit and Risk Committee		
C M Mason			
U Pearce-Lynch			
S Williams			
B McBride		Resigned	19 December 2017
A Oliver		Resigned	18 June 2018

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. During the review in 2017/18 the Board agreed to have an independent review of its governance structure at least every three years; an independent review will take place in September 2018. This review did not take place in the financial year and therefore is non-compliant with the code. There were no other 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

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 25th July 2018 and signed on its behalf by:

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

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 2018 which comprise 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).

This report is made solely to the company's member, 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.

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 2018, and of the group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2015.

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 company 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group or company's ability to continue as a going concern.

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 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 the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 23, 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.

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->

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

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.

A handwritten signature in black ink, appearing to read 'Bishop Fleming LP'.

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

25th July 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2018 £'000	2017 £'000
Turnover	3	11,472	10,949
Operating expenditure		12,217	10,522
Operating (deficit)/surplus	3	(745)	427
Surplus from disposal of fixed assets	6	79	1
Interest receivable	7	-	-
Interest and financing costs	8	437	390
(Deficit)/Surplus before tax		(1,103)	38
Taxation	10	40	29
(Deficit)/Surplus for the year		(1,143)	9
Actuarial gain/(loss) in respect of pension schemes		1,360	(2,552)
Total comprehensive income/(loss) for the year		217	(2,543)

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 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)
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)

COMPANY STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve £'000	Pension reserve £'000	Total £'000
Balance as at 1 April 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)
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)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets – housing properties	11	12,174	12,132
Tangible fixed assets – other	12	339	387
		12,513	12,519
Current assets			
Trade and other debtors	14	2,151	2,358
Cash and cash equivalents		1	502
		2,152	2,860
Creditors: amounts falling due within one year	15	1,252	1,770
Net current assets		900	1,090
Total assets less current liabilities		13,413	13,609
Creditors: amounts falling due after more than one year	16	10,897	11,186
Pension provision	19	6,232	6,356
Total net liabilities		(3,716)	(3,933)
Reserves			
Income and expenditure reserve		2,516	2,423
Pension reserve		(6,232)	(6,356)
Total reserves		(3,716)	(3,933)

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 25th July 2018.


Director
J Langley

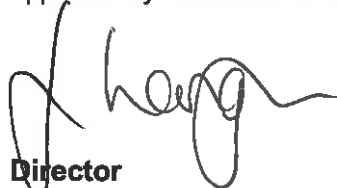

Director
S Brimfield

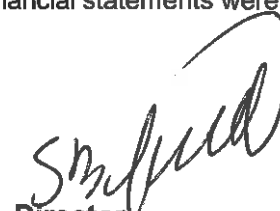
Company number: 04587658

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets – housing properties	11	12,228	12,187
Tangible fixed assets – other	12	339	387
Investment in subsidiaries	13	-	-
		<u>12,567</u>	<u>12,574</u>
Current assets			
Trade and other debtors	14	2,151	2,360
Cash and cash equivalents		1	500
		<u>2,152</u>	<u>2,860</u>
Creditors: amounts falling due within one year	15	1,237	1,757
Net current assets		<u>915</u>	<u>1,103</u>
Total assets less current liabilities		<u>13,482</u>	<u>13,677</u>
Creditors: amounts falling due after more than one year	16	10,897	11,186
Pension provision	19	6,232	6,356
Total net liabilities		<u>(3,647)</u>	<u>(3,865)</u>
Reserves			
Income and expenditure reserve		2,585	2,491
Pension reserve		(6,232)	(6,356)
Total reserves		<u>(3,647)</u>	<u>(3,865)</u>

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 25th July 2018.


Director
J Langley


Director
S Brimfield

Company number: 04587658

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities	21	183	636
Cash flow from investing activities			
Purchase of tangible fixed assets		(539)	(47)
Proceeds from sale of tangible fixed assets		211	1
Interest received		-	-
		<u>(328)</u>	<u>(46)</u>
Cash flow from financial activities			
Interest paid		(257)	(260)
New secured loans		-	-
Repayments of borrowings		(99)	(95)
		<u>(356)</u>	<u>(355)</u>
Net change in cash and cash equivalents		(501)	235
Cash and cash equivalents at beginning of the year		502	267
Cash and cash equivalents at end of the year		<u>1</u>	<u>502</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.

As noted in the Strategic Report, CBH will make a significant investment in a new integrated housing and asset management system and its implementation in the next two years. This will reduce CBH's liquidity and increase fixed assets. The cashflows for this investment, along CBH's existing housing and management activities, have been modelled through to March 2020 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 £1,102,000 (2017: surplus of £40,000).

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 2018 was £317,000.

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 2018 was £6,232,000.

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. An impairment review is undertaken each year to consider the impact of this rent reduction. Each of the company's new build or acquired development schemes is 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 in 2017-18 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, 3% for the next five years and 2% for each subsequent year based on the Government's inflation target of CPI. The discount rate used was 3% reflecting the rate at which future development finance could be secured.

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

NOTES TO THE FINANCIAL STATEMENTS

Turnover and revenue recognition

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

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

Value Added Tax

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

Employee Benefits

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

Pensions

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

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

NOTES TO THE FINANCIAL STATEMENTS

Interest payable

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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	-
	563	324	239
Recognition of government grant	240	240	-
Management and maintenance services for Cheltenham Borough Council	10,669	11,653	(984)
	11,472	12,217	(745)

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

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	
	2018 No.	2017 No.
General social housing	94	84
Affordable home ownership	15	17
Total owned	109	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	
	2018	2017
	£'000	£'000
Depreciation of housing properties	189	193
Depreciation of other tangible fixed assets	128	134
Operating lease rentals		
- land and buildings	230	152
- vehicles and other equipment	121	127
Auditors' remuneration (excluding VAT)		
- audit fee	11	11
- tax administration	2	1
- other services	1	-

6. Surplus on sale of fixed assets

	Group and Company				
	Shared Ownership	Right to Acquire	Other fixed assets	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000
Disposal proceeds	98	207	-	305	1
Carrying value of fixed assets	(82)	(163)	-	(245)	-
Other costs of sale	(1)	-	-	(1)	-
	15	44	-	59	1
Capital grant released to income	13	7	-	20	-
	28	51	-	79	1

7. Interest receivable and other income

	Group and Company	
	2018	2017
	£'000	£'000
Interest receivable and similar income	-	-

NOTES TO THE FINANCIAL STATEMENTS

8. Interest and financing costs

	Group and Company	
	2018	2017
	£'000	£'000
Defined benefit pension charge	180	130
Loan interest	257	260
	<u>437</u>	<u>390</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	
	2018	2017
	No.	No.
Administration and operational	<u>156</u>	<u>160</u>

Employee costs

	Group and Company	
	2018	2017
	£'000	£'000
Wages and salaries	4,557	4,558
Social security costs	454	438
Other pension costs	1,874	1,078
	<u>6,885</u>	<u>6,074</u>
Restructuring costs	153	57
	<u>7,038</u>	<u>6,131</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:

	2018 No.	2017 No.
£60,000 to £70,000	4	3
£70,001 to £80,000	-	1
£90,001 to £100,000	-	1
£100,001 to £110,000	2	-
£130,001 to £140,000	1	1

The emoluments of the chief executive (the highest paid executive team member), excluding pension contributions, were £113,673 (2017: £114,712). 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 £339,606 (2017: £275,117).

10. Tax on surplus on ordinary activities

	Group and Company	
	2018 £'000	2017 £'000
Current tax		
UK corporation tax on (deficit)/surplus for the year	40	29
Adjustments in respect of prior years	-	-
Tax on (deficit)/surplus for the year	40	29

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% (2017: 20%). The differences are explained as follows:

	Group and Company	
	2018 £'000	2017 £'000
Tax reconciliation		
(Deficit)/Surplus on ordinary activities before tax	(1,103)	38
Theoretical tax at UK corporation tax rate 20% (2017: 20%)	(221)	8
-exempt activities	261	21
-adjustments to tax charge in respect of prior periods	-	-
Total tax charge	40	29

11. 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 2017	11,814	-	-	1,042	12,856
Additions	-	-	465	-	465
Schemes completed	-	-	-	-	-
Disposals	(176)	-	-	(78)	(254)
At 31 March 2018	11,638	-	465	964	13,067
Accumulated depreciation					
At 1 April 2017	660	-	-	64	724
Depreciation charged in year	175	-	-	14	189
Released on disposal	(15)	-	-	(5)	(20)
At 31 March 2018	820	-	-	73	893
Net book value					
At 31 March 2018	10,818	-	465	891	12,174
At 31 March 2017	11,154	-	-	978	12,132

During the year one social housing property was sold under Right to Acquire and two shared ownership property were 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	Leasehold housing properties £'000	Shared ownership housing properties £'000	Total housing properties £'000
Cost					
At 1 April 2017	11,871	-	-	1,043	12,914
Additions	-	-	465	-	465
Schemes completed	-	-	-	-	-
Disposals	(177)	-	-	(78)	(255)
At 31 March 2018	11,694	-	465	965	13,124
Accumulated depreciation					
At 1 April 2017	663	-	-	64	727
Depreciation charged in year	176	-	-	14	190
Released on disposal	(16)	-	-	(5)	(21)
At 31 March 2018	823	-	-	73	896
Net book value					
At 31 March 2018	10,871	-	465	892	12,228
At 31 March 2017	11,208	-	-	979	12,187

Social housing assistance

	Group and Company	
	2018 £'000	2017 £'000
Social housing grant		
Total received or receivable at 31 March	4,140	4,140
Total released to income at 31 March	(270)	(226)
Total repaid or repayable at 31 March	(152)	(37)
	3,718	3,877
Other capital grant		
Total received or receivable at 31 March	2,339	2,339
Total released to income at 31 March	(1,618)	(1,588)
Total repaid or repayable at 31 March	-	-
	721	751

NOTES TO THE FINANCIAL STATEMENTS

Housing properties book value net of depreciation

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Freehold land and buildings	11,709	12,132	11,763	12,187
Leasehold buildings	465	-	465	-
	<u>12,174</u>	<u>12,132</u>	<u>12,228</u>	<u>12,187</u>

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 2017	4	167	551	535	129	27	1,413
Additions	-	34	41	-	-	5	80
Disposals	-	(3)	-	-	-	-	(3)
At 31 March 2018	<u>4</u>	<u>198</u>	<u>592</u>	<u>535</u>	<u>129</u>	<u>32</u>	<u>1,490</u>
Depreciation							
At 1 April 2017	4	149	488	356	6	23	1,026
Charged in year	-	14	49	60	1	4	128
Disposals	-	(3)	-	-	-	-	(3)
At 31 March 2018	<u>4</u>	<u>160</u>	<u>537</u>	<u>416</u>	<u>7</u>	<u>27</u>	<u>1,151</u>
Net book value							
At 31 March 2018	<u>-</u>	<u>38</u>	<u>55</u>	<u>119</u>	<u>122</u>	<u>5</u>	<u>339</u>
At 31 March 2017	-	18	63	179	123	4	387

NOTES TO THE FINANCIAL STATEMENTS

Grant assistance – freehold land and buildings

	Group and Company	
	2018	2017
	£'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>

13. Investments in subsidiaries

Company

	2018	2017
	£	£
Cost and net book value	<u>1</u>	<u>1</u>

At 31 March 2018 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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charges receivable	5	4	5	4
Less: provision for bad and doubtful debts	(1)	(2)	(1)	(2)
	<u>4</u>	<u>2</u>	<u>4</u>	<u>2</u>
Amount due from Cheltenham Borough Council	1,870	2,223	1,870	2,223
Other debtors	93	16	93	17
Prepayments and accrued income	184	117	184	118
	<u>2,151</u>	<u>2,358</u>	<u>2,151</u>	<u>2,360</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Creditors: amounts falling due within one year

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Debt (note 18)	102	99	102	99
Trade creditors	88	411	68	361
Rent and service charges received in advance	8	9	8	9
Amount due to Cheltenham Borough Council	27	17	27	17
Amount owed to subsidiary undertaking	-	-	6	36
Deferred capital grant (note 17)	63	65	63	65
Government grant received in advance	111	350	111	350
Corporation tax	41	29	41	29
Other taxation and social security	304	441	304	439
Unpaid contributions for retirement benefits	73	87	73	87
Other creditors	27	57	27	60
Accruals and deferred income	408	205	407	205
	<u>1,252</u>	<u>1,770</u>	<u>1,237</u>	<u>1,757</u>

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

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Debt (note 18)	6,521	6,623	6,521	6,623
Deferred capital grant (note 17)	4,376	4,563	4,376	4,563
	<u>10,897</u>	<u>11,186</u>	<u>10,897</u>	<u>11,186</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Deferred capital grant

	2018 £'000	2017 £'000
At 1 April	4,628	4,693
Grant received in the year	-	-
Grant repayable in the year	(106)	-
Released to income in the year	(83)	(65)
At 31 March	4,439	4,628

	2018 £'000	2017 £'000
Amounts to be released within one year	63	65
Amounts to be released in more than one year	4,376	4,563
At 31 March	4,439	4,628

18. Debt analysis

Borrowings

	Group and Company	
	2018 £'000	2017 £'000
Due within one year		
Local authority loans	102	99
Due after more than one year		
Local authority loans	6,521	6,623
Total loans	6,623	6,722

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 2018 was £1,338,371 (2017: £1,348,398). 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 2018 was £1,884,723 (2017: £1,909,598). 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 2018 was £1,341,006 (2017: £1,356,691). 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 2018 was £2,059,310 (2017: £2,107,647). 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	
	2018 £'000	2017 £'000
Within one year or on demand	102	99
One year or more but less than two years	106	102
Two years or more but less than five years	343	331
Five years or more	6,072	6,190
	6,623	6,722

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 2018 were £765,000 (2017: £982,000).

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 1.3% of pensionable pay, thereby reducing the employer’s current service contribution rate to 16.7%. The ill-health liability insurance amount will increase to 1.4% from 1 April 2018 thereby changing the employer’s current service contribution rate to 16.6%.

The actuary has estimated that employer’s contributions for the year ending 31 March 2019 will be approximately £799,000, including the cost of insurance premiums.

Financial assumptions

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

	2018 % per annum	2017 % per annum
Rate of increase in salaries	2.7	2.7
Rate of increase in pensions in payment	2.4	2.4
Discount rate	2.7	2.6
Inflation assumption (CPI)	2.5	2.4

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:-

	2018 and 2017 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:

	2018 £'000	2017 £'000
Amounts charged to operating costs		
Current service cost	1,856	1,078
Past service cost	18	-
	<u>1,874</u>	<u>1,078</u>
Amounts charged to other finance costs		
Interest income on pension scheme assets	(775)	(841)
Interest cost on pension scheme liabilities	955	971
	<u>180</u>	<u>130</u>

Reconciliation to the consolidated statement of financial position

	2018 £'000	2017 £'000
Fair value of pension scheme assets	31,451	29,528
Present value of pension scheme liabilities	(37,683)	(35,884)
	<u>(6,232)</u>	<u>(6,356)</u>

NOTES TO THE FINANCIAL STATEMENTS

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

	2018
	£'000
Opening fair value of scheme assets	29,528
Interest income	775
Return on scheme assets (excluding amounts included in net interest)	539
Contributions by employer	765
Contributions by employees	296
Benefits paid	(452)
Closing fair value of scheme assets	31,451

	2018	2017
	£'000	£'000
Actual return on scheme assets	1,314	5,073

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

	2018
	£'000
Opening scheme liabilities	35,884
Current service cost	1,856
Past service cost	18
Interest cost	955
Contributions by employees	296
Remeasurements	(874)
Benefits paid	(452)
Closing scheme liabilities	37,683

NOTES TO THE FINANCIAL STATEMENTS

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

	2018 %	2017 %
Equities	67	71
Bonds	23	20
Property	8	7
Cash	2	2

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

	2018 £'000	2017 £'000
(Deficit)/Surplus for the year	(745)	427
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	317	327
Decrease in trade and other debtors	208	81
(Decrease) in trade and other creditors	(322)	(141)
Utilisation of government grant received in advance	(240)	-
Pension costs less contributions payable	1,056	31
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed assets	-	-
Social housing grants utilised in the year	(63)	(65)
Corporation tax paid	(28)	(24)
Net cash generated from operating activities	183	636

NOTES TO THE FINANCIAL STATEMENTS

22. Capital commitments

	Group and Company	
	2018	2017
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	338	-
	<u>338</u>	<u>-</u>

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

23. 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.

24. Operating lease commitments

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

	Group and Company			
	Buildings		Other	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Within one year	238	171	95	120
Between one and five years	541	521	83	171
In more than five years	616	399	-	-
	<u>1,395</u>	<u>1,091</u>	<u>178</u>	<u>291</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 £10,676,946 (2017: £10,403,351). The Company purchased goods and services of £659,291 (2017: £629,166) from the Council during the year.

Balances outstanding at the year-end were as follows:

	2018 £'000	2017 £'000
The Council owed the Company	1,870	2,223
The Company owed the Council	(6,650)	(6,739)
	<u>(4,780)</u>	<u>(4,516)</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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