

# **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

Homes and Communities Agency: L4472

Registered Charity Number: 1114633

Company Number: 5358740

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 March 2015**

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# **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

## **THE BOARD, SENIOR EXECUTIVES AND ADVISORS**

### **The Board**

#### **Independent members**

David Gooda, Chairman

Jan Hennessey

Nicholas Mannion

Matthew Cunningham

Resigned 8 May 2015

#### **Council nominees**

Diana Thompson

Roger West

#### **Tenant members**

Don Ellis

Joy Bishop

Alison Light

#### **Co-opted member**

Steven Prytherch

Resigned 28 June 2015

### **Executive Management Team**

Tim Pinder

Jacqui Sinnott-Lacey

Greg van Enk-Bones

Chief Executive

Director of Operations

Director of Resources

### **Secretary and registered office**

Greg van Enk-Bones

Ropewalks

Newton Street

Macclesfield

Cheshire

SK11 6QJ

#### **Auditor**

Grant Thornton UK LLP

Chartered Accountants and Statutory auditor

4 Hardman Street

Manchester

M3 3EB

#### **Bankers**

Barclays Bank plc

Midlands Business Banking

PO Box 3333

One Snow Hill

Snow Hill Queensway

Birmingham, B3 2WN

#### **Principal solicitors**

Trowers & Hamlin

55 Princess Street

Manchester

M2 4EW

# **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

## **OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT**

The Board of Cheshire Peaks & Plains Housing Trust Limited, known as Peaks & Plains and referred to as “the Trust” and “the Company”, is pleased to present its report together with the audited financial statements of the Trust for the year ended 31 March 2015.

### **Principle activities**

The primary activity of the Trust is the provision of housing accommodation at rents that are affordable to those in housing need.

The Trust’s head office is in Macclesfield and its properties are located throughout a two hundred square mile area, in the northern part of Cheshire East. The Trust also owns properties in Buxton and Congleton. The Trust provides homes for families, single people and sheltered accommodation tailored to the needs of older people and people with other support needs.

In addition to providing high quality housing services, the Trust also supports the wider community by investing in projects and supporting groups that benefit the people who live in the communities we work in.

As well as managing the housing stock that was transferred from Macclesfield Borough Council in 2006 and supporting the communities that live there, the Trust also continues to build new homes. Having completed 143 new affordable homes over the past four years, the Trust is now signed up to deliver 250 more, 170 of which are part funded by the Homes and Communities Agency as part of their 2015-2018 programme. The contract enables new homes to be built with a combination of public sector grant and our own private sector loans. This funding enables us to build new homes to meet the high demand for our homes and services.

The Trust also offers additional support services for vulnerable people, which are delivered in the homes owned by the Trust, in homes owned by other organisations and also in homes that are privately owned or rented. The services are delivered across the North West and include alarm monitoring and floating support services, which the Trust markets under the brand name ‘TrustLink’ with the aim of building partnerships that enable other organisations to benefit from our expertise in this area and also to attract inward investment for our charitable business.

### **Objectives and strategy**

The year ended 31<sup>st</sup> March 2015 was the second year of the Trust’s current five year plan in which the Trust expresses its purpose 'Helping Improve Lives'. This plan was approved by the Board after extensive consultation with our customers, our staff, our partners and other stakeholders. We appreciate this input and were delighted to discover so many like minded partners that we can work with to Help Improve Lives.

The Trust’s objectives and strategy are set out in the plan, which is reviewed and approved by the Board each year. The plan has three high level Corporate Objectives, and sets out sub-objectives that will deliver the objectives:

<b>Corporate Objective</b>	<b>Sub-objectives</b>
<b>We will be a Great Landlord</b>	<ul style="list-style-type: none"><li>• Invest in new homes to meet a wide range of needs</li><li>• Ensure that customer satisfaction drives service delivery</li><li>• Put environmental sustainability at the core of all decisions</li><li>• Support people through Welfare Reform changes</li><li>• Maximise the value of our assets</li><li>• Strive for great performance in service delivery</li></ul>

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)**  
**Objectives and strategy (continued)**

<b>We will be a valued partner to help improve lives</b>	<ul style="list-style-type: none"> <li>• Increase work and training opportunities</li> <li>• Work with like minded partners to deliver common goals</li> <li>• Bridge the digital divide</li> <li>• Invest in social enterprise with surpluses from efficient running</li> <li>• Encourage healthy lifestyles</li> <li>• Exploit technology to improve lives and promote independent living</li> </ul>
<b>We will be innovative and grow our business responsibly</b>	<ul style="list-style-type: none"> <li>• Innovate in our delivery of core services, whilst maintaining our ethos</li> <li>• Sell our services to new customers and businesses</li> <li>• Maximise procurement potential for training opportunities</li> <li>• Generate income to reinvest from commercial development</li> <li>• Maintain our excellent reputation with key stakeholders &amp; the sector</li> </ul>

We will deliver these objectives by inspiring and engaging our staff team to deliver great services. To do this we will:

<ul style="list-style-type: none"> <li>• Recruit, develop &amp; retain great people who demonstrate our values and behaviours</li> <li>• Provide strong, moral leadership with integrity</li> <li>• Promote, encourage and facilitate work life balance</li> <li>• Identify, value &amp; nurture talent, allowing people to reach their full potential</li> <li>• Work as one vibrant &amp; diverse team</li> <li>• Continue to deliver great service to tenants</li> </ul>
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The following staff behaviours are reflected throughout the Trust and demonstrate HOW we will go about delivering the objectives in our five year plan. Staff recruitment and appraisals at the Trust are based on these behaviours, making them a fundamental part of working at the Trust

We will exhibit the behaviours:

<ul style="list-style-type: none"> <li>• Put Customers First</li> <li>• Help Others</li> <li>• Thank People</li> <li>• Take Responsibility</li> <li>• Question things to find a better way</li> <li>• Do what we say we'll do</li> </ul>
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The behaviours are reinforced through frequent conversations between managers and staff, recognising when the behaviours are being demonstrated and when they are not. In this way we will support staff not only to do the right things, but to do those things in the right way.

### **Service plans and personal objectives**

Service plans have been developed for each service area within the Trust to detail the specific initiatives to deliver the objectives and targets that the Board have set.

These service plans are recorded and monitored through the IT system we developed called 'PlainView'. 'PlainView' is designed to enable us to monitor our plans and improve management accountability. Each manager responsible for the delivery of their service plan accounts for progress at review meetings attended by staff and managers from across the business.

Through the 'PlainView' system responsibilities are allocated to individuals and together with the Performance Management framework this ensures that all staff know their role in delivering the Trust's objectives.

# CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

## OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

### Performance during the year, by corporate objective

<b>OBJECTIVE 1 - We Will be a Great Landlord</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2014/15 Target</b>
New Tenancy Survey Results—Overall Satisfaction	99.20%	99.62%	98.50%
% of Responsive Repairs — Customer Satisfaction	93.85%	95.59%	96.00%
Tenancy Turnover	8.96%	7.79%	7.00%
Average re-let time (days)	22.58	14.82	22.00

The Performance Indicators we use to measure this objective include two measures of customer satisfaction, based on our own surveys. These were chosen as they are good indicators of overall satisfaction. Both New Tenancy and Repairs satisfaction improved year on year, new tenancy exceeded our target and repairs satisfaction fell just short. We also undertook a more formal, statistically significant 'STAR' survey during the year which showed that 91% of our tenants are satisfied or very satisfied with the overall service, which was the same level as our previous survey in 2012. Although this fell just short of our 92% target, other landlords experienced a fall in satisfaction over the same period.

Tenancy turnover is the rate at which tenants leave our properties, so a lower number is usually better for us. We set an ambitious target of 7%, almost 2% improvement on our experience from 2013/14 year which had been influenced by us rehousing people who were affected by the 'bedroom tax'. Although there was an improvement on the previous year, we fell short of our target with tenancy turnover at 7.79%. We analyse the reasons why people leave our properties and we find that very few people leave for negative reasons to do with our service.

Average re-let time is the number of days it takes to let a property after it is empty. It measures the efficiency of our process and our ability to offer new homes to people. In 2014/15 we re-let properties in under 15 days on average, which is over a week sooner than the previous year and our target of 22 days. This helped us to increase our rental income by making sure properties were empty for less time.

<b>OBJECTIVE 2 - We Will be a Valued Partner to Help Improve Lives</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2014/15 Target</b>
Major projects that the Trust supports that promote healthy lifestyles	n/a	7	6
Number of Customers helped to Live Independently	n/a	986	960
Maximised Employment Opportunities	n/a	29	25
The Number of Homes That Are Digitally Active	306	484	500

The Trust supported 7 projects that promote healthy lifestyles in the year, one more than targeted. The projects supported included Self Esteem courses with a local children's centre, The Duke of Edinburgh award scheme, The Princes Trust with Cheshire Fire and Rescue service and the Mayfield Garden Group."

We also measured the number of customers who we have helped to live independently, usually by implementing technology that helps people manage their lives without the support of others, and in 2014/15 we helped 986 customers against a target of 960.

The Trust also worked with its partners to create 29 employment opportunities and has helped to get 484 homes digitally active by providing a combination of training, equipment and access to online services.

In addition to these indicators that were set for the year, we asked in our customer STAR survey whether the Trust helped improve lives and 65% said yes, while 28% were not sure. This indicates awareness amongst our customers that we are providing more than a straightforward landlord service.

<b>OBJECTIVE 3 - We Will Innovate and Grow Our Business Responsibly</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2014/15 Target</b>
% of Income Generating bids that are successful and profitable	n/a	100%	75%
Maintain Our Reputation — % of Positive News Stories	98.99	98.21%	95%
Exceed Our Budgeted Surplus	21.33%	30.96%	5%
Weekly Empty Property Cost Per Tenant	£7.24	£4.80	£6.12

## CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

### OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

#### Performance during the year, by corporate objective (continued)

Performance against Objective 3 of the 5 year plan exceeded all its set targets last year. 100% of income generating bids were both successful and profitable. 98.21% of news stories were positive, maintaining our strong performance from the previous year and exceeding our target of 95% positive. Our surplus exceeded the levels in our budgets by over 30%, six times better than our target of 5% better than budget. The measure of empty property cost we introduced halfway through the 2013/14 year, Weekly cost Empty Property Cost Per Tenant, improved again this year falling from £7.24 per tenant per week to £4.80 per tenant per week, saving over £500,000 in total year on year. This exceeded our target of £6.12 by £1.32 per week.

Corporate Performance Indicators	2013/14	2014/15	2014/15 Target
Staff Engagement (BCI score)	727.5	730.5	734.8
% of Properties Re-Let With SAP Rating Band D or Above	100%	100%	95%
% of Properties With Valid LGSR	100%	100%	100%

In addition to the indicators that measure how we are achieving our objectives, we also measured the three corporate performance indicators above. These show that 100% of our properties had a valid Landlord Gas Safety Record at the end of the year; that 100% of properties re-let had a SAP rating (a measure of energy and environmental performance of dwellings) of band D or above.

#### Risks and uncertainties

Key features of the Trust's processes for managing risks and uncertainties are:

##### *Risk identification and assessment*

As the Trust's corporate planning processes establish and update the organisation's objectives, the risks that may prevent their achievement are identified. They are assessed to establish the most significant items by reference to both their impact on the organisation and their likelihood of occurrence. This activity is carried out at appropriate levels throughout the Trust including at operational level. Reports to the Board highlight the risks of the individual issues under consideration.

##### *RISK APPETITE STATEMENT*

The Board accepts that the Trust cannot achieve the objectives set out in our five year plan and our purpose of 'helping improve lives' without taking risks.

Reasonable and proportionate controls will be put in place to reduce the likelihood of identified risks occurring and the negative impact if those risks occur, taking into account the costs and benefits of controlling, transferring or reducing those risks.

Even after any controls are considered, the risks arising from decisions to achieve our objectives can be accepted, provided the Board is satisfied that each of the following conditions are met:

- (i) the social housing asset base is protected, the core business model is not impaired and the loan covenants are not breached;
- (ii) that our decision will not cause serious harm, break the law or act against our charitable objects;
- (iii) the good reputation of the Trust and the housing sector is protected, in order to enable us to continue to work in partnership with others with similar goals.

In using this statement to authorise risk taking decisions, the Board will seek information and assurance to make a proper judgement and consider the cumulative effect of the number of 'live' strategic risks the Trust will be exposed to at the same time.

This risk appetite statement will be reviewed annually by the Board.

## **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

### **OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)**

#### *Major risks*

Through the above process and by other regular review, those risks, which present the greatest threats to the Trust, are identified and reported to the Board (via our Audit Committee) at least twice a year. The Board receives information on actions being taken to manage those key risks and the results of those actions.

#### *Effectiveness of control mechanisms*

For those risks which are identified as being the most significant for any part of the Trust, the existing control environment is assessed to establish ways in which it can be improved. Areas identified for improvement will be regularly followed up until action points are fully addressed. Where a view is formed that the Trust cannot exercise adequate control over the relevant risk (for example due to external influences) then the objective will be revisited to establish whether or not it can be amended to reduce risk. If this proves to be difficult then management at the next level will take a view as to whether the risk is to be accepted.

Risks are rated for their probability and impact before and after controls and mitigations are put in place. The Risks identified in the corporate risk map are listed below that present the highest risk after controls are listed below:

#### **HIGH RISK - Rated 16 or higher**

Failure to 'Support people through Welfare Reform changes'

Unknown impact of political policy changes

#### **MEDIUM RISK - Rated 8 to 15**

Health & Safety failure

Pension Costs escalation

Serious detriment caused by failure to meet the 'Home Standard'

VfM Self Assessment found inadequate

Counter Party risk

Rental Market Exposure

Failure to 'Maximise the value of our assets'

Failure to 'Maintain our excellent reputation with key stakeholders & the sector'

#### **LOW RISK - Rated 2 to 7**

Failure to 'Sell our services to new customers and businesses'

Existing stock investment problems

Securing new debt funding

Differential Inflation Rates (costs rise higher than income)

Failure to 'Bridge the digital divide'

Failure to 'Exploit technology to improve lives and promote independent living'

Housing market sales exposure

Failure to 'Encourage healthy lifestyles'

Over diversification of business activities

Overtly generous T&Cs / severance deals

Managing the housing development programme

Problems with existing debt

Failure to 'Strive for great performance in service delivery'

Failure to 'Maximise procurement potential for training opportunities'

Failure to 'Generate income to reinvest from commercial development'

Control of business costs

Failure to 'Put environmental sustainability at the core of all decisions'

Failure to 'Invest in social enterprise with surpluses from efficient running'

Failure to 'Innovate in our delivery of core services, whilst maintaining our ethos'

Loss of Supported housing income

Failure to 'Invest in new homes to meet a wide range of needs'

Failure to 'Ensure that customer satisfaction drives service delivery'

Failure to 'Work with like minded partners to deliver common goals'

Failure to 'Increase work and training opportunities'

Mark to market exposure and bond finance



## CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

### OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

#### Accounting issues

The risks that begin with 'Failure to' are based on the Board's analysis of the risks of not achieving the sub objectives in the Trust five year plan. Other risks are the Board's assessment of risks that could affect the business, which has been informed by the HCAs 2014 Sector Risk Profile.

All risks are mitigated to an acceptable level through a combination of controls to reduce risk, plans to reduce the impact and insurance and warranties that transfer the risk.

#### Financial performance

We are pleased to report a surplus of £4,416,000 for the year (2014: £2,711,000). Our financial performance has meant that we have met our lender's covenants.

The table below summarises the overall results of the Trust:

	2015	2014
	£000s	£000s
Turnover	26,162	24,664
Operating costs and cost of Sales	(19,012)	(18,992)
Net interest charges	(3,502)	(3,157)
Other finance gain/ (expense)	101	(88)
Surplus on sale of assets	677	299
Surplus for the year before tax	4,426	2,726
Taxation	(10)	(15)
Surplus for the year after tax	4,416	2,711

Creditor days were calculated as 22 days (2014: 26 days) with average performance exceeding our standard terms of 30 days credit.

The detailed results for the year are set out in the financial statements on pages 18 to 41.

#### Capital structure

Borrowings at the year end were £70.00m (2014: £59.00m). The debt is sourced from Barclays Bank Plc.

Borrowings are in summary:

	31 March 2015		31 March 2014	
	Available facility £m	Drawn £m	Available facility	Drawn £,
Barclays Loan Facility	70.00	70.00	80.00	59.00
Barclays Overdraft Facility	0.50	0.29	0.50	-

The housing loan facility of £70.00m is fully drawn with the loan being repaid by instalments from 2023/24 until end of loan term in 2039/40. The Trusts long term business plan assumes additional funding to be required in the short term which is expected to reach peak debt in the financial year 2016/17

All borrowings at the balance sheet date were on fixed interest rates.

# CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

## OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)

### *Cash flows*

Cash inflows and outflows for the year under review are set out in the cash flow statement.

During the year net cash of £12.976m (2014: £11.138m) was generated by operating activities. A total of £10.96m (2014: £3.04m) was drawn from loan and overdraft facilities. The loan was drawn before the availability expired. No loans were repaid in the year, which is in line with the agreement and the long term plan.

### *Future Developments*

The Board has approved the business plan for 2015/16 onwards which includes our second major development programme for 250 new homes; including 170 from the government's second Affordable Homes Programme for 2015 – 2018. The Trust has completed 73 new homes in the year and will complete the final 51 new homes of the 172 from the first Affordable Homes Programme in 2015. Over £11m was invested in new homes in the financial year, £1.5m of which was funded through social housing grant from the Homes and Communities Agency and the remainder through existing loan facilities.

The Trust continues to maintain and improve its existing homes and in 2015/16 is planning to invest £4.8m making improvements to existing homes in addition to an investment of over £10m in new developments.

We will continue to assess the impact of government policy on our business plan. The Welfare Reform Act contains a number of provisions which will impact on rent collection rates for the housing sector; under-occupation, benefit caps, the introduction of Universal Credit and direct payments to tenants. The Trust has evaluated the impact of the proposed changes and provided additional support to increase the awareness of these changes to our customers. We will continue to provide support as required.

### *Liquidity*

The Trust's policy is not to hold significant cash balances but to have loan facilities in place to fund future requirements. The Trust has, however decided to borrow and deposit £10m of funds that would not be available after 31<sup>st</sup> March 2015. This leaves the Trust with surplus funds temporarily, which are placed on deposit with counterparties that meet the requirements set out in the Trust's Treasury Management Policy.

### *Loan covenants*

The Trust is required to comply with a number of covenants set by its lenders. Covenants are primarily based on interest cover and gearing. The covenants all based on the operating surplus adjusted for depreciation and impairment.

### *Pension arrangements*

The Trust participates in three pension schemes, the Cheshire Fund and two schemes with the Social Housing Pension Scheme (SHPS), one final salary (defined benefit) scheme and one defined contribution scheme. SHPS defined benefit scheme is a multi-employer scheme and no share of any cash scheme deficit is taken into the Trust balance sheet. The Cheshire Fund shows a deficit of £4.2m (2014: £2.457m) under FRS 17 in the balance sheet. The increase in the deficit was principally driven by changes in financial assumptions used to calculate the value of the pension fund (£3.5m increase in liability), offset by a positive return on assets (£1.8m decrease in liability).

The SHPS Defined Contribution scheme is used as the auto enrolment option when no other option is selected. The Trust currently has 85% of the staff enrolled in one of the three pension schemes.

# **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

## **OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)**

### **Financial performance (continued)**

#### **Treasury policies and objectives**

The Trust has a formal Treasury Management Policy, which is reviewed and agreed by the Trust Board every year. The purpose and role of the Policy is to establish the framework within which the Trust seeks to protect and control risk and exposure in respect of its borrowings and cash holdings.

In order to achieve this, the Policy provides a strategy for:

- i) The Trust's borrowings and subsequent debt management.
- ii) Investment of surplus funds - both short and long term.
- iii) Relationship with bankers, lenders and advisors.

The Trust only uses hedging instruments to fix variable rate debt; the hedging instruments are embedded within the loan agreement.

The Trust borrows in sterling and so does not have any currency risk.

Surpluses are invested in financial institutions according to rules that have been approved by the Trust Board.

#### **VALUE FOR MONEY SELF ASSESSMENT 2015-2016**

In this robust self assessment, we set out in a way that is transparent and accessible to our stakeholders, how we are achieving value for money in delivering our purpose and objectives. We want to achieve the following:

- To enable stakeholders to understand the return on assets measured against the our objectives
- To set out the costs of delivering specific services and how they compare
- To evidence the value for money gains that have been and will be made and how these have and will be realised over time

#### **RETURN ON ASSETS**

##### What does return on assets mean?

Return on assets is a way of working out what we get back for what we put into the assets in the business. The main assets are the homes that our tenants live in.

The easiest way to explain the return on assets is to show how much the Trust has spent on the assets, and how much income those assets are generating for the business.

##### How much has the Trust spend on the assets?

There are different ways of measuring this, but one that is accepted by accountants and allows us to compare with other housing associations is the Depreciated Net Book Value. This is based on what was spent on the homes when they were either bought or built, plus improvements that were made to the homes (or sometimes the surrounding areas), then a share is taken off to represent how much time has passed as the properties, or the improvements, get older (called depreciation).

As at 31<sup>st</sup> March 2015, the Trust owned 4955 homes (2014:4908), which had a value in the accounts of £92.4m (2014:£87.4m).

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)**  
**VALUE FOR MONEY SELF ASSESSMENT 2014-2015 (continued)**

What does the Trust get back for that investment? OR What is the return?

To work this out we take the rents and service charges our tenants pay and deduct the costs of running the business each year, including repairs and management costs.

The return on the investment in 2014/2015 was a surplus for the year of £4,416,000, which gives an annual return of 4.8% on the £92.4m investment.

This is a very simple way of looking at things but it uses our audited accounts from the year that ended in March 2015. .

Is 4.8% good?

For the year ended 31<sup>st</sup> March 2014, the Trust has a return on assets of 3.1%, so we can say that this has improved over time.

Unfortunately the 2015 accounts of other housing associations have not been published yet, but we can go back a year earlier to 2014 to see that our return on investment was 3.1% whereas the average housing association made a return of 2.7%.

These are all returns for the whole business, taking into account all the spending rather than just those that relate to the housing assets.

If we use just the income and spending relating to the housing, we get the following figures for return on assets.

Trust Return on assets	2014/15 = 7.7%
Trust Return on assets	2013/14 = 6.2%
Average Housing Association	2013/14 = 5.0%

This shows that we have continued to outperform the average Housing Association in terms of returns to housing assets.

**How does the return on assets help to deliver the Trust's objectives?**

As the Trust is a not for profit charitable company, the returns generated are always used to reinvest in assets and service improvements to help the Trust to achieve its objectives. The Trust's five year plan has three high level objectives. These are listed below with an explanation of how return on assets fits in:

1. We will be a great landlord  
As well as generating a healthy financial return, the Trust has also worked hard with its customers help to improve service quality over the years and has maintained 91% customer satisfaction. This helps us attract new tenants and keep the ones we have which protects the income flowing into the business.  
  
One of the main things we have spent money on over the years is improving the quality of the homes by investing into the homes of our tenants (the assets). Sometimes this will improve the return on assets, for example where property had to be redeveloped because people no longer wanted to live there. Or sometimes the investment appears to reduce the returns because while the income from the property remains much the same, the amount invested in the property will have increased.
2. We will be a valued partner to help improve lives  
Some of the investment we make doesn't relate directly to the assets, but we see the bigger picture and know that the impact of our investment can make a difference to the people that live in our community. The returns generated from the assets can be used to help improve lives.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**OPERATING AND FINANCIAL REVIEW AND STRATEGIC REPORT (CONTINUED)**  
**VALUE FOR MONEY SELF ASSESSMENT 2014-2015 (continued)**

**How does the return on assets help to deliver the Trust's objectives? (continued)**

3. We will be innovative and grow our business responsibly  
 We recognise that we may be able to increase the returns to the business by offering services that we are best at to new customers, by offering new services to our current customers or new services to new customers. This will always be done with regard to protecting the core business that we have – in other words not reducing the returns to the existing business.

**THE COST OF SPECIFIC SERVICES**

A lot goes into delivering the services our customers receive and we have shown below what it costs, where our tenants weekly rent gets spent and how this compares to other housing associations.

Management Services	Trust cost per rent week 2012-2013 £	Trust cost per rent week 2013-2014 £	Average cost similar housing associations 2013-2014 £
Rent arrears and collection	2.26	2.50	2.58
Anti-social behaviour	1.92	1.16	1.11
Lettings	1.96	1.53	1.31
Tenancy management	1.87	1.61	1.69
Resident involvement	1.34	1.20	1.25
Responsive repairs	1.83	2.34	2.32
Void works	0.50	0.42	0.81
Major works	3.07	2.51	2.36
Cyclical maintenance	0.98	1.24	0.95

Each year, as part of our annual business planning process, managers are challenged to set stretching targets for performance and budgets to deliver them that compare favourably with similar organisations, taking into account the service quality the Trust has agreed to deliver with its customers. In this way we ensure continuous improvement in value for money by putting responsibility with service managers to deliver against challenging targets and benchmarking against the best in the sector.

Our full value for money self assessment, including value for money gains and how they are realised and how we measure and deliver improvements will be available on our website [www.peaksplains.org](http://www.peaksplains.org) from 30 September 2015.

**Statement of compliance**

In preparing this Operating and Financial Review and Board report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010.

In approving the Operating and financial review, the directors are also approving the Strategic Report in their capacity as directors of the company.

The Operating financial review and the Strategic Report were approved by the board on the 21 July 2015 and signed on its behalf by:



David Gooda  
Chairman

# **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

## **REPORT OF THE BOARD**

### **Board members and executive directors**

The Board members are listed on page 1. In line with NHF code of governance the maximum tenure must be agreed for all non-executives which must in total be nine years or fewer, composed of two or more consecutive terms of office. This maximum tenure must apply to all board member service with an organisation or its predecessors or its subsidiaries. The Trust's Chairman, David Gooda, joined in June 2006 as Chairman of the Shadow Board and in 2012 was given the backing of the company membership who unanimously passed a special resolution extending his term until the 2015 AGM. The Board directs the Trust in accordance with its Articles of Association and sets objectives on behalf of the membership, tenants, residents, employees and community at large. The Board meet every two months and comprises of eight voluntary members and a paid Chair. There has been 1 change to the Board as follows:

Nicholas Mannion, an independent board member resigned on 8<sup>th</sup> May after being elected as a councillor in the local elections. This position will be recruited to during June 2015.

The executive directors are the chief executive, the director of operations and the director of resources. This group is known as the executive management team. They hold no interest in the company's shares and act as executives within the authority delegated by the board. All directors have served throughout the whole year. Trust insurance policies indemnify board members and officers against liability when acting for the Trust.

### **Service Contracts**

The executive management team are employed on the same terms as other staff. Their notice periods are 6 months.

### **Pensions**

The executive directors are members of either the Social Housing Pension Scheme or the Cheshire Pension Fund, both defined benefit (final salary) pension schemes. They participate in the schemes on the same terms as all other eligible staff.

### **Other Benefits**

The executive directors are entitled to other benefits such as the provision of a car.

### **Employees**

The Trust recognises that the success of the business depends on the quality of our managers and staff. It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

We are committed to equal opportunities and in particular we support the employment of people with disabilities both in recruitment and in retention of employees who become disabled whilst employed by the Trust.

The board is aware of its responsibilities on all matters relating to health and safety. The Trust has prepared detailed health and safety policies and provides staff training and education through its health and safety committee.

### **Committees**

The Audit Committee which comprises four Board members and one co-opted member considers the appointment of internal and external auditors, the scope of their work and their reports. It also reports to the Board on the operation of the Trust's risk management and internal control arrangements and reviews in detail the annual financial statements. Meetings of the Audit and Risk Committee are held at least three times a year.

The Governance committee which comprises four Board members considers remuneration of the Executive Directors, sets direction on staffing matters and deals with Board conduct and governance issues. The committee meets annually unless there is a need to consider other issues as they arise.

# **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

## **REPORT OF THE BOARD**

### **Committees (continued)**

#### **Challenge Group**

The Challenge Group is a group of customers who provide monitoring through 'scrutiny' of our performance against the standards we have agreed with our residents. This group has responsibilities set in our standing orders and its influence is crucial to our delivery of our regulator's vision of co-regulation and resident scrutiny.

The Challenge Group set a work programme for the Tenant Inspectors, who work closely with the Challenge Group to deliver excellent resident scrutiny and report on improvements that can be made to the Trust's services. The Tenant Inspectors fulfil their role by benchmarking performance, shadowing staff, mystery shopping services, customers and staff surveys and by reviewing policies and procedures.

#### **Donations**

No political donations have been made in year. (2014: £0).

#### **Financial risk management objectives and policies**

The Trust uses various financial instruments, including loans and cash, and other items such as rental arrears and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for its operations.

The existence of these financial instruments exposes the business to a number of financial risks. The main risks as considered by the executive management team to be credit risk, liquidity risk and interest rate risk.

#### **Credit risk**

The principal credit risk relates to tenant arrears. The risk is managed by providing support to eligible tenants with their application for Housing Benefit and to closely monitor the arrears of self paying tenants. The Welfare Reform and resulting changes to the benefits system has been identified as a major risk to the business and the impact of these changes is managed by the Welfare Reform Project Board.

#### **Liquidity risk**

The Trust seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. It is our policy not to hold significant cash balances but to have loan facilities in place to fund future requirements. Where significant cash balances arise we invest surplus funds safely and profitably in line with our Treasury Management policy.

#### **Interest rate risk**

The Trust finances its operations through a mixture of retained surpluses and bank borrowings. The exposure to interest fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities. The hedging instruments are embedded within the loan agreement.

#### **Going concern**

The Trust's business activities, together with factors likely to affect its future development, performance and position are set out in the preceding pages. The financial position of the Trust, its cash flows, liquidity position and borrowing facilities are described in the operating and financial review and strategic report on pages 2 to 11.

The Trust has considerable financial resources and believes it can comfortably operate within the covenants set by the bank, and secure additional funding to support our development ambitions. As a consequence, the Board believes that the Trust is well placed to manage its business risks successfully despite the current uncertain economic outlook.

## **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

### **REPORT OF THE BOARD**

#### **Going concern (continued)**

The Board, having made appropriate enquiries, consider that adequate resources exist for the Trust to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, it continues to adopt the going concern basis in the financial statements.

Working capital management at the Trust is characterised by stable and reliable revenue income and spending levels that vary according to the delivery of major investment and development programmes. Net current assets were £9,625m as at 31<sup>st</sup> March 2015.

#### **Internal controls assurance**

The board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Trust is ongoing and has been in place throughout the period commencing 1 April 2014 up to the date of approval of the report and financial statements.

The Board has itself, and through the activities of the Audit Committee, reviewed the outcome of internal and external audit work and the business assurance review which encompassed internal and external sources of assurance on key risks faced by the organisation.

Key elements of the system of control include ensuring that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the organisation's assets.
- Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information and significant variances from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through Board resolutions.
- Regular monitoring of loan covenants and requirements for new loan facilities.
- Board approved whistle-blowing policy.
- Board approved fraud policy, covering prevention, detection and reporting, together with recoverability of assets.



## **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

### **REPORT OF THE BOARD**

#### **Internal controls assurance (continued)**

A fraud register is maintained and is reviewed by Audit Committee at each meeting. No frauds were reported for the financial year.

The Trust has a comprehensive internal audit programme provided by Beever and Struthers LLP, Chartered Accountants. The Internal Auditors report to the Trust's Chief Executive on each assignment and to each meeting of the Audit Committee on their recent and prospective activity.

There is an extensive and timely system for reporting progress in the Trust, at many levels. The Board and Audit Committee receive regular and extensive reports on all key areas of performance.

The Board has reviewed the effectiveness of the Trust's internal controls through the work of the Audit Committee, which reports regularly to the Board. In addition, the Trust Chief Executive has submitted to the Board a detailed report on the operation of internal controls during the year under review and up to the date of approval of this report.

#### **NHF Code of Governance**

The Trust has complied closely with the Governance and Viability Standard published by the regulatory committee of the Homes and Communities Agency and uses the National Housing Federation's Excellence in Governance – code for members (the code) as its chosen code of governance and has fully complied with this code.

#### **Statement of the responsibilities of the Board for the report and financial statements**

The board is responsible for preparing the Operating and Financial Review and Strategic Report and Report of the Board and financial statements in accordance with applicable law and regulations.

Company law requires the board to prepare financial statements for each financial year. Under that law the board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the company. In preparing these financial statements, the board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010, have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis as it is appropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Cheshire Peaks & Plains Housing Trust Limited and enable it to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

In the case of each of the persons who are directors of the company at the date when this report is approved:

- So far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- Each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any audit information and to establish that the company's auditor is aware of that information.

## **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED REPORT OF THE BOARD**

### **Statement of the responsibilities of the Board for the report and financial statements (continued)**

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

### **Annual General Meeting**

The annual general meeting will be held on 20 October 2015 at Ropewalks, Macclesfield.

### **External Auditors**

Grant Thornton UK LLP has expressed their willingness to continue in office as auditor and will be deemed to be reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

The report of the board was approved by the board on 21 July 2015 and signed on its behalf by:



**David Gooda**  
Chairman

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

We have audited the financial statements of Cheshire Peaks & Plains Housing Trust Limited for the year ended 31 March 2015, which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the reconciliation of movements in funds, the balance sheet, the cash flow statement, the notes to the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board and auditor**

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

### **Scope of the audit of the financial statements.**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Charitable company's affairs as at 31 March 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Operating and Financial Review and Strategic Report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

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



Joanne Love

Senior Statutory Auditor  
for and on behalf of Grant Thornton UKLLP  
Statutory Auditor, Chartered Accountants  
Manchester, United Kingdom

22 July 2015

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 March 2015**

	<b>Note</b>	<b>2015 £'000s</b>	<b>2014 £'000s</b>
<b>TURNOVER: continuing activities</b>	2	26,162	24,664
Cost of Sales	2	(271)	-
Operating costs	2	(18,741)	(18,992)
<b>OPERATING SURPLUS: continuing activities</b>		7,150	5,672
Surplus on sale of fixed assets	7	677	299
Interest receivable and other income	8	4	4
Interest payable and similar charges	9	(3,506)	(3,161)
Other finance income/(expense)	10	101	(88)
<b>SURPLUS ON ORDINARY ACTIVITIES FOR THE YEAR BEFORE TAX</b>	3	4,426	2,726
Tax on surplus on ordinary activities	11	(10)	(15)
<b>SURPLUS FOR THE YEAR</b>	19	4,416	2,711

The accompanying notes form part of these financial statements.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES & DEFICITS**  
**For the year ended 31 March 2015**

		<b>2015 £'000s</b>	<b>2014 £'000s</b>
Surplus for the year		4,416	2,711
Actuarial (loss)/gain relating to the pension scheme	6	(1,767)	1,329
Total recognised surpluses and deficits relating to the year		2,649	4,040

**RECONCILIATION OF MOVEMENTS IN FUNDS**  
**For the year ended 31 March 2015**

	<b>2015 £'000s</b>	<b>2014 £'000s</b>
Surplus for the year	4,416	2,711
Actuarial (loss)/gain relating to the pension scheme	(1,767)	1,329
Net addition to funds	2,649	4,040
Opening total funds	26,424	22,384
Closing total funds	29,073	26,424

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED****BALANCE SHEET**

As at 31 March 2015

	<b>Note</b>	<b>2015 £'000s</b>	<b>2014 £'000s</b>
<b>INTANGIBLE FIXED ASSETS</b>			
Goodwill	12	503	598
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties at depreciated cost		98,873	91,901
Social housing grants		(6,444)	(4,517)
	13	92,429	87,384
Other tangible fixed assets	14	851	945
		93,280	88,329
<b>CURRENT ASSETS</b>			
Debtors	16	1,833	1,970
Cash at bank and in hand	15	13,223	2,583
		15,056	4,553
<b>CREDITORS: Amounts falling due within one year</b>	17	(5,431)	(5,559)
<b>NET CURRENT ASSETS/LIABILITIES</b>		9,625	(1,006)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		103,408	87,921
<b>CREDITORS: Amounts falling due after more than one year</b>	18	70,144	59,040
Net pension liability	6	4,191	2,457
<b>CAPITAL AND RESERVES</b>			
Revenue reserve	19	29,073	24,133
Designated reserves	20	-	2,291
<b>TOTAL FUNDS</b>		29,073	26,424
		103,408	87,921

The accompanying notes form part of these financial statements.

The financial statements of Cheshire Peaks & Plains Housing Trust Limited, company number 05358740, were approved by the Board and authorised for issue on 21 July 2015 and signed on its behalf by:



David Gooda  
Chairman  
21 July 2015

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 March 2015**

	<b>Note</b>	<b>2015 £'000s</b>	<b>2014 £'000s</b>
<b>Net cash inflow from operating activities</b>	(a)	<u>12,976</u>	<u>11,138</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		4	4
Interest paid		<u>(3,430)</u>	<u>(3,161)</u>
<b>Net cash outflow from returns on investment and servicing finance</b>		<u>(3,426)</u>	<u>(3,157)</u>
<b>Taxation</b>		<u>(10)</u>	<u>(15)</u>
Corporation tax paid		<u>(10)</u>	<u>(15)</u>
<b>Capital expenditure</b>			
Housing properties development works		(12,188)	(9,940)
Sale of housing properties		1,173	576
Social Housing Grant received in year		1,098	1,020
Other fixed assets purchased		<u>(235)</u>	<u>(304)</u>
<b>Net cash outflow from capital expenditure</b>		<u>(10,152)</u>	<u>(8,648)</u>
<b>Net cash outflow before management of liquid resources and financing</b>		<u>(612)</u>	<u>(682)</u>
<b>Financing</b>			
Loans received	(b)	<u>10,960</u>	<u>3,042</u>
<b>Net cash inflow from financing</b>		<u>10,960</u>	<u>3,042</u>
<b>Increase in cash in the year</b>	(b)	<u><u>10,348</u></u>	<u><u>2,360</u></u>

The accompanying notes form part of these financial statements

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 March 2015**

	<b>2015</b> <b>£'000s</b>	<b>2014</b> <b>£'000s</b>
<b>a) Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating surplus	7,150	5,672
Depreciation charges	4,950	5,239
Amortisation of goodwill	95	95
Adjustment for pension funding	68	191
Decrease/(increase) in current assets	489	(444)
Increase in creditors	224	385
Net cash inflow from operating activities	<u>12,976</u>	<u>11,138</u>

<b>b) Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash in the year	10,348	2,360
Cash inflow from increase in loan	<u>(10,960)</u>	<u>(3,042)</u>
Movement in net debt in the year	(612)	(682)
Net debt at the start of the year	<u>(56,457)</u>	<u>(55,775)</u>
Net debt at the end of the year	<u>(57,069)</u>	<u>(56,457)</u>

**c) Analysis of net debt**

	<b>At 31 March</b> <b>2014</b> <b>£'000s</b>	<b>Cashflow</b> <b>£'000s</b>	<b>At 31 March</b> <b>2015</b> <b>£'000s</b>
<b>Changes in current asset investment</b>			
Cash at bank and in hand	156	(90)	66
Overdraft	-	(291)	(291)
Monies on deposit	<u>2,427</u>	<u>10,729</u>	<u>13,156</u>
	2,583	10,348	12,931
<b>Changes in debt:</b>			
Housing loans	<u>(59,040)</u>	<u>(10,960)</u>	<u>(70,000)</u>
Changes in net debt	<u>(56,457)</u>	<u>(612)</u>	<u>(57,069)</u>

# **CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **Legal status**

The company is incorporated under the Companies Act 2006 and is registered with the Homes and Communities Agency as a Registered Provider. In addition, the company is a registered charity with the Charities Commission.

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards, the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

#### **Going concern**

The Trusts business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Trust has in place long term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The Trust also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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.

#### **Turnover and revenue recognition**

Turnover represents rental and service charge income receivable in year (net of void losses), fees receivable, supporting people income, proceeds from shared ownership first tranche sales of low cost home ownership and revenue grants from the Homes and Communities Agency and other public authorities. Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided.

#### **Housing properties**

Housing properties and properties under construction are principally properties available for rent and are stated at cost less grants received towards their cost and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

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 benefit of the assets, are capitalised as improvements.

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

#### **Social housing grant**

Social housing grant (SHG) is receivable from the Homes and Communities Agency (the HCA) and is utilised to reduce the capital costs of housing properties, including land costs. It is allocated to the land and structure components of the associated asset in proportion to their cost. Grant receivable in respect of identifiable components is allocated to those components.

SHG due from the HCA or received in advance is included as a current asset or liability.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, the Trust is required to recycle these proceeds.



**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**  
**1. ACCOUNTING POLICIES (continued)**

**Other grants**

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure in the same period as the expenditure to which they relate.

**True and fair override**

Under the requirements of the SORP, capital grants are shown as a deduction from the cost of housing properties on the balance sheet (see note 13). This is a departure from the rules under the Companies Act 2006, which does not permit income to be off set against assets. In the opinion of the board, it is a relevant accounting policy reflecting the substantial costs of the assets and is comparable to that adopted by other registered social landlords. It has been adopted in order to present a true and fair view.

**Depreciation**

The Trust separately identifies the major components which comprise its housing properties & estates and depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less estimated residual values at the following annual rates:

**Housing Properties**

Structure - New Build	100 years	Structure - Transfer Stock	60 years
Lifts	30 years	Roofs	50 years
Electrical systems	30 years	Windows & Doors	30 years
Kitchen	20 years	Bathroom	30 years
Heating & Boilers	15 years	Energy Efficiency	20 years
Programme Fees	10 years	Environmental	10 years
Other	5 years		

Freehold land is not depreciated.

**Other fixed assets**

Depreciation is provided evenly on the cost of the 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 estimated useful economic lives used for other fixed assets are:

Fixtures & Fittings	15 years	Computer and telecoms equipment	3 years
Plant, Machinery and Vehicles	3 years		

**Impairment**

Houses that are depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard 11 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing 2010, subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus.

**Designated reserves**

These reserves are designated for specific purposes. The reserves are administered and managed in accordance with the purpose for which the reserve was intended.

**Disposal Proceeds Fund**

Private registered providers are required by section 177(1) of the Housing and Regeneration Act 2008 (2008ACT) to show net proceeds for certain types of disposals in a Disposals Proceed Fund in its annual accounts. This fund can be used in acquisition and improvement for low cost rental accommodation in line with the regulators direction as per section 178(1) of the 2008 Act.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**1. ACCOUNTING POLICIES (continued)**

**Pension costs**

The company participates in the Cheshire Pension Fund and the Social Housing Pension Scheme defined benefit salary pension schemes and the Social Housing defined contribution scheme.

**The Cheshire Fund**

For the Cheshire Fund defined benefit scheme accounted for under FRS17 'Retirement Benefits', the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other financial costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised surpluses and deficits.

The defined benefit scheme is funded, with the assets held separately from those of the Trust, in separate Trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

**Social Housing Pension Scheme (SHPS)**

The Trust participates in a second pension scheme, 'The Social Housing Pension Scheme', which provides benefits based on final pensionable pay. The assets of this scheme are held separately from those of the Trust.

The Trust is unable to identify its share of the underlying assets of this scheme on a consistent and reasonable basis, and therefore, as required by FRS17 'Retirement Benefits', accounts for this scheme as if it were a defined contribution scheme. As a result the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The Trust also operates the Social Housing pensions scheme for defined contribution, this scheme is used as the auto enrolment option when no other option is selected.

**Leased assets**

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the life of the lease.

**Taxation**

No taxation is payable on the primary purpose surpluses of the Trust, as it has charitable status. The Trust is registered for Value Added Tax. A large proportion of the VAT incurred by the Trust cannot be recovered as the bulk of its turnover arises from exempt activities.

Corporation tax is payable on Non primary purpose trading surpluses incorporating Feed-in-tariff income on renewal energy PV panels.

**Debtors**

Debtors, including tenant arrears, are calculated as the net of the amount receivable and appropriate provision for amounts considered unlikely to be received.

**Interest payable**

Interest, including issue costs, is charged to the income and expenditure account at a constant rate on the carrying amount over the period of borrowing.

**Liquid resources**

Liquid resources are readily disposable current asset investments. They consist of money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of one working day.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**1. ACCOUNTING POLICIES (continued)**

**Goodwill**

Goodwill relates to the excess of the fair value of the consideration paid to Macclesfield Borough Council (MBC) over the fair value of the identifiable assets and liabilities acquired, including the net defined benefit scheme deficit, at the date of transfer from MBC. The consideration paid to MBC equated to the value of the net assets acquired excluding the net defined benefit scheme deficit. As a result goodwill arose that was equal to the present value of the defined benefit scheme assets compared to the fair value of the defined benefit scheme deficit as calculated under FRS 17 at the date of transfer from MBC. Goodwill is amortised on a straight line basis over the period calculated by reference to the difference between the average age of employees in the scheme and their expected retirement age.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**2. Particulars of turnover, cost of sales, operating costs and operating surpluses**

	Turnover 2015 £'000s	Cost of sales 2015 £'000s	Operating costs 2015 £'000s	Operating surplus/ (deficit) 31 March 2015 £'000s
Social housing lettings	23,896	-	(16,921)	6,975
Other social housing activities	688	-	(114)	574
Supporting people contract income	316	-	(480)	(164)
First tranche shared ownership sales	321	(271)	-	50
<b>Non-social housing activities</b>				
Lifeline income	792	-	(1,201)	(409)
Commercial property income	149	-	(25)	124
	<u>26,162</u>	<u>(271)</u>	<u>(18,741)</u>	<u>7,150</u>

	Turnover 2014 £'000s	Cost of sales 2014 £'000s	Operating costs 2014 £'000s	Operating surplus/ (deficit) 31 March 2014 £'000s
Social housing lettings	23,074	-	(17,613)	5,461
Other social housing activities	506	-	(91)	415
Supporting people contract income	317	-	(413)	(96)
<b>Non-social housing activities</b>				
Lifeline income	659	-	(856)	(197)
Commercial property income	108	-	(19)	89
	<u>24,664</u>	<u>-</u>	<u>(18,992)</u>	<u>5,672</u>

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**2. Particulars of turnover, cost of sales, operating costs and operating surpluses (continued)**

**Particulars of income and expenditure from social housing lettings**

	General needs 2015 £'000s	Supported housing and housing for older people 2015 £'000s	31 March 2015 £'000s	General needs 2014 £'000s	Supported housing and housing for older people 2014 £'000s	31 March 2014 £'000s
Net rents	17,135	6,275	23,410	16,677	5,979	22,656
Service charges receivable	125	199	324	112	134	246
Charges for support services	-	162	162	-	172	172
<b>Net rental income from social housing lettings</b>	<b>17,260</b>	<b>6,636</b>	<b>23,896</b>	<b>16,789</b>	<b>6,285</b>	<b>23,074</b>
Management	(2,726)	(1,163)	(3,889)	(2,801)	(1,210)	(4,011)
Service costs	(732)	(294)	(1,026)	(682)	(269)	(951)
Support costs	(180)	(65)	(245)	(167)	(58)	(225)
Routine maintenance	(3,262)	(1,392)	(4,654)	(3,303)	(1,427)	(4,730)
Planned maintenance	(1,521)	(649)	(2,170)	(1,700)	(735)	(2,435)
Bad debts	(106)	(45)	(151)	(90)	(39)	(129)
Depreciation of housing properties	(3,288)	(1,403)	(4,691)	(3,517)	(1,520)	(5,037)
Amortisation of goodwill	(67)	(28)	(95)	(66)	(29)	(95)
<b>Operating costs on social housing lettings</b>	<b>(11,882)</b>	<b>(5,039)</b>	<b>(16,921)</b>	<b>(12,326)</b>	<b>(5,287)</b>	<b>(17,613)</b>
<b>Operating surplus on social housing lettings</b>	<b>5,378</b>	<b>1,597</b>	<b>6,975</b>	<b>4,463</b>	<b>998</b>	<b>5,461</b>
<b>Void losses</b>	<b>121</b>	<b>13</b>	<b>134</b>	<b>(206)</b>	<b>(33)</b>	<b>(239)</b>

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**3. Surplus on ordinary activities for the year before tax**

	<b>2015</b> <b>£'000s</b>	<b>2014</b> <b>£'000s</b>
Surplus on ordinary activities is stated after charging:		
Depreciation:		
Housing properties	4,691	5,012
Other tangible fixed assets	259	203
Amortisation:		
Goodwill	95	95
Operating leases:		
Land & Buildings	524	531
Other equipment	77	52
Auditor's remuneration (excluding VAT and expenses):		
Fees payable to the company's auditor for the audit of the company's annual financial statements	23	25
iXBRL and Tax compliance fees	3	24
	<u>          </u>	<u>          </u>

**4. Board and senior executive emoluments**

The remuneration paid to the directors (who for the purposes of this note include the members of the Board, the Trust Chief Executive and any other person who is a member of the executive management team) was as follows:

	<b>2015</b> <b>£'000s</b>	<b>2014</b> <b>£'000s</b>
Total emoluments to directors and former directors (including salaries, fees, pension contributions and other benefits)	414	400
	<u>          </u>	<u>          </u>
Emoluments (excluding pension contributions) payable to the Chief Executive	130	127
	<u>          </u>	<u>          </u>

The full time equivalent number of staff who received emoluments in the ranges below was as follows:

	<b>2015</b> <b>No.</b>	<b>2014</b> <b>No.</b>
£60,001 to £70,000	3	-
£70,001 to £80,000	1	2
£80,001 to £90,000	4	4
£90,001 to £100,000	1	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	2	2
£130,001 to £140,000	-	1
£140,001 to £150,000	1	-
	<u>          </u>	<u>          </u>
	12	9

The Trusts Chief Executive, who was the highest paid employee, is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions in relation to directors for the year amounted to £47,534 (2014: £42,569).

The chairman is the only board member to receive an annual emolument. Board expenses of £2,878 (2014: £4,983) were incurred in the year.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**5. Staff numbers and costs**

The average monthly number of persons (including the executive directors but excluding the Board), expressed in full time equivalents:

	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>
Administration	53	43
Housing	68	79
Development and maintenance	121	91
	<u>242</u>	<u>213</u>

	<b>2015</b>	<b>2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Staff costs (for the above employees)		
Wages and salaries	6,137	5,681
Social security costs	446	430
Other Pension costs (included in operating costs)	1,038	913
	<u>7,621</u>	<u>7,024</u>

**6. Pension schemes**

The Trust participates in two defined benefit pension schemes, 'The Cheshire Fund' (Local Government Pension Scheme) defined benefit scheme, 'The Cheshire Fund', and 'The Social Housing Pension Scheme (SHPS)', both of which provide benefits based on final pensionable pay. The assets of these schemes are held separately from those of the Trust.

A SHPS defined contribution scheme is used as the auto enrolment option when no other option is selected.

**The Cheshire Fund**

The Cheshire Fund (LGPS) scheme assets are held separately from those of the Trust, being invested through Fund Managers. The employer's contribution to the LGPS by the company for the year ended 31 March 2015 were £550,983 (2014 £437,505) at a contribution rate of 22.1% of pensionable salaries. The contribution rate for the next financial year will remain at 22.1%. The rate of contribution being determined by the actuary.

The most recent actuarial valuation of the fund was carried out as at 31 March 2013 and was updated using revised assumptions that are consistent with the requirement of FRS17.

The major assumptions used for the actuarial valuation were as follows:

<b>Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):</b>	<b>2015</b>	<b>2014</b>
	<b>%</b>	<b>%</b>
Inflation/pension increase rate	2.4%	2.8%
Rate of increase in salaries	3.3%	3.6%
Expected return on asset	5.6%	5.6%
Discount rate	<u>3.2%</u>	<u>4.3%</u>

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**  
**6. Pension schemes (continued)**

**Mortality assumptions**

The mortality assumption has been updated since the previous year end to make allowance for increasing life expectancy. The assumed life expectations on retirement at age 65 are:

	2014-2015		2013-2014	
	Males	Females	Males	Females
Current pensioners	22.3 years	24.4 years	22.3 years	25.7 years
Future pensioners	24.1 years	26.7 years	24.1 years	27.7 years

The amounts recognised in the income and expenditure account are as follows:

	2015 £'000s	2014 £'000s
Current service cost	610	627
Interest on obligation	789	825
Expected return on scheme assets	(890)	(737)
Total charge	509	715

The total amount charged to operating surplus is £610,000; (2014: £627,000).

The net finance income is £101,000; (2014: (expense) £88,000).

The actual return on scheme assets was £2,541,000; (2014: £1,341,000).

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised surpluses and deficits since the adoption of FRS 17 is a loss of £3,653,000 (2014: £1,886,000).

The amount included in the balance sheet arising from the Trust's obligations in respect of its defined benefit scheme is as follows:

	2015 £'000s	2014 £'000s
Fair value of scheme assets	18,578	15,721
Present value of defined benefit obligations	(22,769)	(18,178)
Deficit in the schemes	(4,191)	(2,457)
Net liability in the balance sheet	(4,191)	(2,457)

Changes in the present value of the defined benefit obligation are as follows:

	2015 £'000s	2014 £'000s
Opening defined benefit obligation	18,178	18,133
Current service cost	610	627
Interest on pension liabilities	789	825
Contributions by scheme participants	178	163
Actuarial losses/ (gains)	3,417	(1,213)
Benefits paid	(403)	(357)
Closing defined benefit obligation	22,769	18,178



**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**6. Pension schemes (continued)**

Changes in the fair value of the scheme assets are as follows:

	2015 £'000s	2014 £'000s
Opening fair value of scheme assets	15,721	14,626
Expected return on scheme assets	890	737
Contributions by scheme participants	178	163
Contributions by the employer	542	436
Actuarial gains	1,650	116
Benefits paid	(403)	(357)
Closing fair value of scheme assets	18,578	15,721

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	Expected return		Fair value of assets	
	2015 %	2014 %	2015 £'000s	2014 £'000s
Equities	6.6	6.6	9,289	10,219
Bonds	3.5	3.5	7,431	3,459
Property	4.8	4.8	1,486	1,100
Cash	3.7	3.7	372	943
			18,578	15,721

Amounts for the current and previous four periods are as follows:

	2015 £'000	2014 £'000s	2013 £'000s	2012 £'000s	2011 £'000s
Fair value of scheme assets	18,578	15,721	14,626	12,621	11,968
Present value of defined benefit obligation	(22,769)	(18,178)	(18,133)	(14,704)	(12,895)
Deficit in the scheme	(4,191)	(2,457)	(3,507)	(2,083)	(927)
Experience adjustments on scheme liabilities	121	(681)	15	(119)	1,554
Percentage of scheme liabilities (%)	0.5	(3.7)	-	(0.8)	12.1
Experience adjustments on scheme assets	1,650	116	1,019	(405)	358
Percentage of scheme assets (%)	8.9	0.7	7.0	(3.2)	3.0
Total actuarial (loss)/gain	(1,767)	1,329	(1,359)	(1,222)	3,886
Percentage of scheme liabilities (%)	(7.8)	7.3	(7.5)	(8.3)	30.1

The estimated amount of contributions expected to be paid to the scheme during the financial year ending 31 March 2016 is £544,000.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**6. Pension schemes (continued)**

**The Social Housing Pension Scheme**

- 1) Cheshire Peaks & Plains Housing Trust Ltd (the Trust) participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.
- 2) The Scheme is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.
- 3) The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

Final salary with a 1/60th accrual rate.

Final salary with a 1/70th accrual rate.

Career average revalued earnings (CARE) with a 1/60th accrual rate.

From April 2010 a further two defined benefit structures have been available, namely:

Final salary with a 1/80th accrual rate.

Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010.

A Career average revalued earnings (CARE) structure with a 1/120th accrual rate was made available from 1 April 2013. This structure is contracted-in to the State Second Pension scheme.

- 4) An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can operate one open defined benefit structure plus CARE 1/120<sup>th</sup>, plus the defined contribution benefit structure at any one time. An open benefit structure is one which new entrants are able to join.
- 5) The Trust currently operates Final salary with a 1/60th accrual rate for active members.
- 6) The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.
- 7) The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.
- 8) During the accounting period the Trust paid contributions at the rate of 13.7% member contributions varied between 4.1% and 6.1%.
- 9) As at the balance sheet date there were 49 active members of the Scheme employed by the Trust. The annual pensionable payroll in respect of these members was £1,442,000. The Trust continues to offer membership of the Scheme to its employees.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**6. Pension schemes (continued)**

**The Social Housing Pension Scheme (continued)**

- 10) It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.
- 11) The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.
- 12) The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.
- 13) The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

<b>Valuation Discount Rates:</b>	<b>% p.a.</b>
Pre-Retirement	7.0
Non Pensioner Post Retirement	4.2
Pensioner Post Retirement	4.2
Pensionable Earnings Growth	2.5 per annum for 3 years, then 4.4
Price Inflation (RPI)	2.9
<b>Pension Increases:</b>	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess Over GMP	2.4

- 14) The valuation was carried out using following demographic assumptions:

Mortality pre retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

- 15) The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

<b>Benefit Structure</b>	<b>Long-term Joint Contribution Rate (% of pensionable salaries)</b>
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0
Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

- 16) If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**6. Pension schemes (continued)**

**The Social Housing Pension Scheme (continued)**

- 17) Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of members' earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of members' earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(\*) The contributions of 7.5% will be expressed in nominal pound terms (for each employer), increasing each year in line with the earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates as set out in paragraph 15) above.

- 18) Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).
- 19) Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.
- 20) A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the Scheme.
- 21) New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.
- 22) A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan).
- 23) As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**6. Pension schemes (continued)**

**The Social Housing Pension Scheme (continued)**

24) The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

25) The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

**Potential employer debt is treated as a contingent liability**

26) The Trust has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme, based on the financial position of the Scheme as at 30 September 2014. At this date the estimated employer debt for the Trust was £2,357,432 (£1,187,264 at 30 September 2013).

**Defined contribution scheme**

Employees of the Trust are also members of a defined contribution scheme managed by the Social Housing Pension Scheme. The scheme is used for the auto enrolment option of the Trust. The Trust paid contributions in respect of the defined contribution scheme at a rate of 6% to 10%. Member contributions varied between 2% to 7%. As at the balance sheet date there were 75 active members in the defined contribution scheme.

The Trust continues to offer membership of this Scheme to its employees.

**7. Surplus on sale of fixed assets**

	<b>2015</b>	<b>2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Sale proceeds	1,904	1,179
Carrying value of fixed assets	(352)	(276)
Incidental sale expenses	(23)	(13)
Transfer to Disposal Proceeds Fund	(144)	-
Right to Buy re-imbursement	(708)	(591)
	<u>677</u>	<u>299</u>

**8. Interest receivable and other income**

	<b>2015</b>	<b>2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Income from bank deposits	<u>4</u>	<u>4</u>

# CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 9. Interest payable and similar charges

	2015 £'000s	2014 £'000s
On bank loans, overdraft and other loans: Repayable wholly or partly in more than 5 years	3,506	3,161

### 10. Other finance income/(expense)

	2015 £'000s	2014 £'000s
<b>The Cheshire Fund</b>		
Expected return on pension assets	890	737
Interest on obligation	(789)	(825)
	101	(88)

### 11. Taxation

The taxation charge which arises in the company included within these financial Statements comprises:

	2015 £'000s	2014 £'000s
Surplus on Non primary purpose trading before tax	86	79
Less capital allowance – special rate asset pool	(38)	(42)
Non primary purpose trading income	48	37
Corporation Tax due at 20%	10	7
Prior year adjustment	-	8
	10	15

Cheshire Peaks & Plains Housing Trust Limited is a registered charity with charitable status for tax purposes. As such its main sources of income and gains, received under Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, are exempt from taxation to the extent that they are applied exclusively to its charitable objectives. Non primary trading includes Feed-in-Tariff income received as part of the Trusts renewal energy project.

Tax on Non Primary purpose trading has resulted in a 2014 tax charge of £10,000 (2014; £15,000).

### 12. Intangible fixed assets: goodwill

	Goodwill £'000s
<b>Cost</b>	
At 1 April 2014 and 31 March 2015	1,331
<b>Amortisation</b>	
At 1 April 2014	733
Charge for year	95
At 31 March 2015	828
<b>Net book value</b>	
At 31 March 2015	503
At 31 March 2014	598

Goodwill of £1,331,000 arose from the revaluation of pension scheme assets and liabilities for FRS17 accounting purposes at point of transfer. Goodwill is amortised on a straight line basis over the period calculated by reference to the difference between the average age of employees in the scheme and their expected retirement age.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**13. Tangible fixed assets: housing properties**

	Housing properties held for letting £'000s	Shared Ownership Properties £'000s	Housing properties under construction £'000s	Total Housing properties £'000s
<b>Cost</b>				
At 1 April 2014	109,147	-	4,512	113,659
Additions	3,433	-	8,512	11,945
Transfer from properties under construction	7,744	358	(8,102)	-
Disposals – RTB	(360)	-	-	(360)
Transfer from freehold and leasehold properties	70	-	-	70
At 31 March 2015	120,034	358	4,922	125,314
<b>Depreciation</b>				
At 1 April 2014	21,758	-	-	21,758
Charge for year	4,689	2	-	4,691
Release on disposal	(8)	-	-	(8)
At 31 March 2015	26,439	2	-	26,441
<b>Housing grant</b>				
At 1 April 2014	3,916	-	601	4,517
Additions	-	-	1,927	1,927
Completed Construction Properties	1,548	-	(1,548)	-
At 31 March 2015	5,464	-	980	6,444
<b>Net book value</b>				
At 31 March 2015	88,131	356	3,942	92,429
At 31 March 2014	83,473	-	3,911	87,384

**All housing properties are freehold.**

Under FRS11, the Trust is required to perform impairment tests on its housing stock so that properties are not shown at an amount exceeding their recoverable amount.

**Expenditure on works to existing properties**

	2015 £'000s	2014 £'000s
Amounts capitalised	3,433	5,195
Amounts charged to income and expenditure account	1,587	1,495

**Social Housing Assistance**

	2015 £'000s	2014 £'000s
Total accumulated social housing grant received or receivable as 31 March:		
Capital Grant	6,444	4,517

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**13. Tangible fixed assets: housing properties (continued)**

The properties referred to in the accounts are split into the following housing types:

	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>
General needs	3,469	3,427
Supported housing and housing for older people	1,480	1,480
Shared ownership	6	1
Housing managed for others	12	12
	<u>4,967</u>	<u>4,920</u>

**14. Tangible fixed assets – other**

	<b>Freehold and leasehold properties £'000s</b>	<b>Plant &amp; Equipment £'000s</b>	<b>Fixture and fittings £'000s</b>	<b>Computer hardware and software £'000s</b>	<b>Total £'000s</b>
<b>Cost</b>					
At 1 April 2014	70	11	1,061	1,802	2,944
Additions	-	-	23	212	235
Transfer to Housing properties to let	(70)	-	-	-	(70)
	<u>-</u>	<u>11</u>	<u>1,084</u>	<u>2,014</u>	<u>3,109</u>
At 31 March 2015	-	11	1,084	2,014	3,109
<b>Depreciation</b>					
At 1 April 2014	-	11	454	1,534	1,999
Charge for year	-	-	84	175	259
	<u>-</u>	<u>11</u>	<u>538</u>	<u>1,709</u>	<u>2,258</u>
At 31 March 2015	-	11	538	1,709	2,258
<b>Net book value</b>					
At 31 March 2015	-	-	546	305	851
	<u>-</u>	<u>-</u>	<u>546</u>	<u>305</u>	<u>851</u>
At 31 March 2014	70	-	607	268	945
	<u>70</u>	<u>-</u>	<u>607</u>	<u>268</u>	<u>945</u>

The freehold and leasehold property has been utilised as part of the new build programme and has now been reclassified and forms part of the Housing properties for letting in note 13.

**15. Cash balances**

	<b>2015</b>	<b>2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Cash at bank and in hand	<u>13,223</u>	<u>2,583</u>



**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**16. Debtors**

	<b>2015</b> <b>£'000s</b>	<b>2014</b> <b>£'000s</b>
Arrears of rent and service charges	510	634
Less: provision for bad and doubtful debts	(255)	(286)
	<u>255</u>	<u>348</u>
VAT	151	156
Other debtors	341	253
Prepayments and accrued income	1,086	1,213
	<u>1,833</u>	<u>1,970</u>

**17. Creditors: amounts falling due within one year**

	<b>2015</b> <b>£'000s</b>	<b>2014</b> <b>£'000s</b>
Bank overdraft (secured on the Trust's housing properties)	291	-
Trade creditors	646	871
Other creditors	784	678
Rent and service charges received in advance	220	250
Other taxation and social security creditors	232	216
Accruals and deferred income	2,671	2,480
Social Housing Grant in advance of costs	587	1,064
	<u>5,431</u>	<u>5,559</u>

**18. Creditors: amounts falling due after more than one year**

	<b>2015</b> <b>£'000s</b>	<b>2014</b> <b>£'000s</b>
<b>Loans</b>		
Housing loans	70,000	59,040
Disposal Proceeds Fund (Note 21)	144	-
	<u>70,144</u>	<u>59,040</u>

The Housing Loans are secured by specific charges on the Trust's housing properties. On 31 March 2015 loans were £70m with £60m charged interest at a fixed rate and £10m charged interest at a margin on a variable rate linked to 3 month LIBOR. The loan facility is projected (as per the Trust Business Plan and Budget for 2015/16) to reach Peak Debt during 2016/17. At Peak Debt the facility amount will be converted to a term facility and a repayment plan will be agreed with the Lender until the final repayment date. During 2014/15 the Trust has restructured its loan facilities with those Housing Loans of a fixed nature bearing rates of interest at an average rate of 6.02%. This loan facility is fully drawn. The loan is repayable as follows:

	<b>2015</b> <b>£'000s</b>	<b>2014</b> <b>£'000s</b>
In five years or more	70,000	59,040
	<u>70,000</u>	<u>59,040</u>

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**19. Revenue reserves**

	<b>2015</b>	<b>2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at start of the year	24,133	20,392
Surplus for the year	4,416	2,711
	<u>28,549</u>	<u>23,103</u>
Pension actuarial gain/(loss)	(1,767)	1,329
	<u>26,782</u>	<u>24,432</u>
Transfers from/(to):		
Designated reserves	2,291	(299)
	<u>29,073</u>	<u>24,133</u>

The transfer from designated reserves is the release of the provision on completion of new developments.

**20. Designated reserves**

	<b>2014</b>	<b>2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at start of the year	2,291	1,992
Additions in the year	(2,291)	299
	<u>-</u>	<u>2,291</u>

	<b>2015</b>	<b>2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Designated reserves comprise:		
Right to buy proceeds reserve	-	2,291
	<u>-</u>	<u>2,291</u>

The existing designated reserves has been fully utilised in the building of new developments.

**21. Disposal Proceeds Fund**

	<b>2014</b>	<b>2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at start of the year	-	-
Net sales proceeds recycled	144	-
	<u>144</u>	<u>-</u>
Balance at end of the year	<u>144</u>	<u>-</u>

  

	<b>2015</b>	<b>2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Disposal Proceeds Fund	144	-
	<u>144</u>	<u>-</u>

Private registered providers are required by section 177 (1) of the Housing and Regeneration Act 2008 to show the net proceeds of certain types of disposals in a Disposal Proceeds Fund. This fund can be used in the future for the acquisition and improvement of low cost rental accommodation in line with the Regulator's direction.

**CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 March 2015**

**22. Capital commitments**

	<b>2015</b> <b>£'000s</b>	<b>2014</b> <b>£'000s</b>
Expenditure contracted for but not provided for in the accounts	18,640	5,755
Expenditure authorised by the Board, but not contracted	9,985	7,391
	<u>28,625</u>	<u>13,146</u>

The above commitments will be financed primarily through borrowings (£24m), which are available from existing loan already drawn down and a new loan arrangement in line with our long term business plan, with the balance funded through social housing grant (£3.8M) and property sales (£1.2m).

**23. Financial commitments**

At 31 March 2015 the Trust's annual commitment under non- cancellable operating leases were as follows:

	<b>Office equipment 31 March 2015 £'000s</b>	<b>Office equipment 31 March 2014 £'000s</b>	<b>Land &amp; buildings 31 March 2015 £'000s</b>	<b>Land &amp; buildings 31 March 2014 £'000s</b>
<b>Operating leases which expire:</b>				
Within 1 year	6	19	-	-
Within 2 to 5 years	70	78	-	-
After 5 years	5	-	524	531
	<u>81</u>	<u>97</u>	<u>524</u>	<u>531</u>

**24. Legislative provisions**

Cheshire Peaks and Plains Housing Trust Limited, a company limited by guarantee, is also registered by the Charities Commission, Registered Charity number 1114633 and registered by the Homes and Communities Agency (Registered Number L4472).

**25. Related parties**

The Trust had three tenant Board members during the year. The tenancies are on normal commercial terms and the members cannot use their position on the Board to their personal advantage.

The Trust had two council nominee Board members during the year.