CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2018

Co-operative and Community Benefits Society: 7528
Homes and Communities Agency: L4472

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018

CONTENTS

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
THE BOARD, SENIOR EXECUTIVES AND ADVISORS

THE BOARD

John Hudson, Chairman	
Kate Lindley	
Samantha Knuckey	Appointed August 2017
Tom Agar	
Matthew Cunningham	
Gordon Richardson	
Simon Leighton	Appointed August 2017
Paul Findlow	
Alison Light	

Executive Management Team

Tim Pinder	Chief Executive
Jamie Hutchinson	Director of Customers
Greg van Enk-Bones	Director of Homes & 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 Square
Manchester
M3 3EB

Bankers

Barclays Bank plc
3 Hardman Street
Manchester
M3 3AX

Principal solicitors

Trowers & Hamlin
55 Princess Street
Manchester
M2 4EW

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STRATEGIC REPORT

The Board of Cheshire Peaks & Plains Housing Trust Limited is pleased to present its report together with the audited financial statements of the Trust for the year ended 31 March 2018. Cheshire Peaks & Plains Housing Trust is more usually known as 'Peaks & Plains' and is referred to as The Trust throughout this report.

We are a housing association, registered with the Regulator of Social Housing to provide housing and other services that benefit the public. We exist to Help Improve Lives. The Trust is an exempt charity, registered with the Financial Services Authority under the Cooperative and Community Benefit Societies Act 2014.

PRINCIPAL ACTIVITIES

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

The Trust's head office is in Macclesfield and its properties are located in Cheshire and Derbyshire. The Trust provides homes for families, single people and accommodation tailored for people with support needs, such as older people.

While managing and maintaining our housing stock, the Trust continues to build new homes. The Trust has completed 117 new homes in the year (2017: 82) and started building 114 new homes in the year (2017: 218).

The Trust also offers support services for vulnerable people in their own homes including an alarm monitoring and response service, which the Trust markets under the brand name 'TrustLink'. In connection with this the Trust also delivers a wider offer of behavioural change services that help people make healthy choices.

In February 2018, the Board reviewed its Trustlink services in response to low margins, future technology advances and an uncertain commissioning environment. As a result the Trust has decided to exit from the market and has plans to make a smooth transition for our customers to enable continuity of service, eventually with a new provider.

OBJECTIVES AND STRATEGY

The year ended 31 March 2018 was the final year of the Trust's 2013 five year plan. By 31 March 2018 we were halfway through the four years during which the Trust, like other Housing Associations, must decrease the majority of its rents by 1% each year. In 2016 before the first rent reduction, the Trust changed its business model and was able to increase margins, protect its assets and increase the amount of new development activity. The Trust's purpose to 'Help Improve Lives' and the three high level Corporate Objectives are presented below together with sub-objectives that express how we deliver each objective:

Corporate Objective	Sub-objectives
We will be a Great Landlord	• Deliver services that matter most to tenants • Provide easy access to services 24/7, Delivering high satisfaction • Protect the income of our core housing business • Maximise the value of our assets • Achieve great performance by delivering efficient services
We will be a valued partner to help improve lives	• Support work & training opportunities for tenants • Further strengthen our relationship with our key partners • Develop imaginative Wellbeing solutions to help people live independently
We will be innovative and grow our business responsibly	• Develop homes for rent and sale to meet a wide range of needs • Help regenerate areas • Expand current services to new customers and businesses • Innovate in our delivery of our core services, whilst maintaining our ethos

Our objectives are delivered by inspiring and engaging our staff team to deliver great services.

As we began to build our next 5 year plan, we decided the time was right to express the Values that underpin our culture and make us unique.

Our Values
- Transparent – We are open, honest and clear; with ourselves and others
- Restless – We're better tomorrow by challenging what we're doing today
- Upfront – We're bold, confident and direct – we say it as it is
- Skilled – We invest in our people and attract talent so that the Trust thrives
- Together – We support and talk to each other across teams to help improve lives

The Values are used together with our 'behaviours' to demonstrate how we will go about delivering the objectives in our five year plan. Our Staff recruitment and performance management systems are structured around the values and behaviours, making them a fundamental part of working at the Trust.

Our Behaviours
- Put Customers First
- Help Others
- Thank People
- Take Responsibility
- Question things to find a better way
- Do what we say we'll do

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.

Project Plans and Personal Objectives
Plans are developed for key projects at the Trust to deliver the objectives and targets that the Board have set.

These project plans are recorded and monitored by project teams. 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 we have developed in house, 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.

One of the major projects delivered over the past year has been Simply Connect, which focussed on streamlining processes, getting customer contact online and removing paper based processes by using technology. Thanks to 'Simply Connect' customers can pay their rent, report repairs and access information about their tenancy more easily 24 hours a day.

Performance during the Year, by Corporate Priority
The Board monitor performance indicators focussed around four key strategic priorities, while delegating the monitoring of other operational areas to the management. The four priority areas and how they were monitored are set out below.

TO MAINTAIN SOLID FOUNDATIONS	2016/17 Result	2017/18 Result	2017/18 Target
Rent Collection %	99.43%	98.90%	99.41%
% of Properties With Valid Landlord Gas Safety Record (LGSR)	100.00%	100.00%	100.00%
% Rent Lost by properties being empty (Void loss %)	0.30%	0.50%	0.30%

The Board recognise that future ambitions are built on strong foundations and there are key measures that relate to income, safety and efficiency that the Board have chosen to monitor directly.

Rent Collection % was lower than the previous year and did not achieve our target of 99.41%. During the year we have experienced an increase in persistent large arrears cases resulting in evictions, which have increased from 12 to 23 when compared with the previous financial year. The rent lost from these 23 evictions totalled £55,901 (at the point of termination).

During the year a Landlord Gas Safety Record (LGSR) was issued to all homes that required one before the last LGSR expired, (within 12 months). This year of 100% performance every month means we maintained our 100% record on gas safety for 28 consecutive months.

The amount of rent lost because properties are empty is an important measure of efficiency in the key process of letting homes. The % of rent we could have charged but were unable to because homes were empty was 0.50%, failing to hit the target of below 0.30% that was achieved the previous year. The increase year on year is due to a few properties that remained empty for the year, which are now the subject of a strategic review. There were also a higher number of empty properties to deal with in the year, which included some that needed a lot of repairs in order to be relet. Although we have not achieved the target, the level of performance achieved is upper quartile when compared with our peers.

Although we failed to hit the ambitious stretching targets we set for our KPIs, our performance levels for empty properties and rent collection were within the more prudent financial targets we set for business planning.

TO INCREASE THE NUMBER OF HOMES	**2016/17 Result**	**2017/18 Result**	**2017/18 Target**
New Home Starts	218	114	230
New Home Completions	82	117	148
Net Housing Stock Growth	46	99	123
Unsold Shared Ownership Homes > 6 months	1	1	0

One of the key priorities of the Trust is to increase the number of homes we provide. This is central to our purpose of Helping Improve Lives, the more homes we provide the more lives we can help to improve.
This set of performance indicators looks at the numbers of homes we are increasing by and monitors key risks in relation to delivery.

The number of New Homes Starts measures how many new homes we started to build in the year. This was 114 homes in the year, just under half our target for the year of 230. Over half of the shortfall was due to a decision to make significant design changes to a scheme of 70 homes to improve its marketability and other schemes were delayed due to issues encountered by developerswith whom we have contracted to buy properties from. New homes that failed to start within the year will be started within the next year.

At the other end of the building process we measure how many New Homes have been completed, this was 117 new homes, which was less than our target but an increase on the previous year's 82 homes. Completions that were delayed are expected to be completed in the following year after delays in planning and unexpectedly bad weather caused some sites to be put back. We also refused to accept some properties that were offered to us until further work was done to achieve our quality standards. We do not believe the shortfall in performance on new home starts and completions in 2017/18 has affected our ability to delvier 750 new homes, as set out in our new 5 year plan.

The Net Housing Stock Growth takes in account both the increases and reductions in numbers of homes. There was net growth of 99 homes in the year, more than double than in the previous year (46). Although this did not reach our target of 123, this was due to timing delays and new homes that were not completed by the end of the year are now expected to complete within the following year. The Trust's increase in the number of homes owned in the last year was higher than any other year since the Trust was created in 2006, and puts our new supply delivery % in the top quartile of housing associations (compared to the regulator's Global Accounts 2017).

The number of Shared Ownership Homes unsold for more than 6 months is monitored by the Board as a key risk of the development programme. Homes remaining unsold for long periods could indicate low demand and risk reduced income for these low cost home ownership options. At the end of the year there was 1 shared ownership home that had been unsold for more than 6 months. This particular home has been changed into a show home to help produce sales on other parts of a larger scheme. We expect to release this home for sale at the end of the scheme, currently expected to be December 2019.

TO PROVIDE SERVICES CUSTOMERS WOULD RECOMMEND	March 2017 Result	March 2018 Result	March 2018 Target
% Responsive Repairs - Customer Satisfaction	94.44%	99.23%	98.00%
% self-sufficient customers (rent payments)	94.12%	96.22%	95.00%
% transactions completed electronically	Not collected	84.80%	80.00%
Net Promoters 'would recommend to friends and family'?		78	45

The Trust aims to improve lives through the services it delivers every day. To monitor how the services are experienced by our customers, we monitor key customer satisfaction indicators. We believe a key part of this is enabling customers to access our services in new ways so they can serve themselves 24 hours a day. These measures are taken month by month because we realise that current service quality is far more relevant than past performance.

We know from previous analysis that satisfaction with our responsive repairs service is a key predictor of overall satisfaction with our services, so we monitor this indicator at Board level. Repairs satisfaction significantly increased over the year and exceeded the target of 98.00% in every month of the year.

We measure the % of rent payments where the customer is 'self-sufficient' for example by Direct Debit, Standing Order or by using our online payments methods. From being below our target of 95% in March 2017 when 94.12% of transactions were 'self-sufficient', in every month of the past year the target was exceeded and by March 2018 96.22% of payments were made in these self-sufficient ways.

In April 2017 the Trust launched a new system enabling tenants to book their own repairs online. From that point the Board added a new measure of '% transactions completed electronically' which monitors 'self-sufficiency' in both rent payments and repairs with a target of 80%. This target was exceeded in every month of the year and in March 2018 84.8%.

The Trust also introduced a measure of how likely customers are to recommend the Trust to friends and family, using online prompts to answer questions. This widely used Net Promotor Score (NPS) method asks customers to rate from 0 to 10 and enables us to compare our customer's loyalty with other sectors and businesses across the world. Only scores of 9 and 10 count positive and scores from 0 to 6 count against the total - Scores range from -100 to +100. We set our target of 45, at the top quartile point for housing associations and exceeded that target in 9 out of the 10 months that the measure was place. In March 2018 our NPS score was 78, which is comparable to multinational customer-focussed brands such as Apple and Amazon.

TO DIVERSIFY OUR INCOME STREAMS	2016/17 Result	2017/18 Result	2017/18 Target
% of total turnover from diverse income streams	8.32%	8.98%	7.66%

Following the rent reduction, where the core income of the Trust was reduced, the Trust sought to provide more diversity in income streams to reduce reliance on that which can be impacted by government policy. To achieve this aim the Trust has targeted to exceed the income levels in the business plan that are from diverse income streams. The target based on the business plan projections was 7.66% and our actual income from these sources was 8.98%.

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 the achievement of the Trust's key priorities 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.

<u>Risk appetite statement</u>
The Board accepts that the Trust cannot achieve its objectives or purpose without taking some risks. The Board recognises its duty to safeguard the assets of the Trust and believes that financial strength is the key to the delivery of other objectives.

The Board supports innovation and positive risk taking at an operational level, where appropriate controls are in place and worst case losses to be understood and provided for.

For key strategic risks, controls will be put in place to reduce the likelihood and the impact of each risk occurring, taking into account the costs and benefits of controlling, transferring or reducing those risks. Risks will be scored on a scale of 1 to 5 for both probability and impact, both before and after controls and the results multiplied together to arrive at a risk score. Risks with a remaining score of 20 or above will not be tolerated and the Board will take urgent action to reduce risk to below this level.

Subject to this limit, the risks arising from decisions to achieve our objectives can be accepted, provided the Board is satisfied that:

i. Financial strength can be maintained as defined by our Golden Rules;
ii. The good reputation of the Trust is maintained, in order to enable us to continue to work in partnership with others with similar goals.

In using this statement to approve 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. The assessment of decisions against the risk appetite will be recorded in the Board minutes.

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

Golden Rules

1. Forecast interest cover (EDITDA-MRI/Interest) will be 1.25 or more for all years of the financial plan.
2. Floating/variable interest rate debt will not exceed 25% of the total outstanding debt at any point and for the first two years of the financial forecast plan.
3. Funding will be arranged 18 months in advance of needing forecast by the approved financial plan, by accepting head of terms with an approved lender following a competitive process.
4. Forecast Operating margin will be maintained at 25% or more for the first ten years of the financial plan
5. The total drawn plus accessible funding will be at least 5% higher than the peak debt.

<u>Major risks</u>
Risks that present the greatest threats to the Trust, are identified and reported to the Board (via our Audit Committee) at least twice a year.

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 is not possible, within the authority of the Chief Executive then the issue will be escalated for a decision by the Board on whether the risk can be accepted, or how the risk can be managed or avoided within the powers of the Trust Board.

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 ordered by the risk score before controls:

	Risk score before controls	Risk score after controls
HIGH RISK – Rated 16 or higher before controls		
Failure of the 'Sunderland Street' regeneration strategy leading to unrealised demand, loss of investment and reputational damage.	20	12
Tenancy sustainability - Right tenant, Right home project failure leading to core business not making a return due to re-letting and management costs exceeding income.	20	9
Stock management and housing quality, including tenant involvement - failure leading to concerns being ignored, reputational damage and lower demand.	20	8
Failure of contractors leading to stalled developments and cost overruns.	16	9
Ensuring the good quality of new build property - failure leading to reputational damage and reduced damand for sales and lettings.	16	6
MEDIUM RISK - Rated 10 to 15 before controls		
Wellbeing Strategy, exit costs from alarm and response services, continuity for staff and customers, reputational damage.	15	12
Welfare reform impact on income, arrears, collection and bad debt write offs	15	10
Inflation impact on surpluses, differential between cost inflation and income inflation depleating surpluses with impact on interest cover and asset valuation.	15	8
New development delivery risks, build costs, demand, diversification	15	6
Governance failure, failure to make good decisions based on relevant skills and information and risk management	15	4
Rents and Rental Market Exposures - leading to reductions in income, business valuation and reduced viability of investments	12	9
Market sales (including shared ownership sales) and development. Failure to achieve targets for timing or value of sales that support the expected investment returns.	12	9
Diversification into new activities, not having the knowledge and skills to manage risks, reputational and regulatory impact, vires and charity law issues.	12	8
Cost efficiencies not being delivered, failing value for money or business plan efficiency targets	12	6
Securing new debt funding within 18 months of forecast need. Failure to acheive 'Golden Rules'	12	6
Data Integrity and security including non-compliance with GDPR, leading to loss of oncfidence, reputational damage and possible fines.	12	4
Pensions increasing costs to service liabilities and /or significant deficit payments	10	8
Supported Housing - funding uncertainty and future demand levels	10	5
LOW RISK - Rated 1 to 9 before controls		
Existing debt - failure to access loan finance as a result of covenant breach or other conditions not being met. Inability to repayment loans falling due for	9	6

repayment.		
Interest rates increasing leading to pressure on interest cover and capacity to invest	9	4
Change Management, failure to be values lead and deliver high performance culture, lower staff engagement levels, productivity and problems with recuitment and retention.	9	4
De-regulation of social housing, compliance with change and other areas of regulation that may apply	9	3
Health & Safety Leadership at a Strategic level not being sufficent to promote a culture of safety and support fulfilment of the Trust's and the Board's responsibilities.	8	4
Hedging Strategies failing to protect against financial risk and changing market rates	1	1

The risks comprise the Board's assessment of risks that could affect the business, which has been informed by the Regulator's 2017 Sector Risk Profile report.

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.

Emerging risks

Grenfell tragedy

The Board were shocked and saddened by the tragedy at Grenfell Tower on 14 June 2017 and immediately wanted to make sure nothing similar could happen in any of the homes Peaks & Plains provide, and especially the two tower blocks we own. The tower blocks, Range Court and Pennine Court on the Hurdsfield Estate in Macclesfield, had a panelling system installed, so our tenants and residents in the building were understandably concerned.

As a result we checked our tower blocks and were able to provide assurance to our tenants within 24 hours of the tragic news at Grenfell that the panels used on their homes were of a completely different kind, as they are made of Rockwool fibre, which is not flammable. Subsequent requirements to test cladding systems did not apply to our tower blocks, because they are a type that will not burn.

We then allocated more staff resources to fire safety and worked with Cheshire Fire and Rescue service to undertake a review of fire safety features and arrangements for the tower blocks and other communal housing we own. Although we were compliant with all the relevant standards, the review identified some additional improvements we could make and the highest rated of these were completed by the 31 March 2018.

The final report of the review lead by Dame Judith Hackitt was published in March 2018 and may have implications for the Trust as the recommendations are responded to and implemented by government, regulators and the sector.

In response to the Hackitt review, we have included plans for greater safeguards to ensure compartmentation is not compromised while improvements are made to address the lower risk items identified during 2018/19 that were identified in Fire Risk Assessments. We have also appointed external consultants to act as Principal Designer which will allow our Compliance Officer and Contract Administrator to concentrate solely on the Fire Risks during the course of the works, as we will have numerous specialist sub-contractors on site simultaneously.

We also await the outcomes of the enquiry into the tragedy but we do not believe that anything that has been recommended so far, or is likely to be recommended would have a significant impact on our business plan.

Brexit – the UK leaving the European Union (EU).
The Trust has considered the impact of the UK referendum result and decision to leave the EU. While this is not listed as a specific risk, the risks have been factored into the financial forecasts in the following ways.

The assumptions we use for inflation and interest rates to underpin our financial forecasts are informed by economic forecasts that take into account the expected impact of Brexit. For example, as Brexit is having an upward impact on inflation, and is expected to in the future, this is reflected in our assumptions about costs.

One specific area of concern on the cost side is the impact on the construction sector. Wage costs are currently supported by EU immigration, which has fallen since the Brexit referendum leading to a shortage and cost increases. Another impact on our construction costs is through any materials in the supply chain that are imported, as the exchange rate has weakened the pound making imports more expensive. We manage this by assuming higher cost inflation on construction costs in our planning, and by using procurement methods that manage the actual costs we incur.

At the same time we consider the risk that the uncertainty created while the terms of Brexit are negotiated could lead to, or trigger a house price crash. We consider this both generally by stress testing of our business plan for a price crash and also for individual scheme appraisals to understand the impact of such a crash.

The interest rates in the UK have been held at a low rate for a long time to generate growth in the economy and manage the impact of the correction to the economy following the credit crunch. This period of low interest rates has been predicted to end in the near future, but has been extended partly as a result of the impact of Brexit uncertainly and the resulting deferral of investment in the economy.

As a locally focussed business, with customers and suppliers mainly in the UK economy, the Trust's direct exposure to Brexit is manageable. The broader impact on the economy and costs in the construction sector, however, could be significant. We manage this by making prudent provisions in our business plan, testing for worst case scenarios and making contingency plans.

FINANCIAL PERFORMANCE

We are pleased to report a surplus for the year of £5.72m for the year (2017: £7.27m). Our financial performance has exceeded our lenders' covenants and met our own targets.

The table below summarises the overall results of the Trust:

	2018 £000s	2017 £000s
Turnover	29,516	29,443
Operating costs and cost of sales	(19,692)	(18,101)
Operating surplus	**9,824**	**11,342**
Operating surplus % of Turnover	***33.3%***	***38.5%***
Net interest charges	(4,092)	(4,064)
Surplus for the year before tax	**5,732**	**7,278**
Taxation	(8)	(9)
Surplus for the year after tax	**5,724**	**7,269**

While the income has remained at the same level, despite the 1% rent reduction, the operating costs increased year-on-year due to, a write-off as a result of our head office refurbishment, restructuring costs and fees for a planned stock condition survey the Trust commissioned to understand the investment needs of our business.

Creditor days were calculated as 19 days (2017: 23 days) with average performance better than our standard terms of 30 days credit.

The detailed results for the year are set out in the financial statements on pages 21 - 50.

Capital structure
Borrowings at the year-end were £74.00m (2017: £71.80m). The debt is sourced from Barclays Bank Plc and Warrington Borough Council.

Borrowings are in summary:

	31 March 2018		31 March 2017	
	Available facility £m	**Drawn £m**	Available facility £m	Drawn £m
Barclays Loan Facility	**70.00**	**70.00**	70.00	70.00
Barclays Overdraft Facility	**0.50**	**0.00**	0.50	0.00
Barclays Loan Facility (office)	**0.00**	**0.00**	1.80	1.80
Warrington Borough Council loan	**25.00**	**4.00**	25.00	0.00
Total facilities	**95.50**	**74.00**	97.30	71.80

The Barclays 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 Trust also made the first drawdown of £4m from the loan facility provided by Warrington Borough council during the year, to fund new property development. The overdraft facility is used to manage very short term cashflow and was not used during the year. The loan facility to assist with the purchase of 'Ropewalks', the head office previously leased by the Trust was repaid in March 2018.

The Trust has agreed terms with Barclays Bank for a new £25m revolving credit facility, which will support the future development ambitions set out in the new 5 Year Plan.

£64m of the total £74m borrowings at the balance sheet date were on interest rates fixed for longer than 12 months. This means only 13.5% (2017: 14.1%) of the debt is exposed to short term interest rate increases, meeting our golden rule standard of less than 25% being exposed.

In the financial statements, debt is an ammortised cost adjusted to take account of known future increases in interest costs, as at 31 March 2018 this adjustment increases the value of the debt drawn to £74.94m (2017: £73.73m).

Cash flows
Cash inflows and outflows for the year under review are set out in the Statement of Cash Flows on page 24.

During the year net cash of £11.73m (2017: £13.49m) was generated by operating activities. Included in operating cashflows last year, and accounting for the year on year increase, is £2.2m that was placed in an Escrow account to provide additional security for the Cheshire Pension Fund liabilities. A £4m draw down from available loans was made and a £1.8m loan repaid. Over the year cash balances decreased by £5.93m.

Future Developments
The Board has approved the business plan for 2018/19 onwards, which includes our development programme for an increase of 750 homes in the next five years. The Trust completed 117 new homes during 2017/18 and started on sites that will deliver another 114 homes.

Over £18m was invested in new homes in the financial year, £1.22m of which was funded through social housing grant from Homes England, and the remainder through surpluses and loan facilities.

The Trust will continue to maintain and improve all of its homes and in over the next five years is planning to invest £30m making improvements to existing homes, in addition to an investment of £100m in new developments.

Liquidity
The Trust's long term policy is not to hold significant cash balances but to have loan facilities in place to fund future requirements. Because of strong cash performance driven by shared ownership sales and previous treasury management decision, the Trust had surplus funds of £12m placed on deposit at the end of March 2017. Over the last year the surpluses have been invested in our assets, a £1.8m loan has been repaid and additional funds of £4m have been drawn, leaving £6m to fund development in the near future. The Trust is negotiating a new revolving credit facility to complement its fixed loans and enable more flexibility in liquidity to follow the preferred policy of keeping cash balances low.

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 are adjusted for depreciation and impairment.

Pension arrangements
The Trust participates in four pension schemes, the Cheshire Fund and two schemes with the Social Housing Pension Scheme (SHPS), and one with the National Health Service (NHS).

The Cheshire Fund is in deficit by £3.1m (2017: £3.5m deficit) under Section 28 FRS 102 in the balance sheet. The £0.4m decrease in the net deficit was principally driven by changes in financial assumptions used to calculate the value of the pension fund (£5.3m based on information from the Administering Authority), as well as a positive return on assets (£1.1m decrease in deficit).

One of the SHPS schemes is a defined benefit scheme, which is is a multi-employer scheme and no share of any cash scheme deficit is taken into the Trust balance sheet, deficit contributions are made to this scheme. The NHS defined benefit scheme is also a multi-employer scheme and no share of any cash scheme is taken into the Trust balance sheet.

The other SHPS scheme is a Defined Contribution scheme that is used as the auto enrolment option when no other option is selected. The Trust currently has 79% of the staff enrolled in one of the four pension schemes.

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.

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 STATEMENT

In March 2018 the Board adopted a new 5 Year Plan that clearly articulates the Trust's objectives:
1. To be a great landlord
2. To invest in our homes
3. To build 750 new homes across all tenures
4. To create great places to live

The value for money test in relation to these objectives is how many homes we can build whilst delivering great services at costs that are optimum for our agreed level of service.

We also have a clear understanding that continuing to invest in our homes and making our services more efficient, while also maintaining quality, is essential to protecting our financial returns. Protecting our financial position enables us to deliver more new homes.

An appropriate proxy for this is our operating margin which indicates how much surplus we produce from our day-to-day services to be recycled into supporting the building of more homes.

The following Value for Money targets are monitored at Board level and link to our objectives:

	2016/17 Result	**2017/18 Result**	**2017/18 Target**
Rent Collection %	99.43%	98.90%	99.41%
% Rent Lost by properties being empty (Void loss %)	0.30%	0.50%	0.30%
New Home Starts	218	114	230
New Home Completions	82	117	148
Net Housing Stock Growth	46	99	123
% of total turnover from diverse income streams	8.32%	8.98%	7.66%
	March 2017 Result	**March 2018 Result**	**March 2018 Target**
% Responsive Repairs - Customer Satisfaction	94.44%	99.23%	98.00%
% self-sufficient customers (rent payments)	94.12%	96.22%	95.00%
% transactions completed electronically	Not collected	84.80%	80.00%
Net Promoters 'would recommend to friends and family'?	Not collected	78	45

Commentary on theses KPIs can be found on pages 3-5 of the accounts

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STRATEGIC REPORT – Value for Money statement (continued)

Over the next year, the Board have agreed to monitor the following in relation to Value for Money:

FOUNDATIONS – To ensure we continue to be a Great Landlord	Target March 2019	Stretch Target March 2019	Value for money impact
Operating Margin (social housing lettings only)*	37.5%	40.0%	Surpluses indicate efficiency and enable us to build more homes
% rent collection (current)	98.56%	98.66%	Unpaid rent represents lost value and impacts surpluses
Tenancies failing within 24 months	20%	18%	We have established a break- even point of 24 months and want to reduce loss making tenancies so we can make a lasting difference and deliver more homes
NPS rating	69.1	72	The likelihood that people will recommend us is a key indicator of customers valuing our services.
Rent lost by properties being empty	0.50%	0.40%	Empty properties indicate poor value for money
PROTECT – Invest in and enhance existing homes			
Reinvestment % (Existing homes)*	4%	5%	Also part of the regulator's VfM metric 1 this shows how much we are putting back into our current homes.
Change in stock valuation (EUV-SH estimate)	£5m	£7m	Building our valuation indicates the financial strength and enables us to raise capital to invest and grow further.
Return on Capital Employed (ROCE)*	5.0%	7.5%	Also one of the regulator's VfM metric 7; this shows how much we get back in operating surpluses for the amount invested in our assets.
GROW – 750 New Homes (all tenures)			
Reinvestment % (New homes)*	15%	20%	Also part of the regulator's VfM metric 1; this shows how much we are investing in new homes.
% of stock new build (social + non-social)*	2.5%	3.5%	Also the regulator's VfM metric 2; this shows how many new homes we create relative to our size.
New home starts (bar split by tenure)	168	185	Other ways we measure to make sure we are delivering new homes to help improve more lives.
New home completions (bar split by tenure)	177	195	
Net growth in number of homes	162	178	
CREATE – Great Places to Live			
Reduction in Shopfront vacancies - Sunderland Street	25%	505	Together with budgetary control and other qualitative assessments, these monitor the impact of the investment we make in regeneration projects to create great places to live and ensure that investment is proportionate to the returns.
Improvement in visitor sentiment survey agree that 'Sunderland Street is vibrant and lively'	5%	10%	
Footfall increase Sunderland Street	5%	10%	

*Also one of the Regulator's VfM Metrics

In May 2018 the Board formally approved the Trust's approach to VfM, reflecting the requirements of the revised Value for Money Standard issued by the Regulator of Social Housing, which came into effect on 1st April 2018.

Our approach to VfM
The standard requires the Board to agree an approach to achieving VfM in the delivery of our objectives. The following approach is recommended:

In adopting our new 5 year plan, we already meet the Regulator's expectations of clearly articulating our strategic objectives. The adoption of the Board suite of Key Performance Indicators (KPIs) will be the tool used by the Board to monitor delivery of these objectives. These, together with the VfM metrics required by the Regulator will provide the evidence base as to the delivery or otherwise of VfM.

The key test of VfM given our objectives is how many homes we can build whilst delivering great services at costs that are optimum for our agreed level of service. An appropriate proxy for this is our operating margin, which indicates how much surplus we produce from our day-to-day services to be recycled into supporting the building of more homes. It is also one of the VfM metrics we are required to report on in our accounts. Our regular Finance Reports to Board allows this to be easily and regularly monitored.

In agreeing the Board's suite of KPIs, the Board must ensure that the KPIs chosen indicate delivery of VfM (for example our tenancy sustainment target set at our break-even point). In part this may be achieved with the help of benchmarked information from Housemark. Good VfM outcomes would be achieved from a combination of top quartile results for outcomes and lowest quartile for costs. The ambition of the targets being set, the rigour in which performance against them is monitored and the way they compare with others will all impact on our VfM delivery.

We will control costs and increase margins by clearly articulating service standards and expectations. This brings a degree of consistency and cost predictability. VfM is about the balance between cost and outcome, so our aim should be to deliver enhanced outcomes whilst reducing cost. One such example is our focus on digitised services, which are more convenient for customers, easier to access and ultimately cheaper to deliver.

Key Board decisions with VfM implications are informed by an Impact Summary included in each Board focus report which includes the VfM implications. Board is encouraged to challenge that there has been a rigorous option appraisal taking sufficient account of costs and outcomes. It should be clear to Board how they should judge that the proposed approach demonstrates good VfM.

Part of the Trust's approach to VfM is our culture of financial prudency; whether that be our salary structure based on median benchmarked spot salaries or modest salary increases or rigorous challenge to minimising our office floor take.

This culture does not always lead to the "regular consideration of potential VfM gains" as required by the standard, so these will be made clearer in reports from the Exec team and Board will challenge the Exec team until they are satisfied that these gains are indeed identified. Their delivery can be measured and reported in the monthly Board Finance Reports.

The related requirement to regularly consider the costs and benefits of alternative commercial, organisational and delivery structures should also feature in the VfM section of Board reports where significant decisions are being recommended. In any event there should be an annual assessment of our ability to deliver our Strategic Objectives in our current form. There was such an assessment at the time that the new 5 year plan was adopted and it was felt (and demonstrated through business planning) that our ambitions could be realised with our current structure.

VfM Metrics - performance

	2017 Sector Mean	2017 Sector 'Best' Quartile	2017 Trust Actual	2018 Trust Actual
Metric 1 – Reinvestment %	6.16%	8.90%	10.01%	14.71%
Metric 2 – New supply delivered %				
A. New supply delivered (Social housing units)	1.50%	2.19%	1.42%	2.27%
B. New supply delivered (Non-social housing units)	2.88%	0.40%	n/a	n/a
Metric 3 – Gearing %	47%	57%	56%	57%
Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	1.37	2.64	2.83	2.41
Metric 5 – Headline social housing cost per unit	£3,456.67	£1,474.07	£2,905.82	£3,107.53
Metric 6 – Operating Margin %				
A. Operating Margin (social housing lettings only)	28%	36%	38%	35%
B. Operating Margin (overall)	26%	34%	36%	31%
Metric 7 – Return on capital employed (ROCE)	3.6%	5.3%	8.6%	7.1%

The Trust is pleased to report our first set of results against the regulator's VfM Metrics. Throughout the consulation process for the new Value for Money Standard, the Board have been encouraged that the the VfM Metrics support the approach to VfM that the Trust has taken in the past and intends to take in the future. We have compared our performance for the year with our performance last year and also with the housing sector average and best quartile points for last year, calculated from the 'Global Accounts' published on the Regulator's website.

Metric 1: **'Reinvestment %'** was in the highest quartile compared with other Housing Associations for 2016/17, with investment in existing properties 2.3 times higher than average and investment in new properties 1.2 times higher than average. Our reinvestment % increased further in 2017/2018, mainly as a result of increased investment in new properties, which is reflected in our movement in Metric 2 **'New supply delivered'** from 1.42% in 2016/17 to 2.27% in 2017/18 (highest quartile by 2016/17 results).

Metric 3: **'Gearing'** has increased to the highest quartile point reflecting our decision to use our capacity to invest in new and existing homes to strengthen our future income and deliver more. As a result of our accelererated investment, Metric 4 **'EBITDA MRI Interest cover %'** has decreased marginally between 2016/17 and 2017/18 as interest costs have increased slightly ahead of increased earnings being realised. This metric is still well above average for the sector, however, and well within our tightest lenders' covenant of 1.1 times and our own minimum level of 1.25 set in the Golden Rules.

Metric 5: **'Headline social housing cost per unit'** increased between 2016/17 and 2017/18, but remains below the average for 2016/17. The year on year increase is a result of investing further in service improvements from a low base cost set in 2016/17, which was created following restructuring ahead of the four years of rent reduction. The impact of this investment in services together with the rent reduction can also be seen in Metric 6 **'Operating Margin',** which has moved from a top quartile position to a second quartile position. Metric 7 **'ROCE'** has also fallen but remains at a high level that would have been top quartile in 2016/17. This is the effect of starting to invest to grow from our strong financial position created in 2016/17, while managing the impact of rent reductions.

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 2017 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.

A fraud register is maintained and is reviewed by Audit Committee at each meeting. No incidents of fraud have been reported during the past 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.

Code of Governance

The Trust has complied with the Governance and Viability Standard published by the regulatory committee of the Homes and Communities Agency and uses the National Housing Federation's Code of Governance 2015 – code for members (the code) as its chosen code of governance and has fully complied with this code.

Statement of compliance

In preparing this Strategic Report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers 2014.

The strategic report was approved by the Board on 17 July 2018 and signed on its behalf by:

J. Hudson

John Hudson
Chairman

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
REPORT OF THE BOARD

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

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 Board directs the Trust in accordance with its Rules and sets objectives on behalf of the shareholders, tenants, residents, employees and community at large. The Board meet every two months and comprises of eight voluntary members and a paid Chair.

The executive directors are the Chief Executive, the Director of Customers and the Director of Homes and Resources known as the executive management team. They hold no interest in the Trust's shares and act as executives within the authority delegated by the Board. 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. The Trust invested £66,025 in staff training and development in the year. This is equivalent to £322 per employee.

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 independent member who is not on the full Board, 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 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.

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.

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS

The board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the board 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 association and group for that period. In preparing these financial statements, the board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The report of the Board was approved by the Board on 17 July 2018 and signed on its behalf by:

P L Hudson

John Hudson
Chairman

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

OPINION

We have audited the financial statements of Cheshire Peaks & Plains Housing Trust Limited (the 'Trust') for the year ended 31 March 2018 which comprise the statement of comprehensive income, statement of changes in reserves, statement of financial position, statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).
In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

BASIS FOR OPINION

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

WHO WE ARE REPORTING TO?

This report is made solely to the Trust's members, as a body, in accordance with regulations made under Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The board is responsible for the other information. The other information comprises the information included in the Annual Report, set out on pages 2 to 17 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Trust has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

RESPONSIBILITIES OF THE BOARD FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Responsibilities of the Board set out on page 18, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Grant Thornton UK LLP.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date: 26 July 2018.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £'000s	2017 £'000s
TURNOVER	3	29,516	29,443
Cost of sales	3	(440)	(442)
Operating costs	3	(19,252)	(17,659)
OPERATING SURPLUS		9,824	11,342
Interest receivable	7	28	61
Interest payable and other financing costs	8	(4,120)	(4,125)
SURPLUS BEFORE TAX		5,732	7,278
Taxation	11	(8)	(9)
SURPLUS FOR THE YEAR		5,724	7,269
Actuarial gain / (loss) in respect of pension schemes	26	836	(1,878)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,560	5,391

The results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 17 July 2018.

John Hudson
Chairman

Matthew Cunningham
Board Member

Greg van Enk-Bones
Secretary

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STATEMENT OF CHANGES IN RESERVES AS AT 31ST MARCH 2018

	Income and expenditure reserve £'000s
Balance at 31 March 2016	35,940
Surplus for the year	7,269
Other comprehensive income for year	(1,878)
Balance at 31 March 2017	41,331
Surplus for the year	5,724
Other comprehensive income for year	836
Balance at 31 March 2018	**47,891**

The accompanying notes form part of these financial statements.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2018
COMMUNITY BENEFIT SOCIETY REGISTRATION NO: 7528

	Note	2018 £'000s	2017 £'000s
FIXED ASSETS			
Tangible fixed assets – housing properties	12	122,734	110,216
Other tangible fixed assets	13	3,373	3,216
Intangible fixed assets	14	218	313
Investment properties	15	3,255	2,474
		129,580	116,219
CURRENT ASSETS			
Properties held for sale	18	1,557	636
Trade and other debtors	19	4,670	3,852
Cash and cash equivalents	17	6,253	12,629
		12,480	17,117
CREDITORS: Amounts falling due within one year	20	**(4,548)**	**(5,762)**
NET CURRENT ASSETS		**7,932**	**11,355**
TOTAL ASSETS LESS CURRENT LIABILITIES		**137,512**	**127,574**
CREDITORS: Amounts falling due after more than one year	21	**(86,495)**	**(82,696)**
PROVISIONS FOR LIABILITIES			
Defined benefit pension liability	26	(3,126)	(3,547)
TOTAL NET ASSETS		**47,891**	**41,331**
RESERVES			
Income and expenditure reserve	27	47,891	41,331
TOTAL RESERVES		**47,891**	**41,331**

The accompanying notes form part of these financial statements.

The financial statements were issued and approved by the Board on 17 July 2018.

John Hudson **Chairman**	**Matthew Cunningham** **Board Member**	**Greg van Enk-Bones** **Secretary**

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £'000s	2017 £'000s
Net cash generated from operating activities	28	**11,734**	**13,487**
Cash flow from investing activities			
Purchase and refurbishment of tangible fixed assets		(17,156)	(11,131)
Purchase of other tangible assets		(1,508)	(218)
Net gain on sale of fixed assets		1,435	772
Grants received		1,342	886
Interest received		28	61
		(15,859)	(9,630)
Cash flow from financing activities			
Interest paid		(4,000)	(3,522)
New secured loans		4,000	-
Repayment of borrowings		(1,800)	(133)
		(1,800)	(3,655)
Net change in cash and cash equivalents		**(5,925)**	**202**
Cash and cash equivalents at beginning of the year		**12,178**	**11,976**
Cash and cash equivalents at end of the year	17	**6,253**	**12,178**

The accompanying notes form part of these financial statements

1. LEGAL STATUS

Legal status
The Trust is registered under the Co-operative and Community Benefits Society Act 2014 and is a Registered Provider of Social Housing. The registered office is Ropewalks, Newton Street, Macclesfield, Cheshire SK11 6QJ.

The Trust has an investment of one share in Peaks & Plains Devco Limited and one share in Peaks & Plains Tradeco Limited, which are both 100% subsidiaries of the Trust at 31 March 2018. Both companies are classed as dormant and not trading at the end of the year.

2. ACCOUNTING POLICIES

Basis of accounting
The financial statements of the Trust are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are presented in Sterling (£).

The Trust is a public benefit entity in accordance with FRS102.

The Trust has not prepared consolidated accounts for the year ended 31 March 2018 as the two subsidiaries have not been trading in the year to 31 March 2018.

Going concern
The Trust's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board and Strategic Report. The Trust has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with its 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. The Trust has agreed Heads of terms for an additional £25m revolving credit facility. This will fund uncommitted development schemes included within the 30 year business plan as part of the 5 year plan.

On this basis, the Board has a reasonable expectation that the Trust 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.

Significant judgements and estimates
Preparation of the financial statements requires management to make significant judgements and estimates.

The following are the significant management judgements made in applying the accounting policies of the Trust that have the most significant effect on the financial statements.

<u>Impairment</u>
From 1 April 2016, Cheshire Peaks & Plains Housing Trust has reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016.

Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment. As a result, we undertook an impairment assessment of our housing properties where significant investment had been made or increases in void loss. No material adjustment has been made.

With regard to development sites the Trust has estimated the recoverable amount of our housing properties and compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred. Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, there was no impairment of social housing properties.

Classification of loans as basic

The Trust has a number of loans with Barclays Bank which have a 'two-way break clause' which is applicable where the loan is repaid early and could result in a break cost or a break gain. The loans in question are fixed rate loans. In a prepayment scenario that results in a break gain, the loan agreement provides for the repayment of the capital at par. Any break gain payable by the lender would be in relation to future interest periods only.

Management have considered the terms of the loan agreements and concluded that they do meet the definition of a basic financial instrument, therefore are held at amortised cost.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenditure is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2018 was £40.82m. The carrying amount of the housing properties was £122.73m.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 26). The liability at 31 March 2018 was £3.1m.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Turnover and revenue recognition

Turnover represents rental and service charge income receivable in year (net of void losses), income from shared ownership first tranche sales and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales is recognised at the point of legal completion of the sale. Other income is recognised as receivable on the delivery of services provided.

Taxation

No taxation is payable on the primary purpose surpluses of the Trust, as it has charitable status. Corporation tax is payable on non primary purpose trading surpluses incorporating Feed-in-tariff income on renewable energy PV panels using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Value Added Tax

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

Interest payable
Interest payable on borrowings is charged to the statement of comprehensive income in the year in which it is incurred.

Financial Instruments
Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 and Section 12 of FRS102 are recognised at amortised historical cost. The Trust has applied the provisions of both Section 11 and Section 12 of FRS102 in full. It has classified all financial instruments as basic.

Debtors
Short term debtors, including tenant arrears, are measured at transaction price less a provision for amounts considered unlikely to be received.

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction cost, and are measured subsequently at amortised costs using the effective interest method.

Employee Benefits
Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period to which they are incurred.

Pension costs
The Trust participates in the Cheshire Pension Fund and the Social Housing Pension Scheme defined benefit salary pension schemes, the Social Housing defined contribution scheme and one NHS defined benefit Pension Schemes.

<u>The Cheshire Pension Fund</u>
For the Cheshire Pension Fund scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Trust through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus.

Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

<u>Social Housing Pension Scheme (SHPS)</u>
The Trust participates in a second defined benefit 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.

It has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to the income and expenditure represents the employer contribution payable to the scheme for the accounting period.

Contributions payable from the Trust to the SHPS under the terms of its funding agreement for past deficits are recognised as a liability within other creditors in the Trust's financial statements.

The Trust also operates the Social Housing defined contribution scheme which is used as the auto enrolment option when no other option is selected. Contributions payable under this scheme are charged to operating surplus in the year to which they relate.

National Health Service Pension Scheme (NHS)
The Trust participates in a NHS defined benefit pension scheme. This provides benefits based on final pensionable pay. The assets of this scheme are held separately from those of the Trust.

It has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to the income and expenditure represents the employer contribution payable to the scheme for the accounting period. Contributions payable under this scheme are charged to operating surplus in the year to which they relate.

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

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

Investment properties
Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

Government grants
Government grants include grants receivable from Homes England (and its predeccesor bodies), local authorities and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land) where applicable under the accruals method.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

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

Government grants for housing properties are subordinated to the repayment of loans by agreement with the funding body. Government grants 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 statement of financial position 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.

Other grants
Grants received from non government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Trust is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as deferred income.

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

The Trust depreciates the major components of its housing properties 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

Impairment

Housing properties are assessed annually for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its' recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the Trust, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

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 office equipment	3 years
Plant, Machinery and Vehicles	3 years	Freehold/leasehold properties	40 years

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

Disposal Proceeds Fund

Section 178(1) of the 2008 Act. Under the Housing and Planning Act 2016 Deregulatory measures applicable from 7 April 2017, additions into the DPF regime will be abolished. The balances accrued to this date will be used in accordance with the DPF requirements over the next three years. Therefore the existing balance as at 31 March 2018 will remain as a liability until spent or repaid.

Leases

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

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

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

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

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

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

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

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 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. The available transitional relief has been taken not to restate goodwill on conversion to FRS102.

3. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUSES

	Turnover 2018 £'000s	Cost of sales 2018 £'000s	Operating costs 2018 £'000s	Operating surplus 31 March 2018 £'000s
Social housing lettings	25,454	-	(16,658)	8,796
Other social housing activities				
First tranche low cost home ownership sales	750	(440)	-	310
Charges for Support Services	273	-	(307)	(34)
Gain on disposal of housing properties (note 6)	-	-	604	604
Other	186	-	(185)	1
	26,663	(440)	(16,546)	9,677
Activities other than social housing	2,853	-	(2,706)	147
	29,516	**(440)**	**(19,252)**	**9,824**

	Turnover 2017 £'000s	Cost of sales 2017 £'000s	Operating costs 2017 £'000s	Operating surplus 31 March 2017 £'000s
Social housing lettings	25,295	-	(15,351)	9,944
Other social housing activities				
First tranche low cost home ownership sales	773	(442)	-	331
Support Services	299	-	(287)	12
Gain on disposal of housing properties (note 6)	-	-	450	450
Other	874	-	(702)	172
	27,241	(442)	(15,890)	10,909
Activities other than social housing	2,202	-	(1,769)	433
	29,443	**(442)**	**(17,659)**	**11,342**

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General needs 2018 £'000s	Supported housing & housing for older people 2018 £'000s	Low cost home ownership 2018 £'000s	31 March 2018 £'000s	31 March 2017 £'000s
Rent receivable net of identifiable service charges	19,102	5,646	43	24,791	24,622
Service charge income	213	350	4	567	585
Amortised government grants	96	-	-	96	88
Net rental income from social housing lettings	19,411	5,996	47	25,454	25,295
Management	(3,648)	(1,209)	-	(4,857)[1]	(2,521)
Service costs	(1,079)	(38)	-	(1,117)	(1,746)
Routine maintenance	(2,464)	(822)	-	(3,286)	(3,905)
Planned maintenance	(1,396)	(466)	(1)	(1,863)	(1,770)
Bad debts	(82)	(27)	-	(109)	(206)
Depreciation of housing properties	(3,965)	(1,323)	(43)	(5,331)	(5,108)
Amortisation of goodwill	(70)	(24)	(1)	(95)	(95)
Operating costs on social housing lettings	(12,704)	(3,909)	(45)	(16,658)	(15,351)
Operating surplus on social housing lettings	6,707	2,087	2	8,796	9,944
Void losses	135	42	-	177	67

4. ACCOMODATION IN MANAGEMENT AND DEVELOPMENT

At the end of the year accommodation in management was as follows:

	2018 No of properties	2017 No of properties
Social Housing		
General Needs	3,830	3,836
Supported Housing	6	5
Housing for older people	1,272	1,189
Low cost home ownership	44	23
Total owned	**5,152**	**5,053**
Accommodation managed for others	12	12
Total owned and managed	**5,164**	**5,065**
Accommodation in development at the year end	**276**	**52**

[1] Management costs have increased significantly from the previous year due to certain departmental costs being transferred to here from other cost arears, and the basis of apportionment has been changed from the previous year.

5. OPERATING SURPLUS

	2018 £'000s	2017 £'000s
Surplus on ordinary activities is stated after charging:		
Depreciation:		
Housing properties	5,084	4,949
Accelerated depreciation on disposal of components	247	115
Amortisation of grants	(96)	(88)
Other tangible fixed assets	186	288
Amortisation:		
Goodwill	95	95
Operating leases:		
Other equipment	58	67
Auditor's remuneration (excluding VAT):		
Fees payable to the company's auditor for the audit of the company's annual financial statements	26	25
All other assurance services	7	7
Taxation compliance fees	4	3
All other taxation advisory services	24	6

6. SURPLUS ON SALE OF FIXED ASSETS

	2018 £'000s	2017 £'000s
Sale proceeds	1,277	1,679
Carrying value of fixed assets	(203)	(325)
Incidental sale expenses	(26)	(16)
Transfer to Disposal Proceeds Fund (note 23)	-	(145)
Right to Buy re-imbursement	(444)	(743)
Total surplus on sale of fixed assets	604	450

7. INTEREST RECEIVABLE AND OTHER INCOME

	2018 £'000s	2017 £'000s
Income from bank deposits	28	61

8. INTEREST PAYABLE AND FINANCIAL COSTS

	2018 £'000s	2017 £'000s
Defined benefit pension charge	97	55
Loans and bank overdraft	4,021	4,068
SHPS interest expense	2	2
	4,120	4,125

9. EMPLOYEES

The average monthly number of persons (including the executive directors but excluding the Board), expressed in full time equivalents (calculated based on a standard working week of 37 hrs):

	2018 No.	2017 No.
Administration	43	39
Housing	73	71
Development and maintenance	96	95
	212	205

Employee Costs:	2018 £'000s	2017 £'000s
Wages and salaries	6,586	5,682
Social security costs	512	472
Other Pension costs (included in operating costs)	780	995
	7,878	7,149
Restructuring Costs	376	54

The Trust's employees are members of the Cheshire Pension Fund, the Social Housing Pension Fund (SHPS) or of the two defined benefit National Health Service Pension Schemes. The Trust has an alternative defined contribution pension scheme with SHPS.

10. STAFF NUMBERS AND COSTS

The full time equivalent number of staff (including executive directors) whose remuneration payable in relation to the period of account fell within each band of £10,000 from £60,000 upwards. Remuneration includes compensation for loss of office.

	2018 No.	2017 No.
£60,001 to £70,000	2	4
£70,001 to £80,000	1	1
£80,001 to £90,000	3	3
£90,001 to £100,000	2	2
£100,001 to £110,000	1	-
£110,001 to £120,000	-	-
£120,001 to £130,000	-	1
£130,001 to £140,000	1	-
£140,001 to £150,000	1	1
£150,001 to £160,000	-	1
	11	13

KEY MANAGEMENT PERSONNEL

The aggregate remuneration for the Executive Management team who are considered to be the key management personnel charged in the year is:

	2018 £'000s	2017 £'000s
Basic Salary	308	357
Benefits in kind	9	16
Total Remuneration	317	373
Social security costs	39	51
Pension contributions	37	40
Total cost of key management personnel	393	464

The Trust's Chief Executive, who was the highest paid employee, is a member of the Social Housing Pension Scheme. He is an ordinary member and no enhanced or special terms apply. The Trust does not make any further contributions to an individual pension arrangement for the Chief Executive. The emoluments of the highest paid employee, the Chief Executive, excluding pension contributions were £135,094 (2017: £134,934). During the year, the aggregate compensation for loss of office of key management personnel was £Nil (2017: £46,268)

The Chair and non-executive board members received an annual emolument. £41,005 was incurred in the year (2017: £11,489). The total board expenses for the year are £425 (2017: £1,184).

Non Executive Directors	Remuneration (£)	Audit Committee	Governance Committee
John Hudson, Chairman	11,633		
Kate Lindley	3,600	✔	
Samantha Knuckey	3,058		✔
Tom Agar	3,600	✔	
Matthew Cunningham	4,428	Chair	
Gordon Richardson	3,600	✔	
Simon Leighton	3,058		✔
Paul Findlow	3,600		✔
Alison Light	4,428		Chair

11. TAX ON SURPLUS ORDINARY ACTIVITIES

The taxation charge which arises in the Trust included within these financial statements comprises:

	2018 £'000s	2017 £'000s
Current tax		
UK corporation tax on surplus for year	8	9
Adjustments in respect of prior years	-	-
Total current tax	8	9

	2018 £'000s	2017 £'000s
Total tax reconciliation		
Surplus on ordinary activities before tax	6,073	7,278
Theoretical tax at UK corporation tax rate 19% (2017: 20%)	1,154	1,456
- Non taxable income	(1,140)	(1,440)
- Capital allowances	(6)	(7)
Total taxation charge	8	9

Cheshire Peaks & Plains Housing Trust Limited is an exempt 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 Trust's renewal energy project. The aggregate current tax relating to items that are recognised as items of other comprehensive income is £8,000 (2017; £9,000).

12. FIXED ASSETS: HOUSING PROPERTIES

	Housing properties held for letting £'000s	Housing properties under construction £'000s	Completed Shared Ownership Properties £'000s	Under Construction Shared Ownership Properties £'000s	Total Housing properties £'000s
Cost					
At 1 April 2017	141,422	3,490	1,124	208	146,244
New development schemes	-	12,346	-	1,403	13,749
Works to existing properties	4,300	-	-	-	4,300
Schemes completed	10,035	(10,035)	1,189	(1,189)	-
Disposals	(738)	-	-	-	(738)
At 31 March 2018	155,019	5,801	2,313	422	163,555
Depreciation					
At 1 April 2017	36,012	-	16	-	36,028
Depreciation charged in year	5,071	-	13	-	5,084
Released on disposal	(291)	-	-	-	(291)
At 31 March 2018	40,792	-	29	-	40,821
Net book value					
At 31 March 2018	**114,227**	**5,801**	**2,284**	**422**	**122,734**
At 31 March 2017	**105,410**	**3,490**	**1,108**	**208**	**110,216**

Expenditure on works to existing properties

	2018 £'000s	2017 £'000s
Amounts capitalised	4,300	3,692
Amounts charged to income and expenditure account	1,812	1,715
	6,112	5,407

Social Housing Assistance

Total accumulated social housing grant received or receivable as 31 March 2018:	2018 £'000s	2017 £'000s
Recognised in the Statement of Comprehensive Income	1,353	1,257
Held as deferred income	10,458	9,055
Total	11,811	10,312

Housing properties book value net of depreciation

	2018 £'000s	2017 £'000s
Freehold land and buildings	122,552	110,033
Leasehold land and buildings	182	183
	122,734	110,216

Impairment

The Trust considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting 102 and SORP 2014. CGU's were assessed for changes to the operating environment or the asset and as a result no social housing properties were impaired.

13. TANGIBLE FIXED ASSETS – OTHER

	Freehold and Leasehold properties £'000s	Fixture and fittings £'000s	Computers & Office Equipment £'000s	Total £'000s
Cost				
At 1 April 2017	2,614	1,157	1,869	5,640
Additions	-	1,214	294	1,508
Transfer to Investment Properties	(820)	-	-	(820)
Disposals	-	(987)	(234)	(1,221)
At 31 March 2018	1,794	1,384	1,929	5,107
Depreciation				
At 1 April 2017	92	677	1,655	2,424
Charged in year	55	30	101	186
Transfer to Investment Properties	(39)	-	-	(39)
Released on disposal	-	(602)	(234)	(836)
At 31 March 2018	108	105	1,522	1,735
At 31 March 2018	1,687	1,279	407	3,373
At 31 March 2017	2,522	480	214	3,216

14. INTANGIBLE FIXED ASSETS: GOODWILL

	Goodwill £'000s
Cost	
As at 1 April 2017 and 31 March 2018	1,331
Amortisation	
At 1 April 2017	1,018
Charge for year	95
At 31 March 2018	1,113
Net book value	
At 31 March 2018	218
At 31 March 2017	313

Goodwill of £1,331,000 arose on the stock transfer from Macclesfield Borough Council on 17 July 2006. The Trust applied the transactional relief on adoption of FRS 102, as it took place prior to transition date of 1 April 2014 and therefore has not been restated.

15. INVESTMENT PROPERTIES – COMMERCIAL PROPERTY

	2018 £'000s
At 1 April 2017	2,474
Additions – transfer from tangible fixed assets - other	781
At 31 March 2018	3,255

During 2017/18 there has been a transfer from other tangible fixed assets to investment property. The valuation as at 31 March 2018 is a director's valuation using the estimated Rental Value of the property, in accordance with the assumed rent review provisions in the leases.

16. INVESTMENT IN SUBSIDIARIES

The Trust has an investment of one share (£1) in Peaks & Plains Devco Limited and one share (£1) in Peaks & Plains Tradeco Limited, which are both subsidiaries of the Trust at the end of the year. Both companies are classed as dormant i.e. not trading at the end of the year. There were no transactions between the Trust and these two companies during the year. The Trust has the right to appoint members to the boards of the two subsidiaries and therefore exercise control over them.

The Trust is the ultimate parent undertaking.

17. CASH & CASH EQUIVALENTS

	2018 £'000s	2017 £'000s
Cash at bank and in hand	6,253	12,629
Bank overdraft	-	(451)
	6,253	12,178

18. PROPERTIES FOR SALE

	2018 £'000s	2017 £'000s
Shared Ownership Properties:		
Completed Properties	1,135	428
Work in Progress	422	208
	1,557	636

19. DEBTORS

	2018 £'000s	2018 £'000s
Arrears of rent and service charges	549	544
Less: provision for bad and doubtful debts	(368)	(367)
	181	177
Other debtors	752	615
Other debtors - Escrow*	2,201	2,204
Prepayments and accrued income	1,536	856
	4,670	3,852

*The Trust entered into an Escrow Agreement with Cheshire West & Chester Council who administer the Cheshire Pension Fund. A cash sum of £2.2m is held on deposit to cover the outstanding pension liability following the triennial valuation as at 31st March 2016. The account is administered by Barclays Bank with funds being released to the Cheshire Pension Fund in the event of the insolvency of the Trust.

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000s	2017 £'000s
Debt (Note 25)	-	583
Trade creditors	389	807
Other creditors	673	1,044
Rent and service charges received in advance	465	404
Other taxation and social security creditors	-	124
Accruals and deferred income	2,906	2,476
Deferred grant income (Note 22)	112	97
Social housing grants in advance of costs	3	227
	4,548	5,762

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
Loans	**£'000s**	**£'000s**
Debt (Note 25)	75,938	73,593
Deferred grant income (Note 22)	10,346	8,958
Disposal Proceeds Fund (Note 23)	145	145
Recycled Capital Grant Fund (Note 24)	66	-
	86,495	82,696

22. DEFERRED GRANT INCOME

	2018 £'000s	2017 £'000s
At 1 April	9,055	7,758
Grant received in the year	1,499	1,385
Released to income in the year	(96)	(88)
At 31 March	10,458	9,055

	2018 £'000s	2017 £'000s
Amounts to be released within one year	112	97
Amounts to be released in more than one year	10,346	8,958
At 31 March	10,458	9,055

23. DISPOSAL PROCEEDS FUND

	2018 £'000s	2017 £'000s
At 1 April 2017	145	144
Net sales proceeds recycled	-	145
Interest accrued	-	-
Withdrawals	-	(144)
At 31 March 2018	145	145

As at 31 March 2018, there are no amounts due for repayment and £nil has been repaid in the year. Interest of £0.1k has been credited in year to 31 March 2018 (£0.1k 2017).

24. RECYCLED CAPITAL GRANT FUND

	2018 £'000s	2017 £'000s
At 1 April 2017	-	-
RTA grant claimed	66	-
Interest accrued	-	-
Withdrawals	-	-
At 31 March 2018	66	-

From April 2017 registered providers are required to include Right to Acquire grant transactions as part of their RCGF annual return. As at 31 March 2018, 6 RTA claims totalling £66k were made (2017: £Nil).

25. DEBT ANALYSIS

Borrowings

	2018 £'000s	2017 £'000s
Due within one year		
Bank overdraft	-	451
Bank Loans	-	132
Due after more than one year		
Bank Loans	75,938	73,593
	75,938	74,176

Security

The bank loans are secured by a floating charge over the assets of the Trust and by fixed charges on individual properties.

Terms of repayment and interest rates

The principal amount of the housing loans outstanding was £74m at 31st March 2018. £60m is charged interest at a fixed rate with final repayment in the period 2036 to 2040 on rates of interest ranging from 5.72% to 6.73%. £4m was drawn down from the Local authority loan facility on 13th March 2018 at a fixed rate of 4.06%. This rate comprises of the Public Works Loan Board (PWLB) rate at issue of 2.91% plus a margin of 1.15% and is repayable on 13th March 2048. The variable loan of £10m is charged interest at a margin on the variable rate linked to 3 month LIBOR. The difference between the outstanding loan of £74m and the carrying value of £76m is an adjustment in accordance with FRS 102 to recognise the loans at amortised cost and reflect an effective interest rate over the life of the facilities. The loans are classified as basic and measured at amortised cost using the effective interest rate method.

A £2m bank loan utilised for the purchase of the office was repaid in March 2018, earlier than its redemption date of 2025. The outstanding loan balance of £1.7m was repaid, with interest of £17k and break costs of £37k.

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

	2018 £'000s	2017 £'000s
Within one year or on demand	-	583
One year or more but less than two years	-	133
Two years or more but less than five years	3,720	400
Five years or more	72,218	73,060
Total Loans	75,938	74,176

26. PENSION SCHEMES

The Trust participates in four 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. From 1 July 2016 the trust participated in one National Health Service defined benefit Pension Schemes (NHS).

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) is a multi employer scheme, administered by Cheshire West Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016 and rolled forward, allowing for the different financial assumptions required under FRS 102, to give the projected net pension cost to 31 March 2018 calculated by a qualified independent actuary.

The employer's contribution to the LGPS by the company for the year ended 31 March 2018 were £541,000 (2017 £473,000) at a contribution rate of 28.2 % of pensionable salaries. The contribution rate for the next financial year is estimated at 21.4%. The rate of contribution being determined by the actuary. Estimated employers' contributions to the LGPS during the accounting period commencing 1 April 2018 are £410,000.

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

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)	**2018**	**2017**
	%	**%**
Inflation/pension increase rate	2.4%	2.4%
Rate of increase in salaries	2.7%	2.7%
Expected return on asset	2.7%	2.6%
Discount rate	2.7%	2.6%

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2017-2018		**2016-2017**	
	Males	**Females**	**Males**	**Females**
Current pensioners	22.3 years	24.5 years	22.3 years	24.5 years
Future pensioners	23.9 years	26.5 years	23.9 years	26.5 years

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

	2018	**2017**
	£'000s	**£'000s**
Current service cost	767	556
Past service cost	92	-
Amounts charged to operating costs	859	556
Interest on obligation	704	757
Expected return on scheme assets	(607)	(702)
Amounts charged to other finance costs	97	55

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

	2018 £'000s	2017 £'000s
Fair value of scheme assets	24,346	23,246
Present value of defined benefit obligations	(27,472)	(26,793)
Deficit in the scheme	(3,126)	(3,547)
Net liability in the balance sheet	(3,126)	(3,547)

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

	2018 £'000s	2017 £'000s
Opening defined benefit obligation	26,793	21,477
Current service cost	767	556
Past service cost	92	-
Interest on pension liabilities	704	757
Contributions by scheme participants	131	150
Actuarial (gains) / losses	(596)	4,243
Benefits paid	(419)	(390)
Closing defined benefit obligation	27,472	26,793

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

	2018 £'000s	2017 £'000s
Opening fair value of scheme assets	23,246	19,946
Expected return on scheme assets	607	702
Contributions by scheme participants	131	150
Contributions by the employer	541	473
Actuarial gains	240	2,365
Benefits paid	(419)	(390)
Closing fair value of scheme assets	24,346	23,246

Actual return on scheme assets

	2018 %	2017 %
Cheshire Pension Fund	3.6%	19.1%

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

	2018	2017
	%	%
Equities	42	55
Bonds	46	36
Property	8	7
Cash	4	2

The estimated amount of contributions expected to be paid to the scheme during the financial year ending 31 March 2019 is £410,000.

The Social Housing Pension Scheme

The Trust participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1
From 1 April 2016 to 30 September 2020: £40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)

Tier 2
From 1 April 2016 to 30 September 2023: £28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)

Tier 3
From 1 April 2016 to 30 September 2026: £32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Tier 4
From 1 April 2016 to 30 September 2026: £31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	31 March 2018 £'000s	31 March 2017 £'000s	31 March 2016 £'000s
Present value of provision	99	110	115

Reconciliation of Opening and Closing provisions

	Period Ending 31 March 2018 £'000s	Period Ending 31 March 2017 £'000s
Provision at start of period	110	115
Unwinding of the discount factor (interest expense)	2	2
Deficit contribution paid	(11)	(11)
Remeasurements - impact of any change in assumptions	(2)	4
Provision at end of period	99	110

Income and Expenditure Impact

	Period Ending 31 March 2018 £'000s	Period Ending 31 March 2017 £'000s
Interest expense	2	2
Remeasurements – impact of any change in assumptions	(2)	4
Remeasurements – amendments to the contribution schedule		-
Contributions paid in respect of future service	453	407
Costs recognised in income and expenditure account	442	418

Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Deficit Contributions Schedule

	Year Ending 31 March 2018 £'000s	Year Ending 31 March 2017 £'000s	Year Ending 31 March 2016 £'000s
Year 1	11	11	11
Year 2	12	11	11
Year 3	12	12	11
Year 4	12	12	12
Year 5	13	12	12
Year 6	13	13	12
Year 7	13	13	13
Year 8	14	13	13
Year 9	7	14	13
Year 10	-	7	14
Year 11	-	-	7
Year 12	-	-	-

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. It is these contributions that have been used to derive the company's balance sheet liability.

National Health Service Pension Scheme (NHS)
The Trust participates in a NHS defined benefit pension scheme. This provides benefits based on final pensionable pay. The assets of this scheme are held separately from those of the Trust.

It has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to the income and expenditure represents the employer contribution payable to the scheme for the accounting period.

Contributions payable under this scheme are charged to operating surplus in the year to which they relate.

27. RESERVES
Income and expenditure reserve - includes all current and prior period retained surplus and deficits.

28. CASH FLOW FROM OPERATING ACTIVITIES

	2018 £'000s	2017 £'000s
Surplus for the year	5,724	7,269
Adjustments for non-cash items:		
Depreciation and impairment of tangible fixed assets	5,084	5,108
Depreciation of other fixed assets	186	288
Amortisation of intangible assets	95	95
Increase in trade and other debtors	(756)	(2,016)
Decrease in trade and other creditors	(1,389)	(233)
Increase in properties held for sale	(921)	(461)
Decrease in provisions	-	(172)
Pension costs less contributions payable	318	83
Adjustments for investing or financing activities:		
Net gain on sale of fixed assets	(604)	(450)
Government grants utilised in the year	(96)	(88)
Interest payable	4,120	4,125
Interest receivable	(27)	(61)
Net cash generated from operating activities	11,734	13,487

29. CAPITAL COMMITMENTS

	2018 £'000s	2017 £'000s
Expenditure contracted for but not provided for in the accounts	13,878	17,163
Expenditure authorised by the Board, but not contracted	25,912	13,740
	39,790	30,903

The above commitments will be financed primarily through existing cash surpluses (£5m) and from existing loans already drawn down (£29m). The Trust has also agreed Heads of Terms for a new £25m revolving credit facility with Barclays Bank. The balance will be funded through social housing grant (£3m) and future property sales (£2m).

30. CONTINGENT ASSETS / LIABILITIES

The Trust had no contingent assets at 31 March 2018 (2017: nil).

The Trust receives capital grant from Homes England (and its predecessor bodies), which is used to fund the acquisition and development of housing properties and their components. In certain circumstances upon disposal of grant funded properties the Trust is required to recycle this grant by crediting the Recycled Capital Grant Fund.

At 31 March 2018, the Trust had not disposed of any components that had received grant funding. As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

The Trust had no other contingent liabilities to disclose at 31 March 2018 (2017: nil).

31. LEASING COMMITMENTS

The future minimum lease payments of leases are as set out below. Leases relate to vehicle fleet and office equipment.

Future minimum operating lease payments

	31 March 2018 £'000s	31 March 2017 £'000s
Within one year	140	355
Between one and five years	26	276
	166	631

32. RELATED PARTIES

The Trust had one tenant Board members during the year. No tenant members were in arrears at 31 March 2018 or at 31 March 2017.

One member of the Board, Paul Findlow, is a councillor with Cheshire East Council.

Disclosures in relation to key management personnel are included in note 10.

33. FINANCIAL ASSETS AND LIABILITIES

The board policy on financial instruments is explained in the Board Report as are references to financial risks.

Categories of financial assets and liabilities

	2018 £'000s	2017 £'000s
Financial assets measured at amortised cost		
Cash	6,253	12,629
Debtors	2,708	1,876
	8,961	14,505
Financial liabilities measured at amortised cost		
Loans	75,938	74,176
Creditors	938	1,744
Accruals	2,743	2,393
	79,619	78,313

The amortised cost of the financial liability is net of the amount at which the liability is measured at initial recognition plus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount.

Financial assets

Other than short-term debtors, financial assets held are cash deposits placed in 95 day notice business accounts and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	2018 £'000s	2017 £'000s
Financial assets held in 95 day notice accounts	115	6,096
Financial assets held in bank account	6,138	6,533
	6,253	12,629

The financial assets held in 95 day notice accounts have no fixed maturity and attract interest at an average rate of 0.60%. The remaining financial assets are floating rate, attracting interest at rates that vary with bank rates.

Financial liabilities excluding trade creditors – interest rate risk profile

The Trust's financial liabilities are sterling denominated. The interest rate profile of the Trust's financial liabilities at 31 March was:

	2018 £'000s	2017 £'000s
Fixed rate	64,000	61,665
Variable rate	10,000	10,135
	74,000	71,800

The fixed rate financial liabilities have a weighted average interest rate of 5.86% (2017: 6.23%) and the weighted average period for which it is fixed is 16.0 years (2017: 16.1 years).

The debt maturity profile is shown in note 25.A new 5 year revolving credit facility for £25m will be completed during 2018/19 fiancial year.

Borrowing facilities

The Trust has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2018 £'000s	2017 £'000s
Expiring in more than two years	21,000	25,000
	21,000	25,000