



**Central & Cecil Housing Trust**  
**CCHT Group Annual Financial Statements**

Year ended 31 March 2018

# C&C Annual Financial Statements 2017-18

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# **C&C Annual Financial Statements 2017-18**

## **Executives and Advisors**

### **President**

Harriet Bowes-Lyon

### **Vice Presidents**

Ian Henderson CBE

Nicholas Moore

Michael Muller

### **Board of Management**

Alison Carver

Philip Insuli

Bruce Matthews

John Richardson

Mike Basquill

Trevor McClymont

Kay Vowles – co-optee member (appointed  
October 2017)

Paul Shipley (appointed October 2017)

Abhishek Agarawal (appointed October 2017)

Janine Desai (appointed February 2017)

Barbara Stevens (resigned May 2017)

Angela Williams (resigned September 2017)

Serge Miodragovic (resigned July 2017)

Mark Greenwood (resigned June 2017)

### **Executive Management Team**

Chief Executive

Julia Ashley\*

Group Chief Finance Officer

Jo Teare\* (appointed January 2018)

Interim Group Chief Finance Officer

Ken Youngman (September – December 2017)

Executive Director – Finance

Nazar Al-Khalili (resigned September 2017)

Director of Assets & Development

David O'Neill (appointed April 2017)

Director of Services

Yvonne Atkinson (appointed September 2017)

Executive Director – Resident Services

Paul Smith (resigned August 2017)

Director of Workplace Culture

Amelia Mosquera Pardo (appointed May 2018)

Director of Workplace Culture

Sophie Bryan (January – November 2017)

\*Board Member

### **Company Secretary**

Laura Cruickshank

## **Registrations**

Registered Social Housing Provider

Co-operative and Community Benefit Society FCA number: 27693R

Regulator for Social Housing number: H1528

# C&C Annual Financial Statements 2017-18

## Executives and Advisors (continued)

### Advisors

#### Auditors

BDO LLP

2 City Place, Beehive Ring Road  
Gatwick, West Sussex, RH6 0PA

#### Bankers

Lloyds

39 Piccadilly, London,  
W1V 0AA

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#### Solicitors

Trowers & Hamlins

2 Bunhill Road  
London, EC1Y 8YZ

Devonshires

30 Finsbury Circus  
London, EC2M 7DJ

#### Registered Office

Cecil House, 266 Waterloo  
Road, London, SE1 8RQ

# **C&C Annual Financial Statements 2017-18**

## **Strategic Report**

### **Overview**

The Board of Management presents the Report for the year ended 31<sup>st</sup> March 2018 for Central and Cecil Housing Trust ("The Association") and the group headed by the Association ("The Group"). The report and financial statements have been prepared in accordance with applicable law and in accordance with FRS 102, the Financial Reporting Standards applicable in the UK and the Republic of Ireland and comply with the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

### **Strategic Focus**

2017/2018 has been a year of change.

The year started with a focus on our strategic direction. This involved the development and launch of a new Fit Future strategy and development of underpinning delivery plans.

The Fit Future strategy was approved by the Board in May 2017 and launched in June 2017. The strategy is C&C's focus and is at the centre of all activity. The focus in the first year of the strategy has been to get the right people, doing the right things in the right structures, consistent with C&C's objectives.

Other key achievements in the year have been:

- Significant steps have been taken to return the organisation to G1 status following C&C's downgrade from G1 to G2 in January 2017.
- A new Governance Framework has been put in place, including a restructuring of the Board and committees. All documents have been reviewed and substantially strengthened.
- The effectiveness of the Board and Executive Team was reviewed and strengthened with new members.
- Existing banking facilities have been extended. Negotiations are continuing to secure additional finance to underpin our development plans.
- The loss-making Queens Court, Windsor Nursing Care Home has been exited.
- The financial performance of the Residential Care Homes has significantly improved.
- Financial performance was close to budget.
- Restructuring of the entire business through the year has delivered significant savings - £1.1m is forecast to be delivered in the 2018/19 budget.
- Plans to redevelop Dora House have been progressed significantly and contracts are substantially progressed.
- The Ridgmount development in Wimbledon is nearing practical completion.

# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

- Two IT systems have been implemented in relation to purchasing and housing management.
- New strategies and plans have been developed in relation to Asset Management, Development and Value for Money.
- New services have been developed – C&C Direct, C&Cs in-house repairs service; and the Service Hub, C&Cs one-stop shop for all enquiries.

In conclusion, substantial progress has been made against the strategic objectives in the year.

In January 2017, as reported last year, the governance rating of C&C was reduced from G1 to G2. As part of the work undertaken this year to address the reasons for this change in rating, two issues arose that were self-reported to the Regulator of Social Housing under the duties of co-regulation.

The Group identified that a number of fire risk assessments had been outstanding for a number of years. Action was taken to re-establish comprehensive controls across all property compliance functions, and to ensure that the quality of reporting was improved to prevent further reoccurrence.

The Group also received allegations of malpractice in the repairs and maintenance department and in the award of contracts. An independent investigation did not find evidence to substantiate the allegations however it did identify a number of controls that needed to be strengthened. A significant programme of improvement has taken place to ensure C&Cs control environment is robust.

In October 2017, the Regulator of Social Housing placed C&C on its list of Gradings Under Review. Following investigation, it concluded in January 2018 that the combination of changes, which had been made provided assurance that C&C remained compliant with governance standards and was continuing to improve.

C&C was disappointed that issues arose but is confident that measures are in place to ensure that the Group continues to provide safe and comfortable homes for our residents and deliver the Fit Future strategy.

## Our Financial Performance

The Group reported an operating surplus of £151k (2016/17: £2,698k) for the year ended 31 March 2018.

Although the surplus was lower than the previous year in headline terms, one-off benefits from right-of-light settlements, overage and donations were significantly lower at £150k (2016/17: £2,770k). Excluding these items the result is equivalent to the previous year.

## **C&C Annual Financial Statements 2017-18**

### **Strategic Report (continued)**

Furthermore, during the year over £200k was incurred in relation to organisational improvement and restructuring. A further additional arrears provision of £300k was expensed as a result of a review of debtors.

For these reasons the Board of Management believes that the underlying performance of the Association was significantly stronger than the headline deficit indicates.

C&C remains fully committed to providing value for money in everything that we do and to deliver the highest quality of service across all our operations.

The Group reported a deficit after disposal losses of £8k (2016/17: surplus of £2,662k) for the year ended 31 March 2018.

# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

The Group's five year income and expenditure accounts are summarised below:

For the year ended 31 March	2018	2017	2016	**2015	*2014
Income & Expenditure Account	£'000	£'000	£'000	£'000	£'000
Total Turnover	26,649	29,430	25,297	26,103	25,369
Operating (Deficit)/Surplus	151	2,698	(235)	807	72
(Deficit)/Surplus for the year transferred to reserves	(8)	2,662	6,695	1,630	46

### Balance Sheet

Housing Properties net of Depreciation	92,019	93,023	88,591	83,659	93,857
Social Housing Grants and other grants	(31,478)	(31,887)	(32,257)	(32,947)	(44,364)
	60,541	61,136	56,334	50,712	49,493
Other Fixed Assets	6,446	6,341	5,645	5,675	7,940
Fixed Assets	66,987	67,477	61,979	56,387	57,433
Net Current Assets	10,757	5,460	8,483	6,249	2,149
Total Assets less Current Liabilities	<b>77,744</b>	<b>72,937</b>	<b>70,462</b>	<b>62,636</b>	<b>59,582</b>
Loans (Due over one year)	25,313	20,266	17,168	16,086	16,429
Pension Liability	-	1,049	598	1,588	375
Reserves - restricted	317	317	350	350	350
Revenue	52,114	51,305	52,346	44,612	41,461
Revaluation	-	-	-	-	667
Total	<b>77,744</b>	<b>72,937</b>	<b>70,462</b>	<b>62,636</b>	<b>59,582</b>
Housing Properties owned at year end	No.	No.	No.	No.	No.
Social Housing	1,712	1,734	1,975	2,027	2,096
Non-Social Housing	57	101	101	95	123
Total***	<b>1,769</b>	<b>1,835</b>	<b>2,076</b>	<b>2,122</b>	<b>2,219</b>

### Key performance Indicators

Operating Surplus as a % of turnover	(0.57)%	9.17%	-0.93%	3.09%	0.28%
(Deficit) / Surplus for year as a % of income from lettings	(0.04)%	12.63%	33.32%	7.40%	0.23%
Rent Losses (voids and bad debt as a % of rent and service charges receivable)	3.71%	6.32%	8.43%	6.90%	2.82%
Rent Arrears (gross arrears as a % of rent and service charges receivable)	5.79%	8.81%	8.80%	6.07%	6.31%
Liquidity (Current assets excluding stock divided by current liabilities)	1.3	1.1	1.8	1.6	1.2
Gearing (total loans as a % of capital grants plus reserves)	30.28%	25.45%	21.38%	20.65%	18.92%

### Five year analysis table notes:

- \* 2014-15 was the first year the consolidated financial statements were prepared.
- \*\* 2015-16 was the first year that consolidated financial statements were prepared under FRS 102. 2014-15 is re-stated on this basis where applicable.
- \*\*\* The reduction in units reflects the exit of Queens Court Windsor (62 units) and the reclassification of dual occupancy flats as single units (4 units).



# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

### Our Business

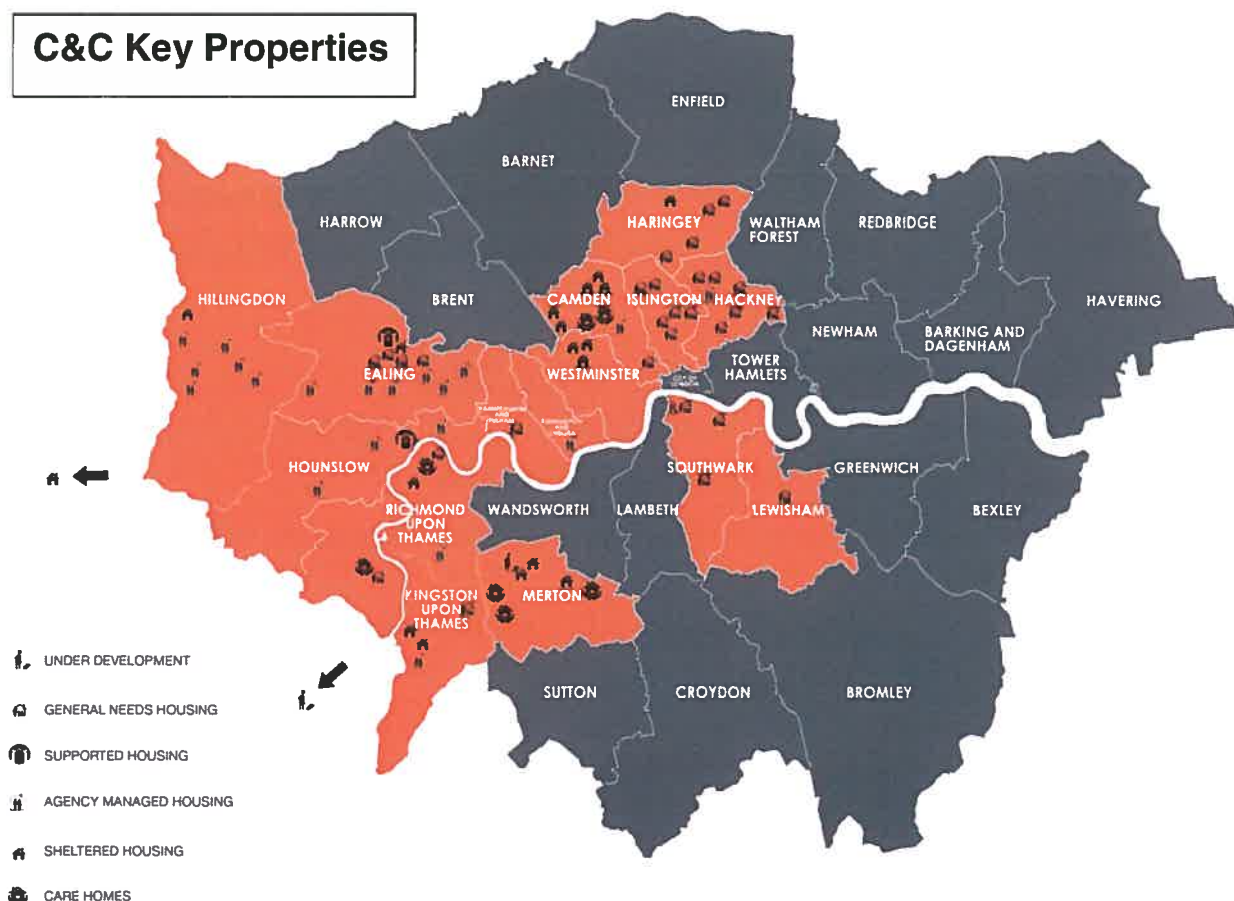
C&C is a charitable registered provider whose principal activities are the provision of over-55s housing and residential and nursing care. It also operates general needs housing and supported housing.

C&C owns a number of properties in prime London locations and has plans to generate its own subsidy to fund other activities. This means that the business plan objectives will be supported by cross-subsidising activities in the future. The developments that C&C is currently working on are co-designed with residents and staff wherever possible to ensure that new homes are built to meet people's changing needs and are adaptable, efficient to manage now and in the future and are affordable to live in.

C&C owns, manages and has an investment in 1,769 units (2016/17: 1,835) in local authorities across London. The breakdown of available units is detailed in the table below;

Accommodation	2018	2017
Care Homes: Social Housing	224	246
Care Homes: Non-Social Housing	61	101
Sheltered Housing	1,104	1,104
General Needs Housing	304	311
Supported Housing	76	73
<b>Total units</b>	<b>1,769</b>	<b>1,835</b>

### C&C Key Properties



# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

### Strategic Progress - Strategy 2017-2027 – A Fit Future

This Fit Future Strategy is driving the direction of the Group and centres around four core areas, each with a 3-year plan, 5-year goal and 10-year vision. A review of the year set out by each strand in the strategy is set out below.

#### Services that Inspire

*Our services embrace and encourage the significant contributions that our residents make to their communities. Our residents receive services that help and have opportunities to give their time to help other people.*

#### Our Responsive London Concierge is available to all Residents

- Plans to launch the Service Hub are progressing and a Head has been appointed. Recruitment is about to start and a soft launch is planned in the autumn of 2018.
- There is a renewed focus on the complaints process with a single point of support for residents and analysis of learning outcomes.

#### We See & Fix our Resident Repairs Straight Away

- C&C's in-house repairs service, C&C Direct has launched, with directly employed C&C staff providing repair services direct to residents. The emphasis of the team is to improve the repairs experience.
- The in-house service will replace external contractors who have previously performed poorly.

#### We support a healthy active life in our connected supportive community

- The Housing team has been restructured and all 4 Portfolio Managers are now in place.
- Free Wifi is provided to all schemes and 17% of residents have an on-line account.
- A Roadshow has been delivered to all sheltered schemes to define service needs and aspirations and delivery planning is on-going.

#### Our specialist Residential Dementia Homes are Best in Class

- Cecil Court has received an outstanding rating for "Well Led", with an overall rating of Good.
- Rathmore and Compton Lodge are both rated overall Good.
- Homemead is still rated as Requires Improvement – actions have been taken and the next inspection is awaited.
- The Care Team will be developing plans for C&C's dementia care offer.

#### Our Residents Help Each Other

- A new Head of Marketing and Engagement is in place and is developing plans to support residents to be fully engaged with C&C activities and to help each other through volunteering.

# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

### Services that inspire (continued)

#### We enhance the customer experience through a diverse programme of events & activities

- The Talk Show has been very successful event through the year with topics covered such as diversity, music, technology, forensic accounting, history, architecture, space travel and more.
- Nature and Nurture - an innovative multi-sensory project has received favorable press attention.
- My-Life, a project to support people who are living with dementia was featured on BBCs Inside Out programme.
- Video coverage of C&Cs Creative Arts programme and Talk Show are featured on C&Cs website [www.ccht.org.uk/creative-arts-tv](http://www.ccht.org.uk/creative-arts-tv)

### Homes for Health & Happiness

*Our homes make sense to people, meeting different aspirations and lifestyles and adapting to support a happy healthy life as people age.*

#### We operate a balanced portfolio of housing that meets the over 55s housing needs

- A renewed Development Strategy was approved by the Board in May 2018.
- A new Head of Development has been recruited.
- Contracts for the redevelopment of Dora House in St Johns Wood have been substantially progressed.
- Ridgmount Apartments, Wimbledon are due to reach practical completion in Autumn 2018.
- The development at 235 Waterloo Road is complete and one flat has been sold.
- Plans are underway to launch 55 London, our charitable sister company that will offer a 'flexi-rent' option to over 55s in London that have a housing need.

#### We offer Elegant, Meaningful and Adaptable Homes

- Currently new, purpose built specification for over 55's housing represents 4% of stock.
  - 20 Hayes Park Lodge – Supported / Agency.
  - 50 Alexandra Place – Extra Care.
  - 2 Vivian Court – Sheltered - wheelchair adapted flats with modern space standards.
- The development pipeline – contains a further 12% at Dora House and Ridgmount.

# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

### Homes for Health and Happiness (continued)

#### We care for our impact on our environment

- This strand is led by two new Heads of Asset Management and Development.
- Development and Asset Management Strategies were approved by the Board in May 2018.
- A new Sustainability Strategy will be developed later in 2018.

#### Our Homes are connected so residents have control over their environment

- 100% Scheme Coverage has been achieved – representing a huge value for money benefit for residents and provides a foundation for smart technologies.
- The Head of Innovation and Technology is in place and developing an Innovation and Technology Strategy.
- Phase 1 of our housing management system has been implemented with phase 2 to be complete by the end of the year.

### People Doing their Best

*We invest in the health and happiness of the people that work for us and treat them well so that they can do their best every day.*

#### Our Workforce think C&C is a great place to work

- A quarterly staff satisfaction poll is in place to make sure our strategic changes are being embedded in practice. A drop in satisfaction was experienced (as expected) as we progressed through a whole organisation restructure but is now improving quarterly. Staff have been invited to suggest actions for improvement following feedback themes from each poll, and have been implemented to improve the employee experience.
- Key issues raised to date include communications, benefits and ensuring staff feel valued. The C&C Board has stated their commitment and support for these staff initiatives and invited working groups to present directly to them for approval.
- A monthly staff e-zine, Ampersand, keeps staff updated with corporate and employee wellbeing initiatives.
- Weekly Yoga and a renewed Staff Choir have taken place regularly in central office through the year and wellbeing initiatives will be rolled out to schemes and homes through this following year.
- A one-day C&Cycle event in June promoted the 'Fit Future' strapline to the new strategy with a theme of wellbeing both for staff and residents. A day of festivities spanned a large number of C&C schemes, with three 'festival' sites, promoting healthy living, exercise, being outdoors and social engagement.

# **C&C Annual Financial Statements 2017-18**

## **Strategic Report (continued)**

### **People Doing their Best (continued)**

#### Our Computer Says Yes

- A whole programme of activity will be designed to support this now that a Director of Workplace Culture has been recruited.

#### We achieve above expectation

- Executive Coaching has taken place - both planned and in response to issues.
- Longer term plans are to build coaching skills / qualifications into the business so that all staff have opportunities for coaching.
- A Management Development Programme has been launched and the first three modules delivered – 90 managers and aspiring managers are enrolled.
- The new Angela Williams Inspiration and Engagement Award was awarded for team excellence – the Workplace Culture team won with 5 nominations from colleagues.
- WOW Awards have been introduced to recognize outstanding performance in line with C&Cs new Values, designed by C&C staff and introduced through the year.

#### We work where we make the most impact

- Wifi is available at all schemes and offices.
- Remote working facilities are enabled for relevant staff.
- More demand for home working flexibility is being recognized and our Inspirational Leaders Group has developed a Flexible Working Framework.

#### We recruit & develop inspirational people so we can do more great things

- The new recruitment process has been used to implement the new C&C structure, with an improved new methodology that promotes recruitment of employees with the right aptitude, approach and ability to fulfil the requirements of the business.
- Recruitment & Interview Skills training was delivered to 74 managers through the first module of the Management Development Programme.

# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

### Money to Invest

*We run a strong business so that we have money to invest in new homes. C&C is a not-for-profit provider and all of our surpluses are re-invested for the benefit of our residents.*

#### We Drive a Healthy Income Stream & We protect every £ we earn & spend it wisely

- Low surpluses have previously affected C&C's ability to borrow and grow. A deep analysis of unit costs in care and housing has been undertaken and a new Value for Money Strategy has identified target areas to achieve a 14% surplus in the medium term. Key areas for improvement are:
  - A whole organisation restructure ensuring the right people in the right post at the right time, doing the right things.
  - Occupancy in care and housing.
  - Procurement and contracts management – a recent review has identified significant scope for saving.
  - Broadening the rental offer to include a 'flexi-rent' offer through our new charitable subsidiary company, 55 London – being set up during 2018-19.

#### Every one of our Assets maximises social and economic value

- New Asset Management, Development & Value for Money Strategies were all agreed by Board in May 2018.
- Existing funding has been extended and further funding is being negotiated.
- The pension deficit is under control and a clear strategy is being followed to manage exposure over the medium term.
- A Financial Plan that drives growth and increased surpluses has been developed and is subject to regular and robust stress testing.
- A new role, the Transformation Project Manager, has been recruited to identify how best to utilise our assets.

#### Our Inspired Brand is our London Location and the value that we create for people who want to live there

- This is being led by the new Head of Marketing & Engagement.
- A Marketing & Engagement Strategy is being developed.
- The social media profile is being promoted and a new website is planned.

At C&C we are proud of our work and the positive impact that it is having on the communities that we are involved in. The Board is looking forward to working with all staff at C&C in the year ahead to continue delivering our inspiring strategy and to improve the lives of all our tenants.



# **C&C Annual Financial Statements 2017-18**

## **Strategic Report (continued)**

### **Governance and Regulation**

The Group's operations are carried out in accordance with the Housing Acts and other applicable law. The Board has adopted the NHF Code of Governance 2015 for the Association and its subsidiaries and is fully compliant.

Compliance with the governance and regulatory standards set by the Regulator of Social Housing's (RSH) is monitored by the C&C Board. The Board certifies that the Group is currently compliant with all UK law and regulatory standards and, specifically, the Governance and Financial Viability and Value for Money Standards.

In January 2018, following investigation of the issues that C&C self-reported, the RSH issued a notice for a breach of the consumer standard as a number of fire risk assessments had been identified as being out of date for a number of years. The issue was quickly rectified and controls strengthened to prevent reoccurrence. Following a period of review and external assurance, the Regulator re-confirmed C&C's regulatory rating for 'compliant' governance and viability as G2 and V2 respectively.

The Board expects all Board members, involved residents and staff, to comply with the NHF Code of Conduct.

### **Board Members of Central and Cecil Housing Trust**

During the year, a comprehensive review of governance arrangements was undertaken with external support and changes were implemented. These changes included a thorough review of structures, committees and delegated authorities as well as a review of the composition of skills on the Board of Management and in the Executive Team. A new Governance Framework and structure was implemented.

The Association is governed by a Board, composed of twelve Directors, ten of whom are non-executive Directors, including one co-optee, and two Executive Directors. All Board members receive remuneration for their services.

The Board Members are set out on page 2. The Board Members are drawn from a wide range of backgrounds bringing together professional, commercial and other relevant experience. There have been no appointments to, or resignations from the Board after the year end and in the period up to the date of signing this report.

The Board meets a minimum of four times a year to conduct its normal business. It also meets at least once a year to discuss and review strategy. The Board is responsible for strategy, governance, risk management, monitoring performance and the framework of internal control.

It delegates day-to-day management to the Executive Management Team, which meets monthly and whose members attend Board meetings.

# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

### Governance and Regulation (continued)

The Board has an annual review of effectiveness, and this year, this was conducted by external advisor Altair, in line with the 3-year cycle of independent review. Annual individual appraisals are conducted and in 2018 these formed part of the independent review. All Board meetings include a pre-meeting learning and development session and a post-meeting review and reflection session.

The Board delegates certain governance responsibilities to committees which have their own approved terms of reference and delegated authorities. These committees report back to the Board after each meeting, and their recommendations are fully considered and approved where appropriate.

Board membership of Central & Cecil Housing Trust and fees earned in the past year, including changes that have taken place during the year, is set out in the following tables.

Name	Committee and Other Roles	Joined	Left	Annual Fees (£)
<b>Alison Carver</b>	Board, Chair People Performance & Change Panel member. Service Scrutiny Panel member Group Nominations & Remuneration Committee member Group Risk & Audit Committee attendee	22/01/2013	-	11,953
<b>Julia Ashley</b>	Chief Executive Board member (ex officio) Director of C&C Innovations Ltd Director of C&C Construction Ltd Attendee at all Panels and Committee meetings	31/04/2016	-	N/A
<b>Phil Insuli</b>	Board member Service Scrutiny Panel Chair Group Risk & Audit Committee member Chair of C&C Construction Ltd Group Nominations & Remuneration Committee member	22/09/2015	-	6,036
<b>Bruce Matthews</b>	Board member Group Investment Committee member Group Risk & Audit Committee member	31/01/2017	-	4,217
<b>John Richardson</b>	Board member Group Risk & Audit Committee, Chair Director of C&C Innovations Ltd Group Nominations & Remuneration Committee member	26/01/2016	-	5,500



# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

### Governance (continued)

Name	Committee and Other Roles	Joined	Left	Annual Fees (£)
<b>Mike Basquill</b>	C&C Innovations Ltd, Chair Group Investment Committee member People Performance & Change Panel Member	28/02/2012		4,000
<b>Jo Teare</b>	Group Chief Finance Officer Board member (ex officio) Director of C&C Innovations Ltd Director of C&C Construction Ltd	04/01/2018	-	N/A
<b>Kay Vowles</b>	Co-optee Board member Group Investment Committee member Group Risk & Audit Committee member	06/10/2017	-	2,000
<b>Trevor McClymont</b>	Board member Group Investment Committee, Chair, Group Risk & Audit Committee member Group Nominations & Remuneration Committee member	31/01/2017	-	4,875
<b>Paul Shipley</b>	Board member Group Investment Committee member Group Risk & Audit Committee member	24/10/2017	-	2,000
<b>Abhishek Agrawal</b>	Board member Service Scrutiny Panel member	24/10/2017	-	1,667
<b>Janine Desai</b>	People Performance & Change Panel Chair Group Nominations & Remuneration Committee, Chair Service Scrutiny Panel member	06/10/2017	-	917
<b>Barbara Stevens</b>	Resident Board Member	30/11/2013	24/05/2017	778
<b>Angela Williams</b>	Board Member HR Committee, Chair	30/09/2007	20/09/2017	2,500
<b>Serge Miodragovic</b>	Resident Board Member Service Scrutiny Panel resident Panel Member	31/07/2014	25/07/2017	2,334
<b>Mark Greenwood</b>	Board Member Risk and Audit Committee, member	26/01/2016	30/06/2017	1,026

During the year the following committees and panels were established to support the work of the Board. Membership of the committees comprise Board and co-opted-Board Members while C&C residents also are members of the two panels.

# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

### Group Risk and Audit Committee

The Group Risk & Audit Committee oversees the work of the internal and external audit function as well as the risk management framework and internal control framework for the Group and the Association.

Through the reports it receives, the Group Risk & Audit Committee gains external assurance that the Group and the Association have appropriate systems of internal control and complies with the Regulator for Social Housing guidelines in this area.

The Group Risk & Audit Committee meets four times per year. The Committee is an integral part of the structure of the Group and the Association and its work is critical to the governance and the financial wellbeing of the Group and the Association. Its remit includes:

- Monitoring the integrity of the financial statements and reviewing significant financial reporting judgements.
- Reviewing internal control systems.
- Monitoring the effectiveness of the Group and the Association's internal audit function and ensuring its recommendations are implemented.
- Monitoring the external auditor's independence, objectivity and effectiveness.
- Making recommendations to the Board covering the terms of engagement, appointment and remuneration of the external auditor.
- Monitoring the effectiveness of the Group and the Association's risk strategy and seeing that it has proper plans in place to ensure risk mitigation.

The Group Risk & Audit Committee reviews the strategic risk register that contains risks that are considered to be material to C&C at each meeting and is responsible for setting the Risk Appetite. The Board reviews the strategic risk register every six months.

### Group Investment Committee

The Group Investment Committee has been established to consider, approve and have oversight of investments, acquisitions, disposals, development projects, sales and commercial activities for C&C and the Group Subsidiaries within the acquisitions, disposals and development plans and the financial plan agreed annually by the Board.

The Group Investment Committee meets four times per year. The Committee is an integral part of the structure of the Group and the Association and its work is critical to the oversight of investment and commercial activity and the financial wellbeing of the Group and the Association. Its remit includes:

- Monitoring the performance of all investments, major works programmes, development schemes, disposals and commercial activities and monitoring and advising on risks.
- Approving development and disposals within delegated authorities.
- Advise the Board on major proposals relating to property and land transactions.
- Advise the Board on funding and investment strategies.

## **C&C Annual Financial Statements 2017-18**

### **Strategic Report (continued)**

#### **Group Nominations and Remuneration Committee**

The Group Nominations and Remuneration Committee has been established to oversee the appointment and remuneration of Board members, Committee members, members of the Executive Management Team and the terms and conditions of staff generally (including pension arrangements) within the Group as a whole.

In relation to Board members, the Committee advises on selection, appointment and succession planning and to ensure that appropriate arrangements are in place to monitor and review these processes.

In relation to remuneration, the Committee establishes, monitors and reviews an effective framework and policy to determine the manner and levels of remuneration for Board Members and members of the Executive Management Team, as well as general terms and conditions for the wider workforce. The Committee meets once a year.

#### **Service Scrutiny Panel**

The Service Scrutiny Panel has been established to advise the C&C Board on matters relating to the development and performance of its services and the delivery of the Services that Inspire section of our 'Fit Future Strategy'.

The Panel is involved in reviewing service reviews, scrutinising the activities of the Association and performance of services. The remit of the panel includes Housing Management, Housing Support, Care, Repair Services including C&C Direct, the Service Hub, Resident Engagement, Health & Safety, Safeguarding, Customer Feedback and Complaints and Equality and Diversity. The Panel meets four times per year.

#### **People Performance and Change Panel**

The People, Performance and Change Panel has been established to oversee the implementation of the new C&C structure in order to deliver the new 'Fit Future' Strategy, advising the C&C Board on matters relating to the restructure, change process and the culture of performance as it develops. The panel meets four times per year and the need for continuation of the panel will be assessed during 2018-19, once the major change activities have been completed.

#### **Executive Management Team and Service Contracts**

The Executive Management Team (EMT) is set out on page 2. Members of EMT hold no beneficial interest in the Group's shares and act within the authority delegated by the Board under defined terms of reference. During the year a Director of Assets & Development, a Director and Service and Group Chief Finance Officer were appointed. A Director of Workplace Culture was appointed in May 2018.

# **C&C Annual Financial Statements 2017-18**

## **Strategic Report (continued)**

### **Internal Control and Risk Management**

The Board has overall responsibility for establishing and maintaining the Group and the Association's system of internal controls and for reviewing their effectiveness.

A framework of internal controls is in place and designed to manage, rather than eliminate the risk of failure to achieve business objectives. It provides reasonable, not absolute assurance against material misstatement or loss.

In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls, which are embedded within day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group and the Association is exposed and is consistent with the good practice principles outlined in the regulatory and other guidance.

The Board also has a strategy and policy on fraud covering prevention, detection and reporting of fraud and the recovery of assets. The Board has reviewed the fraud report and has reflected upon the information contained within it in its review. The Association has a code of conduct and whistleblowing policy that are reviewed and approved by the Board.

The Board seeks assurance regarding internal controls principally through the Group Risk & Audit Committee who review all internal and external audit reports, the risk maps and the corporate registers. During the year the Internal Audit Plan 2017-18 has been completed detailing adequacy and effectiveness of audit areas.

The Board has considered the Chief Executive's annual report on internal controls, and believes it has received reasonable assurance as to the effectiveness of the internal controls in place during the period under review.

### **Principal Risks and Uncertainties**

C&C has a published risk management framework which sets out how corporate risk is considered, assessed and mitigated through the organisation's hierarchy, from project level, to senior management, EMT and the Board

During the year C&C undertook a full review of its risk management framework using an external provider. This review involved staff from across the organisation.

## C&C Annual Financial Statements 2017-18

### Strategic Report (continued)

#### Internal Control and Risk Management (continued)

The Strategic Risk Register is reviewed quarterly by the Executive Management Team and Group Risk and Audit Committee. In the opinion of the Board the following three risks are the most significant faced by C&C:

Risk	Mitigations include
Funding – lack of liquidity and breach of loan covenants	<ul style="list-style-type: none"><li>• The financial plan is reviewed and updated regularly and subject to a series of individual and combination stress tests.</li><li>• There is a monthly review of forecast loan covenant compliance and forecast cashflow.</li></ul>
Major breach of health and safety or property compliance standards	<ul style="list-style-type: none"><li>• Health and Safety Steering Group oversees all areas.</li><li>• AssessNet - a Health and Safety System is used across the business.</li><li>• FLAGE (property safety) compliance has been strengthened and validated with assurance by the internal auditor and a specialist FLAGE consultant.</li></ul>
Failure of Dora House, Westminster redevelopment	<ul style="list-style-type: none"><li>• Contracts are substantially progressed.</li><li>• The contract requires the purchaser to construct the new building for a fixed price – eliminating cost inflation risk.</li><li>• Legal advice has been taken on contracts to ensure C&amp;C position is protected.</li><li>• The market value of land has been demonstrated by progress on the current contract – indicating that other deals would be possible if the current contract fails.</li></ul>

#### Information and reporting systems

Financial reporting procedures include the preparation of detailed budgets for the year ahead with regular monitoring by the Board of how these compare against actual results. The Board also receives reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

#### Monitoring arrangements

Management reporting on control issues provides assurance to successive levels of management and to the Board. This is supplemented by regular reviews by internal audit, which provides independent assurance to the Board via the Group Risk and Audit Committee. It includes a procedure, monitored by the Group Risk and Audit Committee, for ensuring that corrective action is taken in relation to any significant control issues.

# C&C Annual Financial Statements 2017-18

## Strategic Report (continued)

### Internal Control and Risk Management (continued)

#### Board members' responsibilities

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

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social 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 group and association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group and association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# **C&C Annual Financial Statements 2017-18**

## **Strategic Report (continued)**

### **Resident Engagement**

The Association actively encourages residents' involvement in decision making:

- The Service Scrutiny Panel evaluates C&C's services and makes recommendations to the Board.
- A series of Roadshow events took place through the year with C&Cs housing residents to establish the key service priorities that have been built into service design.
- Resident service reviews and engagement with service development have been changed through the year and new opportunities put in place.

### **Fundraising**

The Group and the Association received a total of £12k (2017: £19k) in charitable donations.

Donations were received from over 20 Trusts & Foundations as well as from a large number of individual supporters.

The charitable support received this year has contributed to activities, events and outings which make a real difference to the lives of the residents living in our care homes and housing schemes. These have included singing, drama, art sessions, dance, digital projects, gardening, upcycling of furniture, exercise and cultural visits to museums and other places of interest. The Talk Show programme has been continued and allows residents opportunities to express themselves through conversation and debate.

The Association has a Resident Engagement Team which coordinates involvement opportunities and Creative Arts coordinators who ensure that diverse and stimulating activities are delivered in response to residents' wants and needs. All activity is recorded so that the value achieved is understood, monitored and maximised.

### **Payment of creditors**

In line with Government guidance, the Group's policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

### **Treasury and Funding**

The Group and Association had total loans as at 31 March 2018 of £26,083k (2017: £21,171k) made up of fixed and variable rate loans. The Association has total secured facilities of £29,183k to help finance the development programme.

The management of borrowings is the responsibility of the Group Chief Finance Officer. The treasury strategy is set annually and approved by the Board.



# **C&C Annual Financial Statements 2017-18**

## **Strategic Report (continued)**

### **Reserves**

After transfer of the deficit for the year of £8k (2017: Surplus of £2,662k), Group reserves at the year-end amounted to £52,431k (2017: £51,622k). The detailed movement in reserves is shown on pages 37-38 of the financial statements.

### **Employee Involvement**

Over the past year there has been a real focus on staff health and happiness in the work place with many working practices, staff facilities and training sessions changing to reflect this.

There has been a change in the recruitment process, with an increased focus on attitude, behaviours and ability. The new team is delivering a tangible change in the performance of the organisation. A new set of organisational values have been launched.

Communication with staff continues to strengthen with the development of the Inspirational Leadership Group (all managers from across the business) and Story Board meetings hosted by various different departments, including the Executive Team. There has also been the introduction of Happy Meals, whereby staff are invited to have lunch with a particular team host, and the Joint Staff Council continues to be an integral part of the communications, staff voice and social elements of C&C.

### **Statement of Compliance with UK Law**

In August 2017 one of the Association's care homes was the subject of an inspection carried out by the Care Quality Commission. The outcome of that inspection was published in a report dated 9 October 2017. That report identified areas where the Association had failed to meet certain statutory requirements, including under the Health and Social Care Act 2008. These issues were promptly addressed

We have also notified one matter to the Homes and Communities Agency which has been considered a breach of the Home Standard.

There have been no other material breaches of law as would require notification to the Regulator of Social Housing (RSH) in accordance with the Governance and Regulatory Standard and/or which would have a material impact on the Association, its residents and service users. The Association has taken reasonable measures to ensure that no such breaches of law occur.

### **The Modern Slavery Act 2015**

The Association complies with the Modern Slavery Act 2015 and steps are taken to ensure that slavery is not occurring in the Association, Group or the supply chains. In line with government guidelines the Association has a supplier selection process to ensure all suppliers comply. It will also ensure staff and management are aware of the issues and are trained in how to identify possible issues that may need further investigation.



# **C&C Annual Financial Statements 2017-18**

## **Strategic Report (continued)**

### **Going Concern**

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and the financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

The Group's budget and business plan, which considers the current uncertain economic climate and expected trading conditions, show that the Group will be able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

### **Auditor**

A resolution to appoint BDO LLP will be proposed at the forthcoming Annual General Meeting.

This Report was approved by order of the Board on 4 September 2018.



Julia Ashley  
**Chief Executive**

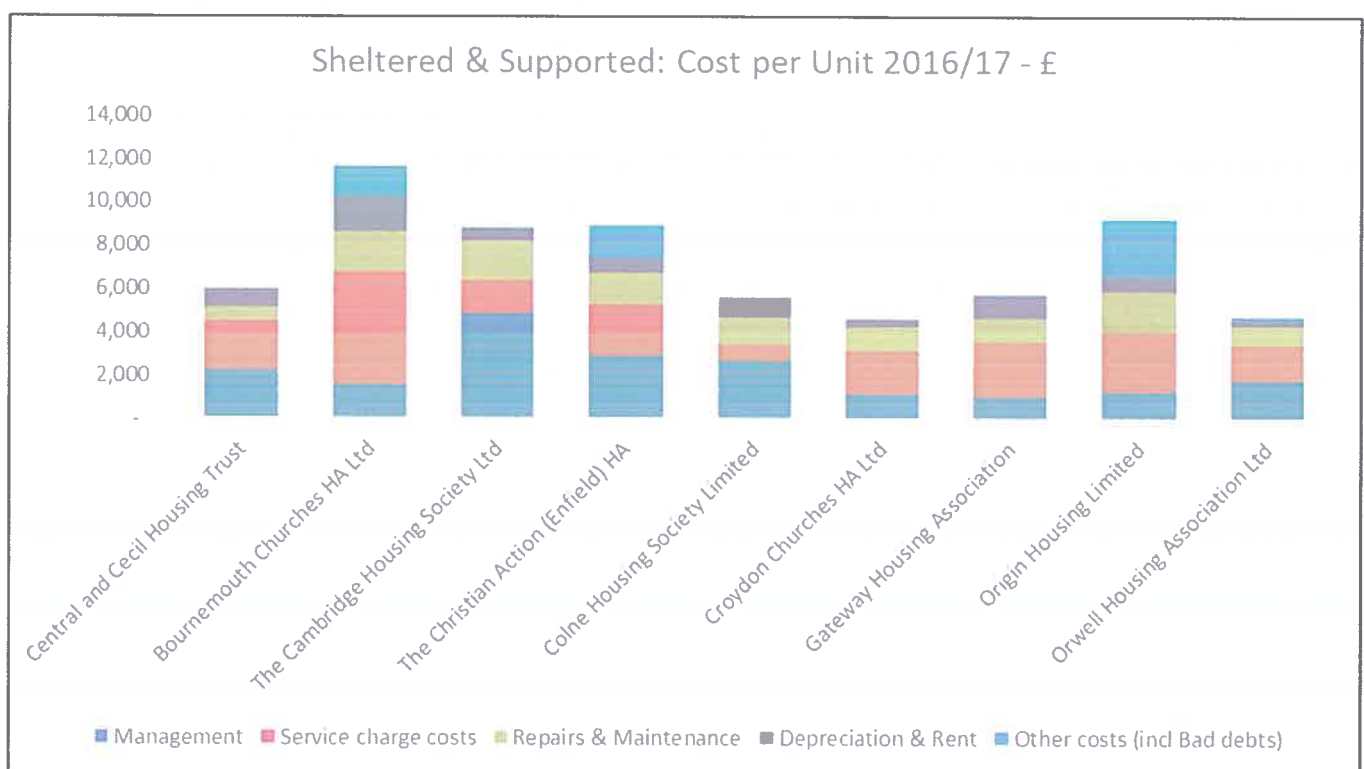
# C&C Annual Financial Statements 2017-18

## Value for Money Statement

The Regulator for Social Housing (RSH) issued an updated Value for Money Standard and Guidance in April 2018. Value for Money (VfM) is intrinsically embedded in our existing “A Fit Future Strategy 2017-2027” (Fit Future Strategy) which can be found on our website at <https://www.ccht.org.uk/a-fit-future-strategy>.

### 1. Introduction

We have analysed our financial position and have benchmarked ourselves against comparable organisations. We are a specialist provider and it is recognised that specialist providers have lower than average margins. In relation to specialist Housing our analysis shows that our costs are in line with our peer group.



Source: 2016-17 Annual Financial Statements

**Analysis of our peer group in specialist housing and of care home benchmark data indicates that C&C should target an operating margin of 13.4%. Our strategy is to increase our margin to that level.**

This will be achieved by meeting our operating targets for improved performance over the next two to three years, completing the Dora House redevelopment and bringing the new building into our operations; and redeploying capital raised from the sale of Merton Nursing Care Homes into a new turnkey scheme.

Previously, we have not generated target operating surpluses. This largely related to the performance of Nursing Care and the strategy is to exit this service.

# **C&C Annual Financial Statements 2017-18**

## **Value for Money Statement (continued)**

### **1. Introduction (continued)**

To improve our surplus, we have developed a series of actions which indicate that our operating margin will improve to that of our peer group.

However, VfM is not just about bottom line costs and savings, it is about being an efficient landlord and providing useful and effective services to our residents.

The Fit Future Strategy explains what we set out to do over the next 3, 5 and 10 years to achieve this, under the headings Services that Inspire, Homes for Health & Happiness, People Doing their Best and Money to Invest. In broad terms by 2027, we will be providing homes exclusively for over 55's in London, with a range of services to serve our residents.

### **2. Our approach to Value for Money**

VfM is at the centre of our plans and objectives. It is an integral part of our corporate ethos and values and forms the foundation of our Fit Future Strategy.

#### **What we do**

Our objectives for 2018 and beyond ensure the right costs (economy), deliver services in the right way (efficiency), and in a way that makes the most impact (effectiveness). These are:

- We aim to spend every pound effectively. Do it the right way.
- Evaluate each decision. Drive the right decision.
- Grow our surplus to allow reinvestment. Generate the right result.
- Optimise our organisational structure. Be the right shape.
- Optimise each asset. Do the right business.

#### **To do this**

- Through the year, C&C has been completely restructured.
- We are building an organisation with the right people and values.
- We ensure that every key decision is scrutinised and that the effectiveness of any associated spend is considered in a structured way.
- We are working through initiatives to generate efficiencies; our procurement team is focused on driving costs out of our operations and we are looking to optimise our income stream by using our assets effectively.
- Our new structure increases the focus on service for our residents, including the introduction of two new services, C&C Direct and Service Hub.
- We have looked hard at our operations and have exited our worst performing Nursing Care Home. We are looking to exit from our Merton Care homes and to redeploy the capital to provide mainstream over 55s accommodation.
- We are launching a subsidiary, 55 London, to allow us to reach a wider over 55s market and ensure that we have a broad rental offering.

# C&C Annual Financial Statements 2017-18

## Value for Money Statement (continued)

### 2. Our approach to Value for Money (continued)

All these factors come together in the financial plan which combines all projections (costs and income), alternative use of assets, organisational changes and available financing to form a long term financial plan. The financial plan is subject to rigorous testing and agreement by the Board to ensure that all the risks are understood and that we can manage risk and deliver its strategic objectives in a disciplined and controlled way.

### 3. Cost benchmarking

C&C is a specialist provider of social housing. The Regulator of Social Housing recognises that specialist providers tend to have lower than average margins.

#### Housing costs

We have analysed our financial position using Housemark benchmarking information and have benchmarked ourselves against comparable organisations. Previously, C&C compared its performance against a peer group that included 17 other organisations. We have revisited this peer group and have reduced it to 8. The 8 selected are the organisations with a substantial element of Sheltered & Supported housing. The other 9 organisations, that were previously also in our peer group, all specialised in General Needs housing. As set out above this analysis shows that C&C is not a cost outlier.

#### Care Home costs

We have obtained benchmarking figures from LangBuisson Healthcare intelligence to benchmark costs within our Residential Care Homes. The costs of Cecil House which is of a typical operational size, are less than the average benchmark costs. The costs for the other Residential Care Homes are higher, but this reflects the smaller sizes of these homes.

### 4. How we measure ourselves

We believe that regular reporting and measurement is essential if we are to understand and improve our performance. To do this we:

**Evaluate:** C&C is a member of the Housemark benchmarking programme and this allows us to evaluate our performance in comparison to other landlords that provide the same or similar services. By knowing our position, we can set measurable targets and plan on how we can improve.

**Set targets:** In the Financial Plan and annual budget a series of financial and operational targets are established. These include profitability and costs per unit. They also encompass resident satisfaction, the amount of capital invested in our homes; together with the progress of our development plans and the availability of medium and long-term finance to grow the organisation.

## **C&C Annual Financial Statements 2017-18**

### **Value for Money Statement (continued)**

#### **4. How we measure ourselves (continued)**

We measure this via:

- Monthly Metrics that are presented to our staff and are reported to the executive, Board, Committees and Board Advisory Panels.
- Monthly management accounts which are scrutinised by our management team and the Board.
- Annual Strategic Metrics in which we check our progress against our stated strategic goals.

**Report:** We will participate in the annual Housemark benchmarking return and produce and explain our performance through our annual Sector Scorecard.

Previously, we have published an Annual Value for Money Statement. In line with the new regulatory standard, we are incorporating a Value for Money Statement in these annual accounts.

#### **Understanding our performance**

We will analyse our organisation and compare our unit and overhead costs against housing and care providers to:

- Confirm that we are delivering services in an efficient way.
- Establish with our residents that our discretionary activities e.g. creative arts are valued and wanted.
- Engage our whole management team to form a plan to deliver efficiency savings.

By looking at all aspects of our operations we ensure that our services are being delivered in the most efficient way.

#### **5. Sector Scorecard**

C&C has participated in the Sector Scorecard pilot and has reviewed benchmark information to understand its current performance. C&C is a specialist provider of over 55 services and there are no directly comparable organisations in terms of scope and size.

## C&C Annual Financial Statements 2017-18

### Value for Money Statement (continued)

#### 5. Sector Scorecard (continued)

C&C has therefore compared its performance using the Sector Scorecard against a peer group which has a substantial proportion of sheltered and supported housing.

Metric		2016/17 Peer Group	C&C	2017/18 C&C
1	Reinvestment	5.3%	5.75%	7.16%
2A	New supply delivered – social	2.64%	0.10%	0.00%
2B	New supply delivered - non-social	0.4%	0.00%	0.00%
3	Gearing	42.9%	20.56%	23.8%
4	EBITDA MRI - Interest cover	156%	332%	226%
*5	Headline social housing cost per unit (£)	6,146	10,605	9,981
6A	Operating margin overall – social housing lettings	28.3%	2.98%	2.51%
6B	Operating margin overall	24.6%	9.17%	0.04%
7	Return on capital employed (ROCE)	3.3%	2.57%	0.01%

**\*5 – Headline Social Housing Cost Per Unit – C&C's costs per unit includes C&C's 4 Residential Care homes that are classified as social housing, but that have a very different cost and income base – see '3' above Care Home Costs'.**

The Scorecard indicates that C&C over the last 2 years has:

#### Metric Analysis

- 1&2 Invested slightly more than its peer group but has delivered fewer new units. Our Development and Asset Management strategies will deliver more investment going forward and there are over 180 units progressing through the development pipeline.
- 3&4 C&C has sufficient gearing and operating capacity to borrow to fund development.
- 5 C&C's Headline social housing cost per unit is distorted as it includes the costs of residential care units – excluding the residential care units from the calculation reduces the average cost per unit to £5,507 – in line with our peer group.
- 6&7 C&C has lower than average margins and ROCE which reflect the preponderance of Sheltered and Supported units in C&C's housing mix which at 79% is much higher than that of its peer group (22%). The General Needs operating margin in the peer group is 37% - in contrast the Sheltered and Supported operating margin in the peer group is 11%
- C&C's margins are also impacted by losses in Merton Nursing Care homes that will be sold and our Queens Court Care Home that has now been exited. C&C's target margin of 13.4% reflects the margins on General Needs and Sheltered and Supported Housing in its Peer Group but C&C's target margin is lower than the average due to the amount of Sheltered Housing and the inclusion of Residential Care Homes in its mix of operations.

## **C&C Annual Financial Statements 2017-18**

### **Value for Money Statement (continued)**

C&C's 30-year Financial Plan sets out ambitious plans for improving and growing its housing stock, which will drive improved performance in the amounts invested and new unit delivery in future years. The Financial Plan is rigorously tested to ensure that C&C stays within its financial covenants as set by its banking providers.

#### **6. Value for Money objectives and achievements**

In 2017 the Board approved C&C's Fit Future strategy, which details the organisation's plans and commitments for the next 3, 5 and 10 years. In broad terms by 2027, C&C will be providing homes exclusively for over 55's in London, with a range of services to serve our residents.

Value for Money (VfM) is at the centre of our plans and objectives. It is an integral part of our corporate ethos and values and forms the foundation of our Fit Future Strategy.

#### **2017/18**

In 2017/18, C&C generated significant Value for Money benefits by:

- Restructuring the organisation from top to bottom - £1.1 million savings are included in the budget for 2018/19.
- Implementing two new IT systems.
- Exiting from the Queens Court Windsor nursing care home that was operating at a loss.
- Improving the financial performance of our residential and nursing care homes.
- Investing in our property services to improve our FLAGE property compliance.
- Planning for the launch of two major new services, C&C Direct and the Service Hub which will drive the quality of our customer service.

We planned to sell our Merton care home nursing care portfolio in 2017/18, which has been delayed. We have appointed new agents to re-launch the sales process in 2018. Trading at the Merton Homes has improved significantly and all homes now have a Good CQC rating and improved financial performance. When we have sold the homes, we will look to reinvest the proceeds in new over 55s specialist homes.

#### **2018/19**

The review of benchmark and peer group information has indicated that C&C's housing and care costs are in line with sector peers. We will continue to review our costs and in particular we will review our overheads to ensure that they are correctly split between direct and indirect activities and that they are appropriately allocated between the different parts of the business in a way that reflects the drivers of costs.

## C&C Annual Financial Statements 2017-18

### Value for Money Statement (continued)

#### 6. Value for Money objectives and achievements (continued)

Our VfM target for 2018/19 are as follows:

##### Financial targets

	<b>Initiative</b>	<b>Target</b>
1	Diversified rent initiative	25 units let on this basis within 2018/19
2	Housing voids	Voids improvement from 2.7% to 2%
3	Care occupancy	Occupancy improved from 83.2% to 87.3%
4	Procurement savings	In year savings of £100k

VfM is not just about bottom line costs and savings, it is about being an efficient landlord and providing useful and effective services to our residents. C&C is committed to delivering effective and efficient services and have also set the following targets:

	<b>Service area objective</b>	<b>Target</b>
1	All our homes are safe	100% FLAGE compliance. C&C were 100% compliant in relation to Fire, Legionella, Asbestos and Gas at the end of 2017/18. Electricity certification was 92%, mainly due to our being unable to obtain access via a legal process. We are working with residents to impress the importance of the checks that we carry out to achieve 100% compliance.
2	Care Home CQC rating 100% "Good"	Currently 6 out of 7 Care Homes are rated "Good". Target 7. Our Homestead Care Home is rated Requires Improvement and measures have been taken to improve performance – an inspection is awaited. One of our homes, Cecil Court has just achieved C&Cs first 'outstanding' rating in the area of 'Well Led'.
3	Employee satisfaction	Target 88%. Satisfaction is currently 68% following the restructure in 2017/18 and is improving. The direction of travel is monitored quarterly so that improvements can be made quickly in response to identified issues.
4	Housing resident satisfaction	Target 85%. Satisfaction is currently 81% and may have been impacted by the restructure of the housing team. Satisfaction is measured monthly so that action can be taken to rectify issues as they arise.
5	Care Home Resident satisfaction	Target 95%. Satisfaction is currently 84%. A new Care team is in place and is driving improvements.



# Independent Auditors Report

## Opinion

We have audited the financial statements of Central and Cecil Housing Trust ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's deficit and the Association's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association 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.

## 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 members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association'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.

# Independent Auditors Report

## Other information

The board are responsible for the other information. Other information comprises the information included in the annual *report*, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 including the Strategic Report, and Value for Money Statement 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 we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 21, 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 members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the Association'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 Group or the Association or to cease operations, or have no realistic alternative but to do so.

# Independent Auditors Report

## 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.



BDO LLP  
Statutory Auditor  
Gatwick, United Kingdom

Date: 14 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## C&C Annual Financial Statements 2017-18

### Consolidated and Association Statement of Comprehensive Income

Consolidated and Association Statement of Comprehensive Income for the year ended 31 March 2018.

	Note	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Turnover	4	26,649	29,430	26,649	29,430
Operating costs	4	(26,498)	(26,732)	(26,444)	(26,715)
Other operating income	4	-	-	-	-
Operating surplus	4,8	151	2,698	205	2,715
(Deficit) on disposal of fixed assets	12	(141)	-	(141)	-
Other interest receivable and similar income	13	-	109	342	460
Interest and financing costs instruments	14	-	(471)	(397)	(471)
Unrealised (deficit)/surplus on revaluation of investments	22	-	-	-	-
Realised (deficit)/surplus on disposal of investments	22	-	326	-	326
Other finance costs	14	(18)	(15)	(18)	(15)
(Deficit)/surplus before taxation		(8)	2,647	(9)	3,015
Taxation on surplus	15	-	15	-	-
Deficit for the financial year		(8)	2,662	(9)	3,015
Actuarial gains/(losses) on defined benefit pension scheme	28	817	(3,736)	817	(3,736)
<b>Total comprehensive income/(deficit) for the year</b>		<b>809</b>	<b>(1,074)</b>	<b>808</b>	<b>(721)</b>

The notes on pages 40 to 77 form part of these financial statements. All activities relate to continuing operations.

# C&C Annual Financial Statements 2017-18

## Consolidated and Association Statement of Financial Position

Consolidated and Association Statement of Financial Position as at 31 March 2018

		Group		Association	
	Note	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fixed assets					
Tangible fixed assets – housing properties	16	92,019	93,023	92,019	93,023
Tangible fixed assets - other	17	5,596	5,492	5,596	5,492
Investment properties	18	850	850	850	850
		98,465	99,365	98,465	99,365
Current assets					
Stocks	20	9,123	4,699	-	-
Debtors – receivable within one year	21	2,730	3,953	12,752	9,491
Investments	22	-	-	-	-
Cash and cash equivalents		4,182	2,050	3,525	1,407
		16,035	10,702	16,277	10,898
Creditors: amounts falling due within one year	23	5,278	5,273	4,952	4,900
Net current assets		10,757	5,429	11,325	5,998
Total assets less current liabilities		109,222	104,794	109,790	105,363
Creditors: amounts falling due after more than one year	24	56,791	52,123	56,791	52,123
Net assets excluding pension liability		52,431	52,671	52,999	53,240
Pension liability	28	-	1,049	-	1,049
<b>Net assets</b>		<b>52,431</b>	<b>51,622</b>	<b>52,999</b>	<b>52,191</b>
Capital and reserves					
Called up share capital	29	-	-	-	-
Income and expenditure reserve		52,114	51,305	52,682	51,874
Restricted reserve		317	317	317	317
		<b>52,431</b>	<b>51,622</b>	<b>52,999</b>	<b>52,191</b>

The notes on pages 40 to 77 form part of these financial statements.

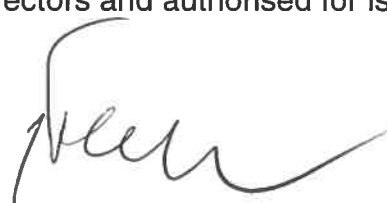
The financial statements were approved by the Board of Directors and authorised for issue on 4 September 2018.



Alison Carver  
Chair



Julia Ashley  
Chief Executive



Jo Teare  
Group Chief Finance Officer

## C&C Annual Financial Statements 2017-18

### Consolidated Statement of Changes in Reserves

Consolidated statement of changes in reserves for the year ended 31 March 2018

	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2017	51,305	317	51,622
Deficit for the year	(8)	-	(8)
Actuarial gains on defined benefit pension scheme	817	-	817
<b>Balance at 31 March 2018</b>	<b>52,114</b>	<b>317</b>	<b>52,431</b>

Consolidated statement of changes in reserves for the year ended 31 March 2017

	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2016	52,346	350	52,696
Surplus for the year	2,662	-	
Actuarial losses on defined benefit pension scheme	(3,736)	-	(3,736)
Spend from legacy	33	(33)	-
<b>Balance at 31 March 2017</b>	<b>51,305</b>	<b>317</b>	<b>51,622</b>

The notes on pages 40 to 77 form part of these financial statements.

## C&C Annual Financial Statements 2017-18

### Association Statement of Changes in Reserves

Association statement of changes in reserves for the year ended 31 March 2018

	Income and expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 April 2017	51,874	317	52,191
Deficit for the year	(9)	-	(9)
Actuarial gains on defined benefit pension scheme	817	-	817
<b>Balance at 31 March 2018</b>	<b>52,682</b>	<b>317</b>	<b>52,999</b>

Association statement of changes in reserves for the year ended 31 March 2017

	Income and expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 April 2016	52,562	350	52,912
Surplus for the year	3,015	-	3,015
Actuarial losses on defined benefit pension scheme	(3,736)	-	(3,736)
Spend from legacy	33	(33)	-
<b>Balance at 31 March 2017</b>	<b>51,874</b>	<b>317</b>	<b>52,191</b>

The notes on pages 40 to 77 form part of these financial statements.

# C&C Annual Financial Statements 2017-18

## Consolidated Statement of Cashflows

Consolidated statement of cash flows for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
(Deficit)/Surplus for the financial year		(8)	2,662
Adjustments for:			
Depreciation of fixed assets - housing properties	16	2,002	1,790
Depreciation of fixed assets - other	17	837	715
Amortised grant	5	(379)	(380)
Donation of property	4	-	(2,050)
Interest payable and finance costs	14	18	471
Interest received	13	-	(109)
Movement from fixed and current asset investments	22	-	(326)
Difference between net pension expense and cash contribution	14,28	(232)	(3,285)
Deficit on the sale of fixed assets	12	141	-
Decrease / (increase) in trade and other debtors		1,223	205
Decrease / (increase) in stocks		(4,027)	(1,178)
Increase / (decrease) in creditors		477	125
Cash from operations		52	(1,360)
Taxation paid		-	-
<i>Net cash generated from operating activities</i>		52	(1,360)
Cash flows from investing activities			
Proceeds from sale of fixed assets – housing properties	12	1,100	-
Purchase of fixed assets – housing properties	16	(2,100)	(4,607)
Purchases of fixed assets - other	17	(979)	(1,412)
Receipt of grant		-	-
Interest received	13	-	109
Sale of current asset investments	22	-	3,173
<i>Net cash from investing activities</i>		(1,979)	(2,737)
Cash flows from financing activities			
Interest paid	14	(853)	(866)
New loans - bank	26	5,817	4,003
Repayment of loans - bank	26	(905)	(918)
<i>Net cash used in financing activities</i>		4,059	2,219
Net decrease in cash and cash equivalents		2,132	(1,878)
Cash and cash equivalents at beginning of year		2,050	3,928
Cash and cash equivalents at end of year		4,182	2,050

The cash balance as at 31 March 2018 includes £112k (2017: £139k) that the Association holds on behalf of other parties and does not form part of the Group's capital.

The notes on pages 40 to 77 form part of these financial statements.



# **C&C Annual Financial Statements 2017-18**

## **Notes to the financial statements for the year ended March 2018**

### **1. Legal Status**

The Association is registered with the Financial Conduct Authority under the co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a social housing provider.

### **2. Accounting Policies**

#### ***Basis of Preparation***

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Central and Cecil Housing Trust includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015 but may be applied early to periods ending on or after 31 December 2012. Central and Cecil Housing Trust has taken the option to apply the standard for the first time for the period ending 31st March 2017.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies.

#### ***Parent company disclosure exemptions***

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

## Notes to the financial statements for the year ended March 2018 (continued)

### 2. Accounting Policies (continued)

#### *Going Concern*

The financial statements have been prepared on a going concern basis, details of which can be found in the Strategic Report on pages 4 to 24.

The following principal accounting policies have been applied:

#### *Basis of consolidation*

The consolidated financial statements present the results of Central and Cecil Housing Trust – Registered provider of social housing and its subsidiaries (“the Group”) as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree’s identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2012.

#### *Income*

Income is measured at the fair value of the consideration received or receivable. The group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting); and
- Service charges receivable

Rental income is recognised from the point when properties under development reach practical completion.

#### *Supported Housing Schemes*

The Group receives Supporting People grants from a number of London Boroughs and County Councils. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Income and Expenditure Account. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

## **Notes to the financial statements for the year ended March 2018 (continued)**

### **2. Accounting Policies (continued)**

#### ***Service charges***

The Group adopts a fixed method for calculating and charging service charges to its tenants and leaseholders. Service charges are set each year at the beginning of the year based on the costs that the Group expects to incur in relation to service chargeable items. Income is therefore recorded based on these calculated amounts chargeable.

#### ***Management of units owned by others***

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

#### ***Schemes managed by agents***

Where the Association carries the financial risk, income and expenditure is included in the income and expenditure account. SHG and other revenue grants may be claimed by the Group as owner of the property and included in the income and expenditure account and balance sheet. The treatment of other income and expenditure depends on whether the Association carries the financial risk.

#### ***Current and deferred taxation***

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

## Notes to the financial statements for the year ended March 2018 (continued)

### 2. Accounting Policies (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### ***Value Added Tax***

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income. The balance of VAT payable or recoverable at the year end is included as a creditor or current asset as appropriate.

#### ***Finance costs***

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Finance costs are capitalised in housing properties under construction using a weighted average cost of borrowing.

#### ***Pension costs***

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

The group also operates a defined benefit pension scheme which is closed to new members. The pension scheme liability shown in the financial statements relates to the group's own defined benefit scheme. The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

## **C&C Annual Financial Statements 2017-18**

### **Notes to the financial statements for the year ended March 2018 (continued)**

#### **2. Accounting Policies (continued)**

##### ***Holiday pay accrual***

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

##### ***Tangible fixed assets – Housing properties***

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. The salaries costs that can be directly attributed to major projects are also capitalised. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Housing properties in the course of construction, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

When housing properties are developed for sale to another social landlord, the cost is dealt with in current assets under housing properties and stock for sale.

Completed housing properties acquired from subsidiaries are valued at existing use value for social housing at the date of acquisition.

##### ***Depreciation of housing property***

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018 (continued)

#### 2. Accounting Policies (continued)

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Freehold land is not depreciated.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Structure (freehold property)	100
Structure (leasehold property)	Life of the lease
Offices (freehold)	33-50
Kitchen	20
Bathroom	25
Roof	45
Boiler	15
Electrics	20
External windows	35
Mechanical systems	20

Communal	20
Lifts	20
Flooring	12 ½
Ariel	10

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

#### ***Tangible fixed assets – Other***

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018 (continued)

#### 2. Accounting Policies (continued)

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

#### ***Depreciation of other tangible fixed assets***

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Freehold building – offices	33-50
Leasehold building – offices	Lease term
Motor vehicles	4
Fixtures, fittings, furniture & equipment	5-10
Computer software	3
Computer equipment	3-10

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

#### ***Government grants***

Grant received in relation to existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected and is consistent with that used for depreciating housing properties as shown above

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

### Notes to the financial statements for the year ended March 2018 (continued)

#### 2. Accounting Policies (continued)

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

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

#### ***Recycled Capital Grant Fund***

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, it will be repayable to the HCA with interest.

Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

#### ***Valuation of investments***

Investments in subsidiaries are measured at cost less accumulated impairment.

#### ***Impairment of fixed assets and goodwill***

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts.

The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

#### ***Stock***

Stock represents work in progress and completed properties, including housing properties developed for transfer to other registered providers and properties developed for outright sale.

Stock is stated 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 proceeds after allowing for all further costs to completion and selling costs.



## **C&C Annual Financial Statements 2017-18**

### **Notes to the financial statements for the year ended March 2018 (continued)**

#### **2. Accounting Policies (continued)**

##### ***Debtors and creditors***

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

##### ***Recoverable amount of rental and other trade receivables***

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

##### ***Rent and service charge agreements***

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

##### ***Loans, investments and short-term deposits***

All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

##### ***Cash and cash equivalents***

Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consists of cash at bank, in hand, deposits and short-term investments with an original maturity of three months or less. They include some money market deposits, held for more than 24 hours, which can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

##### ***Leased assets: Lessee***

The group has leases which are treated as operating leases and as such their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018 (continued)

#### 2. Accounting Policies (continued)

##### ***Reserves***

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

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The revaluation reserve is created from surpluses on asset revaluation.

### **Notes to the financial statements for the year ended March 2018 (continued)**

#### **3. Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty**

In preparing these financial statements, the key judgements have been made in respect of the following:

whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.

- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- the critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- whether leases entered into by the group either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

## **C&C Annual Financial Statements 2017-18**

### **Notes to the financial statements for the year ended March 2018 (continued)**

Other key sources of estimation uncertainty

#### ***Tangible fixed assets (see note 16, 17 and 18)***

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as expected wear and tear, expected usage and its ability to generate income and obsolescence are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Investment properties are professionally valued periodically but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself. Key inputs into the valuations are the location and nature of the property which is subject to D1 usage, the current tenancy which is subject to a short lease with a break clause and the rental value.

#### ***Rental and other trade receivables (debtors) (see note 21)***

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

#### ***Pensions (see note 28)***

The discount rate used in the calculation of the pension scheme liability has been derived from AAA rated corporate bonds over 15 years whereas prior to 1 April 2016 a AA rated corporate bond over 15 years was used. Whilst the use of an AAA rated bond is unusual the accounting guidance in FRS 102 Section 28 states that pension obligations should be discounted by reference to market yields of a high quality corporate bond but is not prescriptive as to the rating of those bonds. The application of the discount rate derived from the AAA rated corporate bond is within the accounting guidance and is a matter of Management judgement. Management have used their judgement in this matter as a buy-out of the pension scheme is under consideration and a valuation based on AAA corporate bonds gives a more realistic view of the pension scheme liability with the scheme exit in mind. This was discussed and agreed with the pension scheme actuaries prior to the valuation taking place

## C&C Annual Financial Statements 2017-18

### SOCI Related Notes

#### 4. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus

##### Group

	Turnover	Operating costs	Operating surplus/ (deficit)
	2018 £'000	2018 £'000	2018 £'000
Social housing lettings (note 5)	21,436	(20,899)	537
Other Social Housing Activities			
Supporting people	204	(207)	(3)
Other	95	(154)	(59)
	299	(361)	(62)
Activities other than Social Housing Activities			
Nursing	4,349	(4,959)	(610)
Legacy property donation	-	-	-
Overage income	-	-	-
Other	565	(279)	285
	4,914	(5,238)	(324)
	<b>26,649</b>	<b>(26,498)</b>	<b>151</b>

##### Group

	Turnover	Operating costs	Operating surplus/ (deficit)
	2017 £'000	2017 £'000	2017 £'000
Social housing lettings (note 5)	21,071	(20,443)	628
Other Social Housing Activities			
Supporting people	237	(240)	(3)
Other	104	(106)	(2)
	341	(346)	(5)
Activities other than Social Housing Activities			
Nursing	4,623	(5,375)	(752)
Legacy property donation	2,050	-	2,050
Overage income	665	-	665
Other	681	(568)	112
	8,018	(5,943)	2,075
	<b>29,430</b>	<b>(26,732)</b>	<b>2,698</b>

## C&C Annual Financial Statements 2017-18

### SOCI Related Notes

#### 4. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus

##### Association

	Turnover	Operating costs	Operating surplus/ (deficit)
	2018 £'000	2018 £'000	2018 £'000
Social housing lettings (note 5)			
Other Social Housing Activities	21,436	(20,899)	537
Supporting people	204	(207)	(3)
Other	96	(108)	(12)
	300	(315)	(15)
Activities other than Social Housing			
Activities			
Nursing	4,349	(4,959)	(610)
Legacy donation	-	-	-
Overage income	-	-	-
Other	564	(271)	293
	4,913	(5,230)	(317)
	<b>26,649</b>	<b>(26,444)</b>	<b>205</b>

##### Association

	Turnover	Operating costs	Operating surplus/ (deficit)
	2017 £'000	2017 £'000	2017 £'000
Social housing lettings (note 5)			
Other Social Housing Activities	21,071	(20,443)	628
Supporting people	237	(240)	(3)
Other	104	(106)	(2)
	341	(346)	(5)
Activities other than Social Housing			
Activities			
Nursing	4,622	(5,375)	(753)
Legacy donation	2,050	-	2,050
Overage income	665	-	665
Other	681	(551)	130
	8,018	(5,926)	2,092
	<b>29,430</b>	<b>(26,715)</b>	<b>2,715</b>

# C&C Annual Financial Statements 2017-18

## Notes to the financial statements for the year ended March 2018

### 5. Income and Expenditure from Social Housing Lettings

	General needs £'000	Supported housing £'000	Sheltered housing £'000	Care £'000	Agency Managed £'000	Total 2018 £'000	Total 2017 £'000
<b>Income</b>							
Rents net of identifiable service charges	1,672	473	5,871	8,760	-	16,776	16,303
Service charge income	316	126	2,686	-	-	3,128	3,113
Amortised government grants	146	15	120	36	62	379	380
Other income	-	-	24	227	896	1,147	1,243
Other grants	-	-	-	6	-	6	32
<b>Turnover from social housing lettings</b>	<b>2,134</b>	<b>614</b>	<b>8,701</b>	<b>9,029</b>	<b>958</b>	<b>21,436</b>	<b>21,071</b>
<b>Expenditure</b>							
Management	(770)	(284)	(3,020)	(2,177)	(274)	(6,525)	(6,164)
Service charge costs	(456)	(198)	(2,937)	(6,576)	(97)	(10,264)	(10,774)
Routine maintenance	(130)	(52)	(453)	(181)	(50)	(866)	(815)
Planned maintenance	(8)	(1)	4	(9)	3	(11)	(181)
Major repairs expenditure	(239)	(56)	(333)	(53)	(82)	(763)	(534)
Bad debts	(215)	7	(97)	(190)	12	(483)	(195)
Depreciation of housing properties:							
- annual charge	(438)	(62)	(864)	(347)	(140)	(1,851)	(1,732)
- accelerated on disposal of components	(53)	(1)	(55)	(27)	-	(136)	(48)
<b>Operating expenditure on social housing lettings</b>	<b>(2,309)</b>	<b>(647)</b>	<b>(7,755)</b>	<b>(9,560)</b>	<b>(628)</b>	<b>(20,899)</b>	<b>(20,443)</b>
<b>Operating surplus/(deficit) on social housing lettings</b>	<b>(175)</b>	<b>(33)</b>	<b>946</b>	<b>(531)</b>	<b>330</b>	<b>537</b>	<b>628</b>
Void losses	(23)	(50)	(240)	(2,024)	-	(2,337)	(3,486)

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 6. Particulars of Turnover from Non-Social Housing Lettings

	Group & Association	
	2018	2017
	£'000	£'000
Other	565	680

Other income includes income from the day care centre, rental income from the investment property, fundraising and other minor income items.

#### 7. Units of Housing Stock

	Group & Association	
	2018	2017
Care Homes		
- Social Housing	224	246
- Non Social Housing	61	101
Supported housing	73	73
General needs - Social Rent	307	311
Sheltered Housing	1,104	1,104
<b>Total social housing units</b>	<b>1,769</b>	<b>1,835</b>
Accommodation managed by Agents	229	229
Total managed accommodation	229	229
<b>Total owned and managed accommodation</b>	<b>1,998</b>	<b>2,064</b>
Units under construction	219	226



# C&C Annual Financial Statements 2017-18

## Notes to the financial statements for the year ended March 2018

### 8. Operating Surplus / (Deficit)

	Note	Group & Association	
		2018	2017
		£'000	£'000
<hr/>			
This is arrived at after charging/(crediting):			
Depreciation of housing properties:			
- annual charge	16	1,850	1,745
- accelerated depreciation on replaced components	16	152	45
Depreciation of other tangible fixed assets	17	837	715
Operating lease charges – other		164	282
Auditors' remuneration (excluding VAT):			
- fees payable to the group's auditor for the audit group's annual accounts		43	52
- fees for tax advice		26	6
- fees for other non-audit services		8	-
Defined contribution pension cost	9	368	379
Defined benefit pension cost	9	-	-
<hr/>			

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 9. Employees

	Group & Association	
	2018	2017
	£'000	£'000
Staff costs (including Executive)		
Wages and salaries	11,127	11,545
Social security costs	959	977
Cost of defined benefit scheme	-	-
Cost of defined contribution scheme	368	379
	<b>12,462</b>	<b>12,901</b>

Included within the figures above is an amount of £374k (2017: £351k) which has been capitalised as development costs and included within additions in note 16.

An additional £142k (2017: £147k) has been capitalised in relation to major works on properties and is included within additions in note 16.

Include within the figures above is £203k (2017: £227k) for staff costs relating to major IT related projects and is included within additions in note 17.

The average number of employees (including the Executive Management Team) expressed as full-time equivalents (calculated based on a standard working week of 37 hours) during the year was as follows:

	Group & Association	
	2018	2017
	No.	No.
Administration	50	63
Development	4	3
Housing, Support and Care	351	365
	<b>405</b>	<b>431</b>

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 10. Directors Remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 2.

	Group & Association	
	2018 £'000	2017 £'000
Executive directors' emoluments	423	349
Amounts paid to non-executive directors	51	44
Compensation for loss of office	61	66
Contributions to money purchase pension schemes	32	34
	<b>567</b>	<b>493</b>

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £109k (2017: £105k). Pension contributions of £12k (2017: £12k) were made to a money purchase scheme on their behalf.

As a member of the defined benefit pension scheme, the pension entitlement of the Chief Executive is identical to those of other members.

The remuneration paid to staff (including Executive Management Team) earning £60,000 and upwards is:

Salary Bandings	Group & Association	
	2018 No	2017 No
£100,000 - £109,999	1	1
£90,000 - £99,999	1	1
£80,000 - £89,999	0	1
£70,000 - £79,999	3	2
£60,000 - £69,999	3	5

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 11. Board Members

Board and committee membership of Central & Cecil Housing Trust is set out on pages 15-16.

#### 12. Deficit on Disposal of Fixed Asset

	Group and Association	
	2018 £'000	2017 £'000
Disposal proceeds	1,100	-
Cost of disposal	(845)	-
Grant recycled	(396)	-
<b>Deficit on disposal of housing properties and other tangible assets</b>	<b>(141)</b>	<b>-</b>

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 13. Interest Receivable and Income from Investments

	<b>Group</b>		<b>Association</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Income from Investments in Managed Portfolio	-	107	-	107
Interest receivable from bank deposits	-	2	-	2
Interest and similar income from group undertakings	-	-	342	351
	<b>-</b>	<b>109</b>	<b>342</b>	<b>460</b>

#### 14. Interest Payable and Similar Charges

	<b>Group</b>		<b>Association</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	835	866	835	866
Net interest on defined benefit pension liability	18	15	18	15
	<b>853</b>	<b>881</b>	<b>853</b>	<b>881</b>
Interest capitalised on construction of housing properties	(835)	(395)	(438)	(395)
	<b>18</b>	<b>486</b>	<b>415</b>	<b>486</b>

The group has capitalised interest relating to development projects of £835k (2017: £395k) during the year.

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 15. Taxation On Surplus / (Deficit) On Ordinary Activities

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on surplus for the year	-	15	-	-
<b>Taxation on surplus on ordinary activities</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus before tax. The differences are explained below:

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
(Deficit) / Surplus on ordinary activities before tax	(8)	2,647	(93)	3,015
(Deficit) / Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 - 20%)	(2)	529	19	603
Effects of:				
Surplus subject to charitable exemption	2	(544)	(19)	(603)
<b>Total tax charge for period</b>	<b>-</b>	<b>(15)</b>	<b>-</b>	<b>-</b>

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as in the case of the investment property. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total un-provided amount is £67k (2017: £70k). At present, it is not envisaged that any tax will become payable in the foreseeable future.

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### Balance Sheet Related Notes

#### 16. Tangible Fixed Assets – Housing Properties

	Housing properties completed £'000	Group & Association Housing properties Under Construction £'000	Total £'000
<i>Cost at 1 April 2017</i>	102,691	15,194	117,885
Additions:			
- Construction cost	-	1,617	1,617
- Replaced components	543	-	543
Disposals:			
- Disposal for sale	(748)	(467)	(1,215)
- Replaced component	(385)	-	(385)
<b>At 31 March 2018</b>	<b>102,101</b>	<b>16,344</b>	<b>118,445</b>
<i>Depreciation At 1 April 2017</i>	23,465	1,397	24,862
Charge for the year	1,850	-	1,850
Eliminated on disposals:			
- Disposal for sale	(53)	-	(53)
- Replaced components	(233)	-	(233)
<b>At 31 March 2018</b>	<b>25,029</b>	<b>1,397</b>	<b>26,426</b>
<b>Net book value at 31 March 2018</b>	<b>77,072</b>	<b>14,947</b>	<b>92,019</b>
<b>Net book value at 31 March 2017</b>	<b>79,226</b>	<b>13,797</b>	<b>93,023</b>

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 16. Tangible Fixed Assets – Housing Properties (continued)

	Group 2018 £'000	Group 2017 £'000
The net book value of housing properties may be further analysed as:		
Freehold	72,445	72,906
Long leasehold	17,599	18,060
Short leasehold	1,975	2,057
	<b>92,019</b>	<b>93,023</b>
Interest capitalisation		
Interest capitalised in the year	835	394
Cumulative interest capitalised	477	83
	<b>1,312</b>	<b>477</b>
Rate used for capitalisation	4.5%	5.2%
Works to properties		
Improvements to existing properties capitalised	543	2,005
Major repairs expenditure to income and expenditure account	763	534
	<b>1,306</b>	<b>2,539</b>
Total Social Housing Grant received or receivable to date is as follows;		
Capital grant – Housing Properties	38,636	39,032
Recycled Capital Grant	396	-
Revenue grant – I&E	(379)	(379)
Revenue grant - reserves	(6,766)	(6,387)
	<b>31,887</b>	<b>32,266</b>

The analysis above includes 61 (2017: 101) nursing/non-social housing bed spaces within care homes. The asset value of these bed spaces has not been separately analysed as, in the view of the Board, to do so would incorrectly imply that a separate nursing property exists.

Historic records are not available to determine the cumulative amount of capitalised interest in fixed asset housing properties prior to 31 March 2014.

#### Impairment

The group considers its differing business streams as laid out in note 5 to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014.



## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 16. Tangible Fixed Assets – Housing Properties (continued)

During the current year, the group and association have not identified a need to recognise an impairment loss (2017: £Nil). On 8 July 2015, the Summer Budget included the announcement that the Government will reduce rents in social housing in England by 1% a year for four years from April 2016. The Government indicated at the time that this would result in a 12% reduction in average rents by 2020/21.

#### Properties held for security

Central and Cecil Housing Trust – Registered social housing provider had property with a net book value of £15,098k pledged as security at 31 March 2018 (2017: £15,752k).

#### 17. Other Tangible Fixed Assets

The net book value of office buildings may be further analysed as:

##### Group and Association

	Office buildings £'000	Fixtures, fittings tools and equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 1 April 2017	3,747	8,131	11,878
Additions	-	979	979
Disposals	-	(83)	(83)
Revaluations	-	-	-
<b>At 31 March 2018</b>	<b>3,747</b>	<b>9,027</b>	<b>12,774</b>
<i>Depreciation</i>			
At 1 April 2017	1,062	5,324	6,386
Charge for year	78	759	837
Disposals	-	(45)	(45)
<b>At 31 March 2018</b>	<b>1,140</b>	<b>6,038</b>	<b>7,178</b>
<i>Net book value</i>			
<b>At 31 March 2018</b>	<b>2,607</b>	<b>2,989</b>	<b>5,596</b>
<b>At 31 March 2017</b>	<b>2,685</b>	<b>2,807</b>	<b>5,492</b>

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 17. Other Tangible Fixed Assets (continued)

The net book value of office buildings may be further analysed as:

	Group & Association	
	2018 £'000	2017 £'000
Freehold	2,607	2,685
	<b>2,607</b>	<b>2,685</b>

#### 18. Investment Properties

Group & Association	Commercial £'000	Total £'000
At 31 March 2018	850	850

The group's investment properties were valued on 18 June 2018 at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Valuation - Professional Standards (2014) ["The Red Book"] published by the Royal Institution of Chartered Surveyors. Details on the assumptions made and the key sources of estimation uncertainty are given below. In valuing the investment properties, the methodology was adopted with the following key assumptions:

The market valuation reflects the current occupation and a Special Assumption of the existing D1 (medical) use.

Being held as a standing investment, the Property has been valued using the investment method of valuation, assessing the rental level by comparison to other transactions, and capitalising the income and the appropriate yield, making allowances for the future performance of the Property. The valuer has had regard to all of the above considerations, including the nature and location of the Property, occupational tenancies and covenant strength, rental value, let ability/marketability, the security of the income receivable, prevailing occupational and investment market conditions and comparable evidence where available.

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	Group & Association	
	2018 £'000	2017 £'000
Historic cost	498	498
Accumulated depreciation	(307)	(291)
	<b>191</b>	<b>207</b>

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 19. Fixed Asset Investments

Details of subsidiary undertakings

The principal undertakings in which the Association has an interest in are as follows:

Name	Country of Incorporation or Registration	Proportion of voting rights/ ordinary share capital held	Nature of business	Nature of entity	Investment cost
Subsidiary undertaking					
Central and Cecil Innovations Ltd	England & Wales	100%	To undertake private sale and other non-core charitable activities	Incorporated company	£1
Central and Cecil Construction Services Ltd	England & Wales	100%	To undertake the construction of residential properties for sale	Incorporated Company	£1

#### 20. Properties for Sale

	Outright market sales 2018 £'000	Total 2018 £'000	Total 2017 £'000
Work in progress	9,123	9,123	4,699
	<b>9,123</b>	<b>9,123</b>	<b>4,699</b>

Properties developed for sale include capitalised interest of £396k (2017:£Nil).

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 21. Debtors

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charge arrears	2,395	2,353	2,142	2,353
Less: Provision for doubtful debts	(1,146)	(622)	(893)	(622)
	1,249	1,731	1,249	1,731
Amounts owed by group undertakings	-	-	10,262	5,525
Other debtors	1,080	867	840	837
Prepayments and accrued income	401	1,355	401	1,398
	1,481	2,222	11,503	7,760
	<b>2,730</b>	<b>3,953</b>	<b>12,752</b>	<b>9,491</b>

#### 22. Current Asset Investments

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Opening fair value	-	2,847	-	2,847
Sales	-	(3,173)	-	(3,173)
Gains on disposal	-	326	-	326
<b>Fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

All current asset investments were shares held in listed companies which are traded on a regular basis.

#### 23. Creditors: Amounts falling within one year

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and borrowings (note 26)	770	905	770	905
Trade creditors	775	434	775	378
Deferred capital grant (note 25)	379	379	379	379
Rent and service charges received in advance	357	406	357	406
Taxation and social security	248	276	248	276
Other creditors	587	387	153	387
Accruals and deferred income	2,162	2,486	2,270	2,169
	<b>5,278</b>	<b>5,273</b>	<b>4,952</b>	<b>4,900</b>

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 24. Creditors: Amounts falling due after more than one year

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and borrowings (note 26)	25,313	20,266	25,313	20,266
Deferred capital grant (note 25)	31,112	31,887	31,112	31,887
Recycled capital grant fund	396	-	396	-
Accruals and deferred income	(30)	(30)	(30)	(30)
	<b>56,791</b>	<b>52,123</b>	<b>56,791</b>	<b>52,123</b>

#### 25. Deferred Capital Grant

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April 2017	32,266	32,645	32,266	32,645
Grants released to income during the year	(379)	(379)	(379)	(379)
Grants transferred to RCGF on disposal	(396)	-	(396)	-
<b>At 31 March 2018</b>	<b>31,491</b>	<b>32,266</b>	<b>31,491</b>	<b>32,266</b>

#### 26. Loans and Borrowing

##### Maturity of debt:

	Group & Association	
Bank Loans	2018	2017
	£'000	£'000
In one year or less, or on demand	770	905
In more than one year but not more than two	760	6,918
In more than two years but not more than five	16,826	2,742
In more than five years	7,727	10,606
	<b>26,083</b>	<b>21,171</b>

As at 31st March 2018, the group had both fixed rate and variable rate loans owed to RBS with a principal balance of £1,478k and £986k respectively. Both of the loans are repayable in August 2026.

As at 31st March 2018, the group had both fixed rate and variable rate loans owed to Santander with a principal balance of £9,050k. The loans are repayable in June 2036.

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 26. Loans and Borrowing (continued)

The fixed rate loan arrangements with RBS and Santander charge interest at 6.2% and 6.15% respectively. The variable rate loans accrue interest at variable rates calculated at a margin above the London Inter Bank Offer Rate. Loans are secured by specific charges on the housing properties of the group.

The group has a £17,715k loan facility with Santander which is due to expire in March 2024. As at 31 March 2018 the group had undrawn loan balance of £3,100k (2017: £9,000k).

#### 27. Financial Instruments

The Group and Association financial instruments may be analysed as follows:

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets measured at historical cost				
- Rent and service charge arrears (note 21)	1,249	1,731	1,249	1,731
- Other debtors (note 21)	1,034	867	11,739	6,362
- Cash and cash equivalents	4,182	2,050	3,525	1,407
<b>Total financial assets</b>	<b>6,465</b>	<b>4,648</b>	<b>16,513</b>	<b>9,500</b>
Financial liabilities				
Financial liabilities measured at amortised cost				
- Loans payable (note 26)	26,083	21,171	26,083	21,171
Financial liabilities measured at historical cost				
- Trade creditors (note 23)	775	434	775	378
- Other creditors (note 23)	2,565	2,873	2,239	2,873
<b>Total financial liabilities</b>	<b>29,423</b>	<b>24,478</b>	<b>29,097</b>	<b>24,422</b>

Financial assets measured at fair value through profit or loss comprise fixed asset investments in unlisted company shares and current asset investments in a trading portfolio of listed company shares.

Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts owed by associated undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors and other creditors (comprising other creditors and accruals).

## **C&C Annual Financial Statements 2017-18**

### **Notes to the financial statements for the year ended March 2018**

#### **28. Pensions**

Several pension schemes are operated by the group.

##### **Defined benefit pension scheme**

CCHT operates a defined benefit pension scheme ('CCHT Pension Fund'). The CCHT Pension Fund is a registered defined benefit (final salary) scheme. We are not aware of any practice of granting discretionary benefits under the scheme. The scheme is closed to new entrants and all future accrual from 31 May 2014. Pension benefits depend upon age, length of service and salary level.

The Fund was established under trust and is governed by the Fund's definitive trust deed and rules dated 30 January 2004.

The scheme funding valuation as at 31 March 2017 revealed a funding deficit of £4,128,000. In the Recovery Plan dated 23 March 2018 the Association has agreed to pay contributions with the view to eliminating the shortfall by 31 March 2027.

In accordance with the Schedule of Contributions dated 23 March 2018 the Association is expected to pay contributions of £250,000 over the next accounting period towards meeting the scheme funding valuation deficit. In addition, the Company is expected to meet the cost of administrative expenses for the Fund.

The liabilities of the Fund are based on the current value of expected benefit payment cashflows to members approximately over the next 60 years. The average duration of the liabilities is approximately 24 years.

A full actuarial valuation of the Fund was carried out as at 31 March 2017 and has been updated to 31 March 2018 by a qualified independent actuary.

The discount rate applied in the valuation of the pension scheme liability has been derived from an AAA rated corporate bond over 15 years. The judgements used to ascertain the rate for discount purposes are discussed in Section 3. of these financial statements, Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end.

# C&C Annual Financial Statements 2017-18

## Notes to the financial statements for the year ended March 2018

### 28. Pensions (continued)

#### Defined benefit pension scheme (continued)

	2018 £'000	2017 £'000
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	14,991	9,955
Current service cost	-	-
Interest cost	298	334
Actuarial (gains)/losses	(2,399)	4,940
Benefits paid	(175)	(238)
<b>At the end of the year</b>	<b>12,715</b>	<b>14,991</b>
	2018 £'000	2017 £'000
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	13,942	9,357
Interest income on plan assets	280	319
Actuarial gains/(losses)	(330)	1,204
Contributions by group	250	3,300
Benefits paid	(175)	(238)
<b>At the end of the year</b>	<b>13,967</b>	<b>13,942</b>
Fair value of plan assets	13,967	13,942
Present value of plan liabilities	(12,715)	(14,991)
<b>Net pension scheme asset (liability)</b>	<b>1,252</b>	<b>(1,049)</b>
(Irrecoverable surplus)	(1,252)	0
<b>Net liability in balance sheet</b>	<b>0</b>	<b>(1,049)</b>

Amounts recognised in other comprehensive incomes are as follows:

<b>Net interest cost on the net defined benefit liability</b>	<b>18</b>	<b>15</b>
<b>Analysis of actuarial loss recognised in Other comprehensive Income</b>		
Actual return less interest income included in net interest income	330	(1,204)
Experience gains and losses arising on the Fund Liabilities	(1058)	401
Changes in assumptions underlying the present value of the Fund Liabilities	(1,341)	4,539
Change in the amount of surplus that is not recoverable, excluding income	1,252	-
<b>Total remeasurement of the net defined benefit liability (asset)</b>	<b>(817)</b>	<b>3,736</b>



## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 28. Pensions (continued)

##### Defined benefit pension scheme (continued)

	2018 £'000	2017 £'000
<i>Composition of plan assets</i>		
Equity	5,517	5,414
Index Linked	3,823	9,851
Insured annuities	321	452
Corporate bonds	2,600	2,560
Fixed interest (Gilts)	-	-
Property	1,464	1,366
Cash & Other	242	3,165
Total plan assets	13,967	13,942
Actual return on plan assets	(50)	1,204
<i>Principal actuarial assumptions used at the balance sheet date</i>		
	%	%
Discount rates	2.30	2.00
Salary growth	4.50	4.50
Inflation assumption (RPI)	3.50	3.50
Inflation assumption (CPI)	2.75	2.75
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.75	2.75
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.50	3.50
Mortality rates	Years	Years
Retiring today - males	22.9	22.8
Retiring today - females	24.7	26.0
Retiring in 20 years time - males	25.1	24.2
Retiring in 20 years time - females	26.6	27.6

##### *Sensitivity analysis*

	Impact on Fund Liabilities	
	31/03/2018	31/03/2017
Discount rate – increase by 0.25%	(707)	(764)
Inflation linked assumptions – increase by 0.25%	279	302
Assumed life expectancy at age 65 – increase by 1 year	712	642

## **C&C Annual Financial Statements 2017-18**

### **Notes to the financial statements for the year ended March 2018**

#### **28. Pensions (continued)**

##### **Defined Contribution Scheme**

A defined contribution pension scheme is also operated by the group. The assets of the scheme are held separately from those of the association in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £368k (2017: £379k). Contributions totaling £Nil (2017: £Nil) were payable to the fund at the year end and are included in creditors.

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 29. Share Capital

	2018 £	2017 £
At 1 April	33	32
Shares issued in the year	2	2
Shares cancelled in the year	(1)	(1)
<b>At 31 March</b>	<b>34</b>	<b>33</b>

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interest.

#### 30. Contingent Liabilities

The Group receives grant from the Homes and Communities Agency and from the Greater London Authority, which is used to fund the acquisition and development of housing properties and their components. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2018, the value of grant received in respect of these properties that had not been disposed of was £31,112k (note 25) (2017: £31,887k).

As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 31. Operating Leases

The group and the association had minimum lease payments under non-cancellable operating leases as set out below:

##### Amounts payable as Lessee

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Not later than 1 year	160	164	160	164
Later than 1 year and not later than 5 years	406	543	406	543
Later than 5 years	-	23	-	23
<b>Total</b>	<b>566</b>	<b>730</b>	<b>566</b>	<b>730</b>

#### 32. Capital Commitments

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Commitments contracted but not provided for Construction	6,136	1,950	2,567	748
Commitments approved by the Board but not contracted for				
:Maintenance	3,519	1,338	3,519	1,338
:Construction	70,565	79,505	69,852	73,134
	<b>80,220</b>	<b>82,793</b>	<b>75,938</b>	<b>75,220</b>

Capital commitments for the Group and Association will be funded as follows:

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
New loans	-	3,726	993	-
Sales of properties	80,220	77,729	71,426	73,882
Existing reserves	-	1,338	3,519	1,338
	<b>80,220</b>	<b>82,793</b>	<b>75,938</b>	<b>75,220</b>

Capital commitments contracted but not provided for represents the amount committed to development sites for which the Group has contractual obligations.

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 33. Related Party Disclosures

The ultimate controlling party of the group is Central and Cecil Housing Trust – Registered social housing provider. There is no ultimate controlling party of Central and Cecil Housing Trust – Registered social housing provider.

The Group has taken advantage of the exemption conferred by FRS 102 paragraph 33.1A not to disclose transactions with its wholly owned subsidiary undertakings.

The Board no longer includes two tenant members who each held a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was £Nil (2017: £7,699 and £8,443) and the tenant had a credit/(debit) balance of £Nil at the 31 March 2018 (31 March 2017: £0.98 and £0.00).

The key management personnel of the association, include a number of board members the senior management team and a number of senior managers across the association who together have authority and responsibility for planning, directing and controlling the activities of the association. The total employment benefits paid to key management personnel of the association were £583k (2017: £533k).

#### Transactions with non-regulated entities

The association provides management services, other services and loans to its subsidiaries. The association also receives charges from its subsidiaries. The quantum and basis of those charges is set out below.

Payable to Association by subsidiaries:

	Management Charges		Other Charges		Interest Charges	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<i>Central &amp; Cecil Construction Services Limited</i>	25	26	-	164	1	1
<i>Central &amp; Cecil Innovations Limited</i>	25	27	-	-	138	135
	50	53	-	164	139	136

## C&C Annual Financial Statements 2017-18

### Notes to the financial statements for the year ended March 2018

#### 33. Related Party Disclosures (continued)

##### Intra-group management fees

Intra-group management fees are receivable by the association from subsidiaries to cover the running costs the association incurs on behalf of managing its subsidiaries. The management fees are calculated based on time spent by the Finance Department.

##### Other intra-group charges

Other intra-group charges payable to the association from subsidiaries are related to staff recharges and gift aid payments.

##### Intra-group interest charges

Intra-group interest is charged by the association to its subsidiaries at the currently ruling LIBOR+1.65% rate.

Entity granting loan	Entity receiving loan	Opening balance £'000	Move- ment £'000	Closing balance £'000
Central & Cecil Housing Trust	Central & Cecil Construction Services Ltd	747	(3)	744
Central & Cecil Housing Trust	Central & Cecil Innovations Ltd	3,656	1,051	4,707
Central & Cecil Construction Services Ltd	Central & Cecil Innovations Ltd	733	-	733

All three intra-group loans are repayable on demand.

#### 34. Capital and Reserves

Restricted reserves comprise a legacy of £317k (2017: £350k) that was received in 2012 from a deceased resident at Cecil Court. These funds have been left for the specific benefit of the Cecil Court care home. During the year some of the legacy was used to enhance the gardens at the scheme.

#### 35. Post Balance Sheet Event

There are no adjusting or non-adjusting post balance sheet events that impact the Group or Association.