Central & Cecil Housing Trust

CCHT Group Annual Financial Statements

Year ended 31 March 2017

Registered Social Housing Provider – consolidated and entity

Co-operative and Community Benefit Society

FCA number 27693R

Homes & Communities Agency number H1528

CCHT Group Annual Financial Statements

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Executives and Advisors

President	Harriet Bowes-Lyon
Vice Presidents	Ian Henderson CBE
	Nicholas Moore
	Michael Muller

Board of Management

Chairman	Alison Carver

Members

Mike Basquill	Philip Insuli
Barbara Stevens (resigned May 2017)	John Richardson
Angela Williams	Mark Greenwood (resigned Jun 2017)
Serge Miodragovic	Julia Ashley (from Apr 2016)
Peter Goodacre (resigned Sep 2016)	Trevor McClymont (from Jan 2017)
Caroline Tiller (resigned Apr 2016)	Bruce Matthews (from Jan 2017)

Executive Management Team

Chief Executive & Company Secretary	Julia Ashley MBA
Executive Director – Finance	Nazar Al-Khalili BSc (Hons), FCA
Executive Director – Resident Services	Paul Smith FCIH
Director of Workplace Culture	Sophie Bryan Chartered FCIPD
Director of Assets & Development	David O'Neill (from May 2017)

Bankers

Lloyds

39 Piccadilly

London W1V 0AA

Executives and Advisors

Internal Auditors

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15 Bunhill Row
London
EC1Y 8LP

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RH6 0PA

Funders

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NW1 3AN

Royal Bank of Scotland
7th Floor, 135 Bishopsgate
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EC2M 3UR

Solicitors

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EC1Y 8YZ

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Report of the Board of Management

Introduction

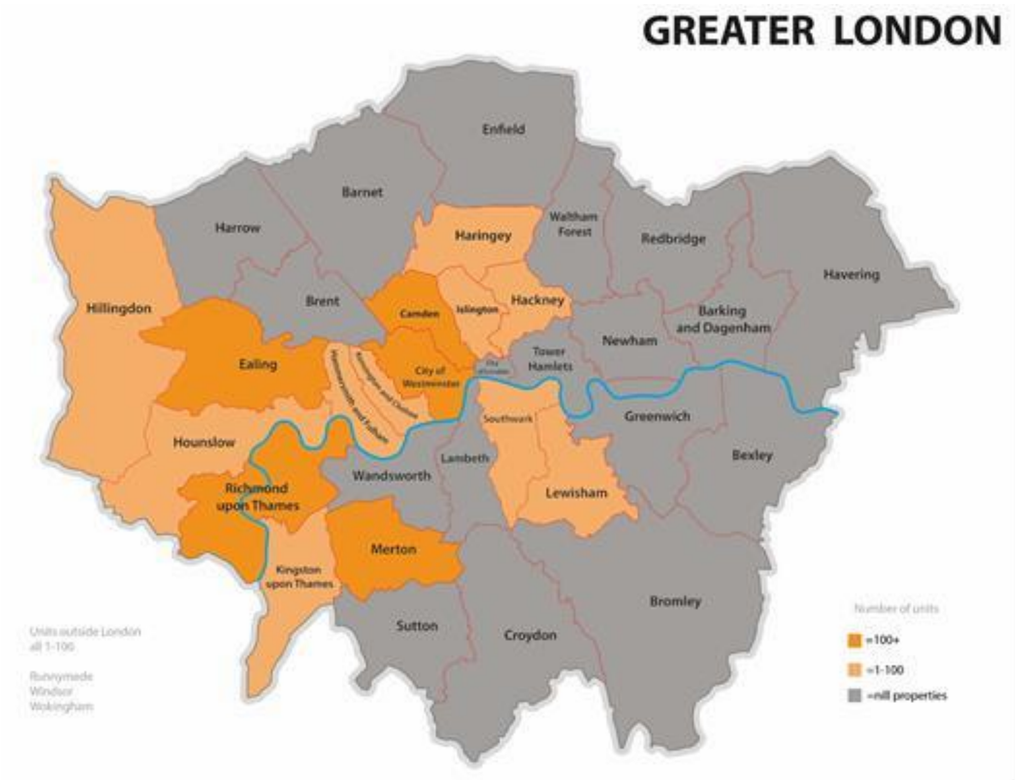
The Board of Management presents the Report for the year ended 31st March 2017 for Central and Cecil Housing Trust ("the Association") and the group headed by the Association ("the Group").

Principal activities and business review

The Association is a charitable registered provider whose principal activities are the provision of sheltered housing and residential and nursing care for the elderly. The Association also has general needs housing and supported housing. 202 units at Dora House had been removed from management by the end of the year as this scheme has transferred into the development pipeline. The full breakdown of the Association's available units is detailed in the table below:

Accommodation	2017	2016
Care Homes: Social Housing	246	246
Care Homes: Non-Social Housing	101	101
Sheltered Housing	1,104	1,330
General Needs Housing	311	282
Supported Housing	73	117
Total units	1,835	2,076

The map below details where the Association's properties are located.



Report of the Board of Management

The Business Plan 2015-20 set out high ambitions for improving properties, developing new fit-for-purpose properties and challenging the perceptions around older age to make it a time of achievement and aspiration. In order to focus on achieving this the Association decided to narrow the breadth of service provision and in early 2016 an in principle decision was made to exit from care home management. However, in early 2017, after a considered review of the care home exit strategy, the Board decided that it would to continue to provide residential care at four care homes.

In April 2016, Julia Ashley, already a member of the C&C Executive Team, took over the role of Chief Executive. During the year part of her focus, in conjunction with her senior management team, has been to devise a new strategy and a new organisational structure for C&C to ensure delivery of the Board's vision for housing and supporting people aged over 55 in future. The Board believe that C&C, through this rationalisation and re-focus, will be the provider of inspirational homes and inspirational services, offering a happier life for over 55's in London. The key pillars of the new strategy are Services that Inspire, Homes for Health and Happiness, People Doing their Best and Money to Invest. The Fit Future strategy and the re-structure were approved by the Board in May 2017.

The Association is a developing organisation that is not currently relying on grant to develop its assets. The Association 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 delivered by cross-subsidising activities in future. The developments that the Association 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, are adaptable, efficient to manage into the future and affordable to live in.

The Association has two subsidiary companies that are used to support the development programme, ensuring that revenues are maximised and that efficiencies and value for money are achieved. Both subsidiary companies are 100% owned by the Association. Central & Cecil Innovations Limited operates the Group's commercial activities whilst Central & Cecil Construction Services Limited provides design and build construction work for the Group.

The Group published a surplus for the year ended 31st March 2017 of £2,662k which compares with a surplus of £6,695k in the previous year.

Business changes that have affected the surplus this year are as follows:

Donation – The Association received a donation in the form of a 3 unit property in Belsize Park, London. The property has been independently valued and has been accounted for as a donation with a value of £2.05m. There is currently one tenant in occupation with protected rights to their tenancy under the terms of the donation. All of the units at the property require refurbishment work which is currently under review by the development team.

Dora House – In preparation for the redevelopment of this property, the last of the residents were moved out in June 2016. Throughout the project residents have been moving to other C&C accommodation including into two purpose built adapted units that were created from unused space at another scheme. The 202 unit Dora House scheme has been vacant since June and works will commence during the 2017-18 financial year.

Church Walk House – The Association sold the Church Walk House property in the previous year, however, a clause in the sale contract allowed for further consideration to be due should certain conditions be met. This has resulted in an additional £720k (less costs) being receivable in the current year.

Care homes – Following the appointment of a new care management team last year significant improvements have been made at the care homes with KPI monitoring and weekly performance management reviews now taking place. There has also been a targeted withdrawal from over reliance on agency staffing. C&C will exit from nursing care home management with a full strategy in place to manage the transition of the nursing homes to another provider. Following the Board's decision in early January 2017 the residential homes will continue to be part of the C&C portfolio.

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

Report of the Board of Management

Five Year Analysis

For the year ended 31st March	2017	2016 **	2015 *	2014	2013
Income & Expenditure Account	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Total Turnover	29,430	25,297	26,103	25,369	26,245
Operating Surplus/(Deficit)	2,698	(235)	807	72	1,349
Surplus for the year transferred to reserves	2,662	6,695	1,630	46	883
Balance Sheet					
Housing Properties net of Depreciation	93,023	88,591	83,659	93,857	91,060
Social Housing Grants and other grants	(31,887)	(32,257)	(32,947)	(44,364)	(44,364)
	61,136	56,334	50,712	49,493	46,696
Other Fixed Assets	6,341	5,645	5,675	7,940	11,320
Fixed Assets	67,477	61,979	56,387	57,433	58,016
Net Current Assets	5,460	8,483	6,249	2,149	5,236
Total Assets less Current Liabilities	**72,937**	**70,462**	**62,636**	**59,582**	**63,252**
Loans (Due over one year)	20,266	17,168	16,086	16,429	16,720
Pension Liability	1,049	598	1,588	675	4,975
Reserves - Restricted	317	350	350	350	350
- Revenue	51,305	52,346	44,612	41,461	39,379
- Revaluation				667	1,828
- Total	**72,937**	**70,462**	**62,636**	**59,582**	**63,252**
Housing Properties owned at year end	**No.**	**No.**	**No.**	**No.**	**No.**
Social Housing	1,734	1,975	2,027	2,096	2,174
Non-Social Housing	101	101	95	123	123
	1,835	**2,076**	**2,122**	**2,219**	**2,297**
Key Performance Indicators					
Operating Surplus as a % of turnover	9.17%	-0.93%	3.09%	0.28%	5.14%
Surplus for year as a % of income from lettings	12.63%	33.32%	7.40%	0.23%	4.23%
Rent Losses (voids and bad debt as a % of rent and service charges receivable)	6.32%	8.43%	6.90%	2.82%	3.98%
Rent Arrears (gross arrears as a % of rent and service charges receivable)	8.81%	8.80%	6.07%	6.31%	7.48%
Liquidity (Current assets divided by current liabilities)	1.1	1.8	1.6	1.2	2.2
Gearing (total loans as a % of capital grants plus reserves)	25.45%	21.38%	20.65%	18.92%	19.46%

Report of the Board of Management

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.

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.

Reserves

After transfer of the surplus for the year of £2,662k (2016: £6,695k), reserves at the year-end amounted to £51,622k (2016: £52,696k). The detailed movement in reserves is shown on page 31 of the financial statements.

Fundraising

The Group and the Association received a total of £19k (2016: £23k) in charitable donations.

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

- David Rubens Charitable Trust
- DM Charitable Trust
- G.M. Morrison Charitable Trust
- HSBC Trust
- NCVO Trust
- Richmond Parish Lands Charity
- The Rhododendron Charity Trust
- 29th May Charitable Trust

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. An exciting new event entitled Talk Show was developed in response to residents wanting 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.

Report of the Board of Management

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 association's recruitment process, with a focus on attitude and behaviours rather than skill and there have been more internal moves, thus capturing and nurturing talent.

Communication with staff continues to strengthen with the development of Staff Conference, Managers Conference, 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 continue to be an integral part of the communications, staff voice and social elements of C&C.

Treasury and Funding

The Group and Association has total loans as at 31 March 2017 of £21,171k (2016: £18,086k) made up of fixed and variable rate loans. The Association has secured facilities of £15m to help finance the development programme. The loans as at 31 March 2017 include £6m (2016: £2m) borrowed from this facility. The management of borrowings is the responsibility of the Executive Director of Finance. The treasury strategy is set annually and approved by the Board.

Qualifying third party indemnity provisions

The company has no qualifying third party indemnity provisions in place for the directors of Central and Cecil Housing Trust – Registered Social Housing Provider.

NHF Code of Conduct and Code of Governance

The Board agreed to adopt the NHF Code of Governance 2015 and is fully compliant.

Statement of Compliance with UK Law

There have been no material breaches of law as would require notification to the Homes and Communities Agency 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 will be taken to ensure that slavery is not occurring in the Association, Group or the supply chains. In line with government guidelines the Association will be reviewing its 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.

Governance

The Association is governed by a Board composed of eleven directors, ten of whom are non-executives and one is an executive director. One position is held vacant. From 1st April 2014 all Board members received remuneration for their services.

The Chair is Alison Carver who commenced her role on 1st September 2013. The full details of the Board are detailed on page 5. The Board delegates some of its responsibilities to its two sub-committees: the Risk and Audit Committee and the Human Resources & Nominations Committee. Each of these committees has clear terms of reference and delegated authority. They report back to the Board after each meeting, where their recommendations are fully considered and approved where appropriate.

The Board meets a minimum of six 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, development, monitoring performance and policy frameworks. It delegates day-to-day management to the Executive Management Team, which meets monthly and whose members attend Board meetings.

Each non-executive member of the Board of Management holds one fully paid share of £1 in the Association.

The Board has an annual review, which is facilitated by an external advisor every three years, in addition to annual individual appraisals and an annual review of its objectives. All Board meetings now include a pre-meeting learning and development session and a post-meeting review and reflection session. The Board has also reviewed the skills required to effectively manage the Association and succession plans for the Board and the Executive Management Team.

The housing regulator, the Homes and Communities Agency, sets regulatory standards to which registered providers are expected to adhere, under co-regulation. The HCA gave C&C an in-depth assessment in September 2016 and concluded it was G2 V2 compliant. There is an action plan in place, regularly monitored by Board, to regain G1 status.

Risk and Audit Committee

The 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 Risk & Audit Committee gains external assurance that the Group and the Association have appropriate systems of internal control and complies with the Homes and Community Agency's guidelines in this area. The Risk & Audit Committee meets four times per year and reports on an annual basis to the Board on the work it has undertaken in the previous financial year. The Risk & Audit 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 followed through.
- 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 committee membership comprises John Richardson (chair), Mark Greenwood (resigned Jun 2017), Phil Insuli, Bruce Matthews and Serge Miodragovic, all of whom are non-executive Board members.

Human Resources and Nominations Committee

The Human Resources & Nominations Committee considers all staff and Board related issues including the review of salaries and pension provisions and Board remuneration. The Committee meets at least three times per year.

Committee membership comprises: Angela Williams (chair), Mike Basquill, Alison Carver and Barbara Stevens (resigned May 2017), all of whom are non-executive Board members.

Resident Scrutiny Panel

In addition to the sub-committees, the Association has a Resident Scrutiny Panel made up of residents and relatives from both housing and care. The Panel is involved in service reviews, scrutinising the activities of the Association and reviews of key performance indicators.

The Executive Management Team

This is made up of the Chief Executive, who is also a Board member, and three directors for Finance, Resident Services and Workplace Culture. During 2017-18 a Director of Assets and Development was appointed.

Going Concern

After making enquiries, The Board has a reasonable expectation that the Group and the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Report of the Board of Management

Assessment of the effectiveness of internal control

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

The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide 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 register 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 Risk & Audit Committee who review all internal and external audit reports, the risk maps and the fraud register. During the year the Internal Audit Plan 2016-17 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.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal controls, together with some of the key elements of the control framework, include:

Information and reporting systems

Financial reporting procedures include 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 its Risk & Audit Committee. It includes a procedure, monitored by the Risk & Audit Committee, for ensuring that corrective action is taken in relation to any significant control issue.

Key policies

Within the delegation of authority, the Board retains responsibility for reviewing and approving the key strategies and policies that are designed to provide effective internal control. These include strategies and policies for development projects and new business ventures, risk management, countering fraud and theft, treasury management and strategic business planning.

Post balance sheet events

These are detailed in note 35 of the financial statements.

Value for Money

The Association exists to provide great quality housing and services to its residents, those who are currently living in its properties as well as those who will do so in the future. In order to achieve this it needs to be efficient in everything it does and to provide Value for Money (VfM) in all its activities.

This section summarises the Association's approach to Value for Money (VfM) and its commitments and accomplishments in the year. It seeks to give an honest account of how it has performed, where it has done well and where improvements will be made. A full VfM statement along with the VfM Framework for the Association, can be found on the Association's website at www.ccht.org.uk

This VfM Statement is presented according to the Business Plan used in 2016-17 which sets out the Association's objectives through five Principles and a set of underpinning commitments. As discussed on page 21 under the heading of Strategies, objectives and performance the Association has embarked on a new 10 year strategy commencing April 2017.

Principles of Care

The Association operates eight care homes that offer a mix of beds to people with specialist dementia care, nursing and residential care needs.

Whereas 2015-16 was a very challenging year in the Association's care business, 2016-17 consolidated the many transformational changes that had to be implemented. During the year the care part of the business posted a deficit of £238k before central overhead costs which represents an improvement of £653k on the previous year.

There were a number of known factors that contributed to this improvement. The Association had been tied into historic block contracts in four of its homes for many years and the price increases linked to the contract terms did not keep up with the cost of providing the service. Contracts expired for three of the homes toward the end of 2015 and negotiations with one local authority in relation to fee increases delivered on average a £200 per week per bed increase. However the volume of referrals did decrease and the homes engaged with the local community to gain privately funded new residents to make up the shortfall.

Overall the average fee per bed for the Association increased from £644 in 2015-16 to £840 in 2016-17.

Laing & Buisson Benchmark fee (UK average 2015)	£849 per week
C&C contract fee (London average 2016-17)	£840 per week
Actual cost of C&C care in London average 2016-17	£921 per week

Although the impact of the higher average fee has significantly improved income, costs have increased due to the effects of the national living wage, the difficulty in recruiting nursing staff and the subsequent higher salaries that have had to be offered. Additionally there has been an ongoing, but reducing, use of agency staff. The Association incurred £1,032k of agency cost to ensure critical staffing ratios were met (compared to 2015-16 cost of £2,398k). Agency workers are more expensive than employed staff and this negatively impacted the end of year financial performance as well as potentially effecting the quality of service.

The Care Management Team have been restructured and were able to improve quality, training and compliance across the homes and drive financial improvements.

This investment in this part of the business was required in spite of the losses incurred. The Association is responsible for providing a quality service to vulnerable residents and ensuring that residents receive appropriate safe care from competent people. By the end of the year there was visible improvement in the recruitment of nurses, reduction in the use of agency staff and significant improvement in the quality of service provided, verified by the Association's own quality and compliance audits and CQC inspection results.

Principles of Housing

During the year there was a greater focus on occupancy in the managed schemes and on ensuring income is maximised from those schemes managed by third parties.

Improved monitoring and management of voids, in properties excluding Dora House, has resulted in a reduction in empty properties from 5.3% as an average for 2015-16 to 2.1% for 2016-17. This was achieved through a number of targeted actions.

A reorganisation of the income team and a more structured approach to income collection combined with improved systems and reporting, provided a much better platform to deliver improvements in performance.

In 2016-17, the income for agency managed schemes has showed an increase of £270k as a result of these negotiations and changes. This was a positive achievement that can now allow for more financial sustainability in the buildings and enable the Association to offer a more valuable service to the agents and service users.

Principles of Property

All surpluses made by the Association are re-invested in the provision of excellent homes and inspiring services. In 2016-17 the Association invested £2.5m in its existing properties in the form of major repairs and refurbishments. Offering well maintained homes has a positive impact on lettings and voids and helps people to feel proud of their homes and neighborhoods.

During the year C&C piloted a new repairs service which provided significant opportunities for service improvement and improved value for both residents and the organisation. The Association will be introducing this new In-House service during 2017-18 and this is estimated to save figure of £140k in direct and indirect costs. More importantly this will provide a better service to residents who have always said that a decent repairs service is what really matters most.

The Association has promised to provide a high quality responsive and personalised service to all of its residents and service users. Service provision from both staff and external service providers will be fit for purpose and convenient.

As part of the Association's Housemark membership, comparison is made with peers in a number of areas relating to property and major repairs. The Association's routine and planned maintenance costs are lower than the Housemark peer group benchmarks. The Association has historically prioritised investment in the condition of its stock, with a long term view of ensuring that homes are fit for purpose and in the best possible condition to support residents to enjoy an inspired life. The Major Repairs cost in sheltered housing is lower this year compared to the 2015-16 investment figures but still maintains a positive trend and compares well to Peers in the group.

The Association continues to invest in projects including asbestos related activities, fire risk works and fixed wiring. These are all compliance related and essential works as well as on-going spend on the normal component planned replacements or improvements. The Association has a 30 year property investment plan that has been phased to ensure proper investment is made in a sustainable way.

Principles of Development

The Association's priority is to develop and run specialist housing for people over 55 in line with its strategy. The Association currently owns over 2,000 units of which the vast majority are reserved for over 55s. Most of the units are in prime locations in London with high intrinsic values. And the Association remains committed to providing social housing in these areas.

The strategy is to increase the quality of accommodation and to build new units over time with a move towards exclusive provision for the over 55s. The Association also wants to increase the number of private / sub market units to help cross fund development of affordable housing and achieve better value for money. The plan is to do this via a combination of new development, conversion of existing units and purchase of new stock. It will be making its assets work hard for its, ensuring that the business plan objectives are achieved.

The two subsidiary companies have been set up to make sure that the Group can operate commercially and maximise the return on development.

The Association continues to work towards its strategic aspirations using the detailed analysis of all properties prepared as part of its comprehensive Asset Review undertaken in 2014-15. It has identified the properties which would benefit from substantial refurbishment and those that would benefit more by being redeveloped.

There is now a new 30 year financial plan to assist in planning and tracking development in the context of the overall business plan. This demonstrates the affordability and value of the developments proposed.

Assumptions for all new developments are approved by the board of management at the beginning of each year and tested via external benchmarking from a range of sources.

The cost plans for the large Dora House redevelopment have been benchmarked against other schemes that are similar in size, location and type by external cost consultants. They have benchmarked both the shell and core, and the fit out costs with five comparable schemes currently in design. Individual elements were reviewed, including substructure, frame, upper floors and walls for shell and core, and internal walls, floor and wall finishes and building services for the fit out. Both the shell and core and fit out costs were around the mean point of the costs reviewed. The total cost is at the mid-point of the benchmarked schemes and are within 10% of both the highest and lowest priced schemes.

In addition, the cost plan for Ridgmount Apartments was benchmarked by external cost advisors and Employer’s Agent, early in 2017 following concerns about rising costs with the new contractor.

Principles of Engagement

The Association has always seen its residents as fundamental assets to the business and that investing in them and in its engagement with them allows it to deliver the best possible services.

The Association launched its Residents Scrutiny Panel (RSP) in 2011, and this continues to grow and develop and to achieve a high profile within the organisation.

In addition, the Association facilitates a Sheltered Housing Forum for residents at the sheltered schemes. Heads of Service attend these to assist members with any queries they may have and to ensure residents’ views and comments are not only taken on board, but are acted upon.

All schemes have local budgets that are set and spent by residents on locally agreed priorities. These are the areas that the residents themselves have identified as what they want.

Resident engagement for the Association is all about providing services to residents that improve the quality of their lives. The Association uses the g320 social value toolkit to assist in measuring social value and ensuring its proper delivery. The methodology prescribed in this toolkit allows for a full breakdown of every activity that is recorded as it happens. The various social benefits that have taken place during the year have been financially evaluated according to the assumptions contained in the toolkit and calculated these to total £6.9m.

The Association appreciates that the value for money assessment contained in the toolkit is assessed as a theoretical sum rather than identifiable cash savings. However, the toolkit assumptions are based on real savings to the wider community and to partner organisations such as the NHS and local authorities through promotion of wellbeing and alleviation of loneliness and isolation. These activities include: Arts & Crafts; Creative Writing and Poetry; Choir projects including performances at the Royal Opera House and Royal Albert Hall; Clubs such as cinema, digital learning, English literature and gardening; Health and Wellbeing activities including yoga, aromatherapy, Tai Chi and dance, and a range of social activities and outings.

Commitments

In addition to the above, the Association has achieved the following:

- The Association is implementing a new recruitment process. Rather than using recruitment agents which can be an expensive route that does not always produce the desired results, it is employing a psychologist to carry out assessments on potential candidates before they can move to the next stage. This has proved very successful so far.
- Action Learning Set Coaching Accreditation funding from the World Institute of Action Learning, has generated significant savings. A large number of managers benefited from this accreditation, and are continuing to add value to the organisation by running Action Learning Sets across the organisation.
- E-training has been rolled out to all staff. This is seen as a more efficient method of training.
- Investment has been made in a new more efficient housing system and an e-procurement portal.

Strategic Report

Strategies, objectives and performance

At the end of the year the Association was two years in to the current five year Business Plan, launched during the previous financial year. It was built around the wealth of inspirational history leading to the position at the time and was intended to form the strategic direction for the five year period from 2015 to 2020.

The business plan focused on the five core services of Housing, Care, Property, Development and Engagement and had the aim of delivering improved services across these areas, informed and supported by partners, in particular the Association's residents.

The Board of Management have since agreed to withdraw from nursing care home management and this process is ongoing. C&C is retaining its four residential care homes and its caring principles still apply.

The strategic focus was set around a set of Principles for each core service area. In addition to the Principles of Service, the Association's business plan also included Commitments which detailed how each of the support departments would provide the foundations upon which front line services could be built and improved.

A Fit Future

During the year the Association has been working on re-shaping itself and an integral part of this is an exciting new strategy, "A Fit Future" www.ccht.org.uk/a-fit-future-strategy, which will herald a new era at C&C. The new strategy was presented to and ratified by the Board on 23 May 2017 and replaces the previous Business Plan. It will drive the direction of C&C for the coming year and beyond and centres around four core areas each with a new 3 year plan, a 5 year goal and a 10 year vision. The resources and development needed to form the building blocks for achieving the plans, goals and vision and the measures of success have also been defined. The new strategy is as follows:

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.

- C&C is exclusively for over 55's in London
- Our responsive London Concierge service is available to all C&C residents
- We see and fix our resident repairs
- We support a healthy active life in our connected, supportive community
- Our specialist dementia residential homes are best in class
- Our residents help each other

- We enhance the customer experience through a diverse programme of events and acitivities

Homes for Health and 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 55's market aspirations
- We offer elegant, meaningful and adaptable homes
- We care for our impact on our environment
- Our homes are connected so that our residents have control over their environment

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 that C&C is a great place to work
- Our computer says "Yes"
- We achieve above expectation
- We work where we make the most impact
- We recruit and develop great people so that we can do more

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 pound we earn and spend it wisely
- Every one of our assets maximises social and economic value
- Our brand is our London location and the value that we create for people who want to live there

Identifying and evaluating key risks

Risks that may prevent the Group and the Association achieving its objectives are considered and reviewed by the Executive Management Team. The risks are recorded and assessed in terms of their impact and probability. The Group and the Association operate a strategic risk map to cover those issues that are deemed to be critical to the wellbeing of the Group and the Association and its ability to deliver the business plan and an operational risk map that covers operational matters. The Risk & Audit Committee review the strategic and operational risks that are deemed to be high risks based on the Group and the Association's measurement methodology at every meeting. The Board reviews the risk maps every 6 months.

The risk appetite framework established by the Board of Management sets the risk context for Association and Group activities.

Risk issue	Risk background	Risk Appetite				Risk trigger
		Unacceptable	Limited	Acceptable	Actively seek	
VIABILITY						
Finances	Insufficient funds for the business to operate.	✓				Cash levels (including readily available secured funding) potentially drop below £2m. The headroom on the interest covenant drops to below 20% at any point in the next three years. This means C&C is getting close to potentially breaking its banking covenants with the lenders.
Funding	Insufficient funds to cover contracted future development.	✓				Require funding in no less than 12 months' time
Development	Development plan cannot be adhered to.			✓		Increase of costs over budget of 5% or more. Planning not being granted within 6 months of scheduled date.
Sales	Reliance on the funds from sales for operational core services. Reliance on sales income for planned development or asset management leaving great exposure to the market.	✓				Budget and account show expenditure exceeding income. Sales do not take place within 6 months of planned sales date. Sales price is 5% or more lower than planned price.
Disposals	Reliance on the funds from disposals for operational core services. Reliance on sales income for planned development or asset management.	✓				The success of financial covenants is dependent upon a disposal taking place in a particular financial year. Disposal price is not sufficient to cover planned development.
Recruitment & Retention of Staff	Significant roles cannot be recruited for. People in significant roles		✓ ✓			Recruitment for significant roles not completed within 3 months. Voluntary staff turnover exceeds 16%.

	cannot be retained.					
CONSUMER						
Resident Service	Resident satisfaction negatively affected			✓		Customer satisfaction levels drop below 75%. Repairs satisfaction levels drop below 75%.
Asset Management	Failure to meet the asset management plan including compliance with decent homes	✓				Asset management plan not met
Health & Safety	Major health and safety issue that fails to protect residents, staff or public	✓				Reportable health & safety breach that potentially leads to enforcement
Safeguarding	Safeguarding issues resulting in serious risk or harm to residents	✓				Inability to respond to a serious safeguarding breach leading to an embargo or an enforcement
Reputation	Reputational damage having a serious impact on C&C's relationship with local authorities, banks and other thirst parties including self-funders		✓			Potential reputational damage arising from any of the issues in this report
GOVERNANCE						
Regulation	Breach in the regulatory system	✓				Issue arises that may result in a regulatory or viability downgrade, change of rating or fine
Internal Controls	A failure in internal controls that results in a serious governance issue or financial loss	✓				An internal audit report with either the adequacy or the effectiveness being classified as unsatisfactory
Business Management of Change	The introduction of a new business or the exiting of an existing business is not successful	✓				Income/costs relating to a new business are not sufficient to cover the targets set at the outset. The costs savings relating to the exit of an existing business are not sufficient to cover the targets set at the outset.

Definition of Risk Desire grading points:

- Unacceptable: The risk is too great for C&C and will not be entered into
- Limited: The risks may be too great but need to be considered against the rewards
- Acceptable: The risks appear to be worth taking but mist be considered against the rewards
- Actively Seek: The rewards gained from this activity mean the risk is worth taking

Approval
This Strategic Report was approved by order of the Board on 25 July 2017

Julia Ashley
Chief Executive and Company Secretary

Independent Auditors Report

We have audited the financial statements of Central and Cecil Housing Trust for the year ended 31 March 2017 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 cashflow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014.Our audit work has been undertaken so that we might state to the 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 association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent association's affairs as at 31 March 2017 and of the group and parent association's surplus for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are requires 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.

BDO LLP

BDO LLP, statutory auditor

Gatwick, West Sussex,

United Kingdom

Date 31 July 2017

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

Consolidated and Association Statement of Comprehensive Income

Consolidated and Association statement of comprehensive income for the year ended 31 March 2017

	Note	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Turnover	4	29,430	25,297	29,430	25,297
Operating costs	4	(26,732)	(25,532)	(26,715)	(25,532)
Other operating income	4	-	-	-	-
Operating (deficit)/surplus	4,8	2,698	(235)	2,715	(235)
Surplus on disposal of fixed assets	12	-	7,997	-	7,997
Other interest receivable and similar income	13	109	115	460	176
Interest and financing costs instruments	14	(471)	(875)	(471)	(875)
Unrealised (deficit)/surplus on revaluation of investments	22	-	(240)	-	(240)
Realised (deficit)/surplus on disposal of investments	22	326	-	326	-
Other finance costs	14	(15)	(49)	(15)	(49)
Surplus before taxation		2,647	6,713	3,015	6,774
Taxation on surplus	15	15	(18)	-	-
Surplus for the financial year		2,662	6,695	3,015	6,774
Actuarial gains/(losses) on defined benefit pension scheme	28	(3,736)	1,039	(3,736)	1,039
Total comprehensive income for year		(1,074)	7,734	(721)	7,813

The notes on pages 33 to 70 form part of these financial statements.

All activities relate to continuing operations.

Consolidated and Association Balance Sheet

Consolidated and Association balance sheets as at 31 March 2017

	Note	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Fixed assets					
Tangible fixed assets – housing properties	16	93,023	88,591	93,023	88,591
Tangible fixed assets - other	17	5,492	4,795	5,492	4,795
Investment properties	18	850	850	850	850
		99,365	94,236	99,365	94,236
Current assets					
Stocks	20	4,699	3,521	-	-
Debtors – receivable within one year	21	3,953	4,159	9,491	8,435
Investments	22	-	2,847	-	2,847
Cash and cash equivalents		2,050	3,928	1,407	3,337
		10,702	14,455	10,898	14,619
Creditors: amounts falling due within one	23	5,273	6,002	4,900	5,950
Net current assets		5,429	8,453	5,998	8,669
Total assets less current liabilities		104,794	102,689	105,363	102,905
Creditors: amounts falling due after more than one year	24	52,123	49,395	52,123	49,395
Net assets excluding pension liability		52,671	53,294	53,240	53,510
Pension liability	28	1,049	598	1,049	598
Net assets		51,622	52,696	52,191	52,912
Capital and reserves					
Called up share capital	29	-	-	-	-
Income and expenditure reserve		51,305	52,346	51,874	52,562
Restricted reserve		317	350	317	350
		51,622	52,696	52,191	52,912

The financial statements were approved by the Board of Directors and authorised for issue on 25 July 2017

Alison Carver Chairman	Mike Basquill Board Member	Julia Ashley Chief Executive & Company Secretary

The notes on pages 33 to 70 form part of these financial statements.

Consolidated Statement of Changes in Reserves

Consolidated 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	52,346	350	52,696
Surplus for the year	2,662	-	2,662
Actuarial losses on defined benefit pension scheme	(3,736)	-	(3,736)
Spend from legacy	33	(33)	-
Balance at 31 March 2017	51,305	317	51,622

Consolidated statement of changes in reserves for the year ended 31 March 2016

	Income and expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 April 2015	44,612	350	44,962
Surplus for the year	6,695	-	6,695
Actuarial gains on defined benefit pension scheme	1,039	-	1,039
Balance at 31 March 2016	52,346	350	52,696

The notes on pages 33 to 70 form part of these financial statements

Association Statement of Changes in Reserves

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)	-
Balance at 31 March 2017	51,874	317	52,191

Association statement of changes in reserves for the year ended 31 March 2016

	Income and expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 April 2015	44,749	350	45,099
Surplus for the year	6,774	-	6,774
Actuarial gains on defined benefit pension scheme	1,039	-	1,039
Balance at 31 March 2016	52,562	350	52,912

The notes on pages 33 to 70 form part of these financial statements

Consolidated Statement of Cashflows

Consolidated statement of cash flows for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Surplus for the financial year		2,662	6,695
Adjustments for:			
Depreciation of fixed assets - housing properties	16	1,790	1,900
Depreciation of fixed assets - other	17	715	620
Amortised grant	5	(380)	(388)
Donation of property	4	(2,050)	-
Interest payable and finance costs	14	471	875
Interest received	13	(109)	(115)
Movement from fixed and current asset investments	22	(326)	240
Difference between net pension expense and cash contribution	14,28	(3,285)	49
Surplus on the sale of fixed assets - housing properties	12	-	(7,997)
Decrease / (increase) in trade and other debtors		205	(255)
Decrease / (increase) in stocks		(1,178)	(2,515)
Increase / (decrease) in creditors		125	(1,882)
Cash from operations		(1,360)	(2,773)
Taxation paid		-	-
Net cash generated from operating activities		(1,360)	(2,773)
Cash flows from investing activities			
Proceeds from sale of fixed assets – housing properties	12	-	9,891
Purchase of fixed assets – housing properties	16	(4,607)	(8,091)
Purchases of fixed assets - other	17	(1,412)	(590)
Receipt of grant		-	90
Interest received	13	109	115
Sale of current asset investments	22	3,173	-
Net cash from investing activities		(2,737)	1,415
Cash flows from financing activities			
Interest paid	14	(866)	(896)
New loans - bank	26	4,003	2,000
Repayment of loans - bank	26	(918)	(294)
Net cash used in financing activities		2,219	810
Net decrease in cash and cash equivalents		(1,878)	(548)
Cash and cash equivalents at beginning of year		3,928	4,476
Cash and cash equivalents at end of year		2,050	3,928

The cash balance as at 31 March 2017 includes £139k (2016: £139k) that the Association holds on behalf of other parties and does not form part of the Group’s capital.

The notes on pages 33 to 70 form part of these financial statements

Notes Forming Part of the Financial Statements

General Notes

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

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 2016.

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.

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 form 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.

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 on 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 caries 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 thing 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.

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 up to the date of practical completion 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.

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.

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.

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.

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.

General Notes

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.

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 instrument 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.

General Notes

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.

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.

The revaluation reserve is created from surpluses on asset revaluation.

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

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 in the previous year a AA rated corporate bond over 15 years was used. The resultant 2% discount rate would have been 2.5% if the assumption had been applied consistently during both years. Whilst the use of an AAA rated bond is unusual the accounting guidance in FRS 102 Section 28 says 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.

SOCI Related Notes

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

Group

	Turnover 2017 £'000	Operating costs 2017 £'000	Operating surplus/ (deficit) 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	680	(568)	112
	8,018	(5,943)	2,075
	29,430	(26,732)	2,698

	Turnover 2016 £'000	Operating costs 2016 £'000	Operating surplus/ (deficit) 2016 £'000
Social housing lettings (note 5)	20,092	(19,192)	900
Other Social Housing Activities			
Supporting people	457	(469)	(12)
Other	219	(138)	81
	676	(607)	69
Activities other than Social Housing Activities			
Nursing	3,955	(5,310)	(1,355)
Other	574	(423)	151
	4,529	(5,733)	(1,204)
	25,297	(25,532)	(235)

SOCI Related Notes

Association

	Turnover 2017 £'000	Operating costs 2017 £'000	Operating surplus/ (deficit) 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	4,622	(5,375)	(753)
Legacy donation	2,050	-	2,050
Overage income	665	-	665
Other	681	(551)	130
	8,018	(5,926)	2,092
	29,430	(26,715)	2,715

	Turnover 2016 £'000	Operating costs 2016 £'000	Operating surplus/ (deficit) 2016 £'000
Social housing lettings (note 5)	20,092	(19,192)	900
Other Social Housing Activities			
Supporting people	457	(469)	(12)
Other	219	(138)	81
	676	(607)	69
Activities other than Social Housing Activities			
Market sales	3,955	(5,310)	(1,355)
Other	574	(423)	151
	4,529	(5,733)	(1,204)
	25,297	(25,532)	(235)

5. Income and Expenditure from Social Housing Lettings

Group and Association

	General needs £'000	Supported housing £'000	Sheltered housing £'000	Care £'000	Agency Managed £'000	Total 2017 £'000	Total 2016 £'000
Income							
Rents net of identifiable service charges	1,682	478	5,757	8,378	8	16,303	15,568
Service charge income	311	98	2,697	-	7	3,113	3,081
Amortised government grants	146	15	121	36	62	380	388
Other income	-	-	-	291	952	1,243	1,027
Other grants	-	1	20	11	-	32	28
Turnover from social housing lettings	2,139	592	8,595	8,716	1,029	21,071	20,092
Expenditure							
Management	(618)	(205)	(2,441)	(2,689)	(211)	(6,164)	(4,987)
Service charge costs	(450)	(112)	(2,525)	(7,594)	(93)	(10,774)	(11,082)
Routine maintenance	(147)	(48)	(429)	(162)	(29)	(815)	(647)
Planned maintenance	(85)	(21)	(19)	(37)	(19)	(181)	(232)
Major repairs expenditure	(81)	(25)	(265)	(127)	(36)	(534)	(470)
Bad debts	(84)	5	(78)	(23)	(15)	(195)	-
Depreciation of housing properties:							
- annual charge	(462)	(83)	(755)	(315)	(117)	(1,732)	(1,654)
- accelerated on disposal of components	(17)	(5)	(23)	-	(3)	(48)	(120)
Operating expenditure on social housing lettings	(1,944)	(494)	(6,535)	(10,947)	(523)	(20,443)	(19,192)
Operating surplus/(deficit) on social housing lettings	195	98	2,060	(2,231)	506	628	900
Void losses	(33)	(26)	(1,078)	(2,349)	-	(3,486)	(2,964)

6. Particulars of Turnover From Non-Social Housing Lettings

	Group and Association 2017 £'000	Group and Association 2016 £'000
Other	680	574
	680	574

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 and Association 2017 Number	Group and Association 2016 Number
Care Homes :		
- Social Housing	246	246
- Non- Social Housing	101	101
Supported housing	73	117
General needs - Social Rent	311	282
Sheltered Housing	1,104	1,330
Total social housing units	1,835	2,076
Accommodation managed by Agents	229	236
Total managed accommodation	229	236
Total owned and managed accommodation	2,064	2,312
Units under construction	226	20

8. Operating Surplus / (Deficit)

	Note	Group and Association 2017 £'000	Group and Association 2016 £'000
This is arrived at after charging/(crediting):			
Depreciation of housing properties:			
- annual charge	16	1,745	1,777
- accelerated depreciation on replaced components	16	45	123
Depreciation of other tangible fixed assets	17	715	620
Operating lease charges – other		282	282
Auditors' remuneration (excluding VAT):			
- fees payable to the group's auditor for the audit of the group's annual accounts		52	38
- fees for FRS102 services		-	8
- fees for tax advice		6	15
- fees for other non-audit services		-	7
Defined contribution pension cost	9	379	282
Defined benefit pension cost	9	-	74

9. Employees

	Group and Association 2017 £'000	Group and Association 2016 £'000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	11,545	10,103
Social security costs	977	820
Cost of defined benefit scheme	-	74
Cost of defined contribution scheme	379	282
	12,901	11,279

Included within the figures above is an amount of £351k (2016: £520k) which has been capitalised as development costs and included within additions in note 16.

An additional £147k (2016: £150k) has been capitalised in relation to major works on properties and is included within additions in note 16.

Include within the figures above is £227k (2016: £74k) 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 and Association 2017 No.	Group and Association 2016 No.
Administration	63	54
Development	3	3
Housing, Support and Care	365	354
	431	411

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 5

	Group and Association 2017 £'000	Group and Association 2016 £'000
Executive directors' emoluments	349	454
Amounts paid to non-executive directors	44	49
Compensation for loss of office	66	-
Contributions to money purchase pension schemes	34	41
	493	544

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £105k (2016: £125k). Pension contributions of £12k (2016: £10k) 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:

	Group and Association 2017 No.	Group and Association 2016 No.
£60,000 - £69,999	5	3
£70,000 - £79,999	2	1
£80,000 - £89,999	1	2
£90,000 - £99,999	1	0
£100,000 - £109,999	1	0
£120,000 - £129,999	0	1

11. Board Members

Board member	Remuneration £	Member of: Audit Committee	HR and Nominations Committee	Group Board
Basquill Michael	4,000		Y	Y
Carver Alison	12,259		Y	Y
Goodacre Peter	2,662	Y		Y
Greenwood Mark	4,115	Y		Y
Insuli Philip	5,650	Y		Y
Matthews Bruce	677	Y		Y
Mc Clymont Trevor	677			Y
Miodragovic Serge	4,000	Y		Y
Richardson John	6,196	Y		Y
Stevens Barbara	4,497		Y	Y
Williams Angela	5,000		Y	Y

12. Surplus of Disposal of Fixed Asset

GROUP	Sales to other registered providers 2017 £'000	Other housing properties 2017 £'000	Total 2017 £'000	Total 2016 £'000
Housing Properties:				
Disposal proceeds	-	-	-	10,000
Cost of disposals	-	-	-	(2,290)
Selling costs	-	-	-	(109)
Grant transferred	-	-	-	396
Surplus on disposal of other tangible fixed assets	-	-	-	7,997

ASSOCIATION	Sales to other registered providers 2017 £'000	Other housing properties 2017 £'000	Total 2017 £'000	Total 2016 £'000
Housing Properties:				
Disposal proceeds	-	-	-	10,000
Cost of disposals	-	-	-	(2,290)
Selling costs	-	-	-	(109)
Grant transferred	-	-	-	396
Surplus on disposal of other tangible fixed assets	-	-	-	7,997

SOCI Related Notes

13. Interest Receivable and Income from Investments

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Income from Investments in Managed Portfolio	107	104	107	104
Interest receivable from bank deposits	2	11	2	11
Interest and similar income from group undertakings	-	-	351	61
	109	115	460	176

14. Interest Payable and Similar Charges

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Bank loans and overdrafts	866	896	866	896
Net interest on defined benefit pension liability	15	49	15	49
	881	945	881	945
Interest capitalised on construction of housing properties	(395)	(21)	(395)	(21)
	486	924	486	924

The group has capitalised interest relating to development projects of £394k (2016: £21k) during the year. The amount of interest capitalised to date is £477k (2016: £83k) (note 16)

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

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
UK corporation tax				
Current tax on surplus for the year	15	(18)	-	-
Taxation on surplus on ordinary activities	15	(18)	-	-

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 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Surplus on ordinary activities before tax	2,647	6,713	2,972	6,774
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 - 20%)	529	1,343	594	1,355
Effects of:				
Surplus subject to charitable exemption	(544)	(1,325)	(594)	(1,355)
Total tax charge for period	(15)	18	-	-

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 £70k (2016: £70k). At present it is not envisaged that any tax will become payable in the foreseeable future.

Balance Sheet Related Notes

16. Tangible Fixed Assets – Housing Properties

GROUP and ASSOCIATION	Housing Properties completed £'000	Housing Properties under construction £'000	Total £'000
Cost : At 1 April 2016	102,779	9,489	112,268
Additions:			
- construction costs	-	2,167	2,167
- replaced components	2,005	-	2,005
- acquisition of property	2,050	-	2,050
Disposals:			
- Replaced components	(605)	-	(605)
Transfers to construction	(3,538)	3,538	-
At 31 March 2017	102,691	15,194	117,885
Depreciation:			
At 1 April 2016	23,677	-	23,677
Charge for the year	1,745	-	1,745
Eliminated on disposals:			
- Replaced components	(560)	-	(560)
Transfers to construction	(1,397)	1,397	-
At 31 March 2017	23,465	1,397	24,862
Net book value at 31 March 2017	79,226	13,797	93,023
Net book value at 31 March 2016	79,102	9,489	88,591

Balance Sheet Related Notes

	Group and Association 2017 £'000	Group and Association 2016 £'000
The net book value of housing properties may be further analysed as:		
Freehold	72,906	68,831
Long leasehold	18,060	17,546
Short leasehold	2,057	2,214
	93,023	88,591
Interest capitalisation		
Interest capitalised in the year	394	21
Cumulative interest capitalised	83	62
	477	83
Rate used for capitalisation	5.2%	5.2%
Works to properties		
Improvements to existing properties capitalised	2,005	4,653
Major repairs expenditure to income and expenditure account	534	470
	2,539	5,123
Total Social Housing Grant received or receivable to date is as follows;		
Capital grant – Housing Properties	39,032	39,344
Capital grant - Aids adaptations	-	90
Grants transferred to other non profit PRPs	-	(393)
Revenue grant – I&E	(379)	(388)
Revenue grant - reserves	(6,387)	(6,008)
	32,266	32,645

The analysis above includes 101 (2016: 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.

During the current year, the group and association have not identified a need to recognise an impairment loss (2016: £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 this will result in a 12% reduction in average rents by 2020/21, compared to current forecasts. As such, this triggered an indicator of impairment and a full review was performed at that time and at the end of the current financial year.

Properties held for security

Central and Cecil Housing Trust – Registered social housing provider had property with a net book value of £15,752k pledged as security at 31 March 2017 (2016: £14,486k).

17. Other Tangible Fixed Assets

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

Group and Association	Office buildings	Fixtures, fittings tools and equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2016	3,747	6,719	10,466
Additions	-	1,412	1,412
Disposals	-	-	-
Revaluations	-	-	-
At 31 March 2017	3,747	8,131	11,878
Depreciation			
At 1 April 2016	987	4,684	5,671
Charge for year	75	640	715
Disposals	-	-	-
At 31 March 2017	1,062	5,324	6,386
Net book value			
At 31 March 2017	2,685	2,807	5,492
At 31 March 2016	2,760	2,035	4,795

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

	Group and Association 2017	Group and Association 2016
	£'000	£'000
Freehold	2,685	2,760
	2,685	2,760

18. Investment Properties

Group and Association	Commercial	Total
	£'000	£'000
At 31 March 2017 and 31 March 2016	850	850

The group's investment properties were valued on 31 March 2016 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.

A review was carried out at the end of the financial year to determine whether there were any indicators that the value of the investment property should be revised. The outcome of the review was that no market or economic factors had led to any change in the value of the investment.

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

	Group and Association 2017	Group and Association 2016
	£'000	£'000
Historic cost	498	498
Accumulated depreciation	(291)	(275)
Impairment	-	-
	207	223

Balance Sheet Related Notes

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 undertakings					
Central and Cecil Innovations Ltd	England and Wales	100%	To undertake private sale and other non-core charitable activities.	Incorporated company	£1
Central and Cecil Construction Services Ltd	England and Wales	100%	To undertake the construction of residential properties for sale.	Incorporated company	£1

20. Properties For Sale

GROUP	Outright market sales 2017 £'000	Total 2017 £'000	Total 2016 £'000
Work in progress	4,699	4,699	3,521
	4,699	4,699	3,521

Balance Sheet Related Notes

21. Debtors

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Due within one year				
Rent and service charge arrears	2,353	2,225	2,353	2,225
Less: Provision for doubtful debts	(622)	(607)	(622)	(607)
	1,731	1,618	1,731	1,618
Amounts owed by group undertakings	-	-	5,525	4,403
Other debtors	867	1,437	837	1,310
Prepayments and accrued income	1,355	1,104	1,398	1,104
	2,222	2,541	7,760	6,817
	3,953	4,159	9,491	8,435

22. Current Asset Investments

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Opening fair value	2,847	3,087	2,847	3,087
Purchases	-	434	-	434
Sales	(3,173)	(434)	(3,173)	(434)
(Losses)/gains on remeasurement to fair value	-	(240)	-	(240)
Gains on disposal	326	-	326	-
Fair value	-	2,847	-	2,847

All current asset investments are shares held in listed companies which are traded on a regular basis. The investment was liquidated at the end of the year realising a gain on disposal of £326k.

23. Creditors: Amounts Falling Due Within One Year

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Loans and borrowings (note 26)	905	918	905	918
Trade creditors	434	853	378	801
Deferred capital grant (note 25)	379	388	379	388
Rent and service charges received in advance	406	377	406	377
Taxation and social security	276	220	276	220
Other creditors	387	380	387	380
Accruals and deferred income	2,486	2,866	2,169	2,866
	5,273	6,002	4,900	5,950

24. Creditors: Amounts Falling Due After More Than One Year

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Loans and borrowings (note 26)	20,266	17,168	20,266	17,168
Deferred capital grant (note 25)	31,887	32,257	31,887	32,257
Accruals and deferred income	(30)	(30)	(30)	(30)
	52,123	49,395	52,123	49,395

25. Deferred Capital Grant

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
At 1 April	32,645	33,338	32,645	33,338
Grants released to income during the year	(379)	(388)	(379)	(388)
Grants transferred to other non profit PRPs	-	(395)	-	(395)
Other Funding	-	90	-	90
At 31 March	32,266	32,645	32,266	32,645

26. Loans and Borrowings

Maturity of debt:

Group and Association	Bank loans 2017 £'000	Bank loans 2016 £'000
In one year or less, or on demand	905	918
In more than one year but not more than two years	6,918	905
In more than two years but not more than five years	2,742	5,698
In more than five years	10,606	10,565
	21,171	18,086

As at 31st March 2017, the group had both fixed rate and variable rate loans owed to RBS with a principal balance of £1,652k and £1,101k respectively. Both of the loans are repayable in August 2026. A fair value increase of £75k is amortised over the life of the RBS loans.

As at 31st March 2017, the group had both fixed rate and variable rate loans owed to Santander with a principal balance of £9,520k and £2,856k respectively. Both of the loans are repayable in June 2036 and have a capital repayment holiday that expires in September 2016.

The fixed rate loan arrangements with RBS and Santander charge interest at 6.2% and 5.25% 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 £15,000k loan facility with Santander which is due to expire in March 2019. As at 31 March 2017 the group had undrawn loan balance of £9,000k (2016: £13,000k).

27. Financial Instruments

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

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Financial assets				
Financial assets measured at historical cost				
- Rent and service charge arrears (note 21)	1,731	1,618	1,731	1,618
- Other debtors (note 21)	867	1,437	837	1,310
- Investments in short term deposits (note 22)	-	2,847	-	2,847
- Cash and cash equivalents	2,050	3,928	1,407	3,337
Total financial assets	4,648	9,830	3,975	9,112
Financial liabilities				
Financial liabilities measured at amortised cost				
- Loans payable (note 26)	21,171	18,086	21,171	18,086
Financial liabilities measured at historical cost				
- Trade creditors (note 23)	434	853	378	801
- Other creditors (note 23)	2,873	3,246	2,556	3,246
Total financial liabilities	24,478	22,185	24,105	22,133

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).

28. Pensions

Several pension schemes are operated by the group.

Defined benefit pension scheme

The group operated a defined benefit pension scheme ("CCHT Pension Scheme") which was closed to new entrants after the year end on 31 May 2014. The Group has already withdrawn from two multi-employer defined benefit schemes. The Local Government Pension Scheme ("LGPS") and the Social Housing Pension Scheme ("SHPS") on 25 March 2014.

The CCHT pension scheme is a registered defined benefit (final salary) scheme. We are not aware of any practice of granting discretionary benefit under the scheme. The scheme is closed to new entrants. Pension benefits depend upon age, length of service and salary level.

A full actuarial valuation of the defined benefit scheme is carried out annually at 31 March by a qualified independent actuary. Contributions to the scheme are made by the group based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

A change in assumption used to calculate the discount rate applied in the valuation of the pension scheme liability has resulted in a discount factor of 2% being used based on an AAA rated corporate bond over 15 years. The equivalent rate based on the previous year's assumption of an AA rated corporate bond over 15 years would have resulted in the discount rate being 2.5%. The effect of using an AAA rated corporate bond rather than an AA has resulted in the pension scheme liability being £1.8m higher. 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.

	2017 £'000	2016 £'000
Reconciliation of present value of plan liabilities		
At the beginning of the year	9,955	11,132
Current service cost	-	-
Interest cost	334	342
Actuarial (gains)/losses	4,940	(1,330)
Benefits paid	(238)	(189)
At the end of the year	14,991	9,955

Balance Sheet Related Notes

	2017 £'000	2016 £'000
Reconciliation of fair value of plan assets		
At the beginning of the year	9,357	9,544
Interest income on plan assets	319	293
Actuarial gains/(losses)	1,204	(291)
Contributions by group	3,300	-
Benefits paid	(238)	(189)
At the end of the year	13,942	9,357

	2017 £'000	2016 £'000
Fair value of plan assets	13,942	9,357
Present value of plan liabilities	(14,991)	(9,955)
Net pension scheme liability	(1,049)	(598)

Amounts recognised in other comprehensive income are as follows:

	2017 £'000	2016 £'000
Net interest cost on the net defined benefit liability	15	49

Analysis of actuarial loss recognised in Other Comprehensive Income

	2017 £'000	2016 £'000
Actual return less interest income included in net interest income	(1,204)	291
Experience gains and losses arising on the Fund liabilities	401	(293)
Changes in assumptions underlying the present value of the Fund liabilities	4,539	(1,037)
Total remeasurement of the net defined benefit liability (asset)	3,736	(1,039)

Balance Sheet Related Notes

	2017 £'000	2016 £'000
Composition of plan assets		
Equity	5,414	4,463
Index Linked	985	-
Insured annuities	452	467
Corporate bonds	2,560	2,198
Fixed interest (Gilts)	-	858
Property	1,366	1,320
Cash & Other	3,165	51
Total plan assets	13,942	9,357
Actual return on plan assets	1,204	(291)

Principal actuarial assumptions used at the balance sheet date	%	%
Discount rates	2.00	3.40
Salary growth	4.50	4.00
Inflation assumption (RPI)	3.50	3.00
Inflation assumption (CPI)	2.75	2.25
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.75	2.25
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.50	3.00
Mortality rates	Years	Years
Retiring today - males	22.8	22.6
Retiring today - females	26.0	25.9
Retiring in 20 years time - males	24.2	24.0
Retiring in 20 years time - females	27.6	27.4

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 £379k (2016: £282k). Contributions totalling £Nil (2016: £Nil) were payable to the fund at the year end and are included in creditors.

29. Share Capital

	2017 £	2016 £
At 1 April	32	31
Shares issued in the year	2	3
Shares cancelled in the year	(1)	(2)
At 31 March	33	32

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 shareholders 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 2017, the value of grant received in respect of these properties that had not been disposed of was £32,266k (note 25) (2016: £32,645k).

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

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 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Not later than 1 year	164	169	164	169
Later than 1 year and not later than 5 years	543	609	543	609
Later than 5 years	23	122	23	122
Total	730	900	730	900

32. Capital Commitments

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Commitments contracted but not provided for				
Construction	1,950	1,978	748	1,978
Commitments approved by the Board but not contracted for				
Maintenance	1,338	2,558	1,338	2,558
Construction	79,505	19,753	73,134	16,414
	82,793	24,289	75,220	20,950

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

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
New loans	3,726	2,000	-	2,000
Sales of properties	77,729	10,000	73,882	10,000
Existing reserves	1,338	12,289	1,338	8,950
	82,793	24,289	75,220	20,950

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

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 includes two tenant members who each hold a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was £7,699 and £8,443 (2016: £7,712 and £8,443) and the tenant had a credit/(debit) balance of £(0.98) and £0.00 at the 31 March 2017 (31 March 2016: £0.00 and £(101.85)).

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 £533k (2016: £595k).

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.

	Management charges		Other charges		Interest charges	
Payable to Association by subsidiaries:	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Central & Cecil Construction Services Limited	26	14	164	-	1	1
Central & Cecil Innovations Limited	27	14	-	-	135	-
	53	28	164	-	136	1

	Management charges		Other charges		Interest charges	
Payable by Association to subsidiaries:	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Central & Cecil Construction Services Limited	-	-	-	-	-	-
Central & Cecil Innovations Limited	-	-	-	-	-	-
	-	-	-	-	-	-

Balance Sheet Related Notes

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	Movement £'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 (2016: £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.