

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2020

Co-operative and Community Benefits Society: 7528
Regulator of Social Housing: L4472

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 March 2020

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THE BOARD, SENIOR EXECUTIVES AND ADVISORS

THE BOARD

John Hudson, Chairman	Resigned 30 th April 2020
Jane McCall	Appointed 1 st May 2020
Kate Lindley	
Samantha Knuckey	Resigned 31 st May 2020.
Tom Agar	
Matthew Cunningham	Resigned 9 th October 2019
Gordon Richardson	
Simon Leighton	
Paul Findlow	Resigned 4 th June 2019
Alison Light	Resigned 30 th June 2020
Anthony Read	Co-optee to Audit Committee appointed 13 June 2018
	Co-optee to Board 13 August 2019
	Appointed to Board 17 December 2019
Brian Puddicombe	Appointed 13 August 2019
Guy Johnson	Appointed 1 June 2020
Alison Hadden	Appointed 1 June 2020
Shahida Latif-Haider	Co-optee to Audit Committee appointed 1 June 2020
Fiona McAuley	Co-optee to Board appointed 1 st August 2020

Executive Management Team

Tim Pinder	Chief Executive – to 31 October 2019
Jamie Hutchinson	Exec Director of Customers – to 15 October 2019
Mark Howden	Interim Chief Executive
	Chief Executive from 1 July 2020
Emma Richman	Exec Director of Operations – from 2 ⁿ March 2020
Julie Booker	Exec Director of Resources – from 17 th June 2019

Secretary and registered office

Jennifer Hayball

Ropewalks
Newton Street
Macclesfield
Cheshire
SK11 6QJ

Auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory auditor
4 Hardman Square
Manchester
M3 3EB

Bankers

Barclays Bank plc
3 Hardman Street
Spinningfields
Manchester
M3 3AX

Principal Solicitors

Trowers & Hamlin
55 Princess Street
Manchester
M2 4EW

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

REPORT OF THE BOARD

The Board of Cheshire Peaks & Plains Housing Trust Limited is pleased to present its report together with the audited financial statements of the Trust and its subsidiaries, “the Group” for the year ended 31 March 2020. Cheshire Peaks & Plains Housing Trust is more usually known as ‘Peaks & Plains’ and is referred to as The Trust throughout this report. The Group refers to both the Trust and its subsidiaries.

PRINCIPAL ACTIVITIES

We are a housing association, registered with the Regulator of Social Housing to provide housing and other services that benefit the public. The Trust’s purpose is to “Help Improve Lives” through this provision. The Trust is an exempt charity, registered with the Financial Conduct Authority under the Cooperative and Community Benefit Societies Act 2014.

The principal activity of the Group is the provision of housing at rents that are affordable to those in need which includes properties let at ‘social’ and ‘affordable’ rent. This involves the management and maintenance of an existing portfolio of accommodation and the commissioning and building of new additional homes.

The Group’s head office is in Macclesfield and its properties are located in Cheshire and Derbyshire. The Group provides general needs homes for families, single people and older people in self-contained flats, houses and bungalows, where people live independently.

INCORPORATION AND SUBSIDIARIES

The Trust was initially formed on 9 February 2005 and commenced trading on 17 July 2006 with a stock transfer of 5,000 housing properties from Macclesfield Borough Council.

In 2015 two subsidiaries were established; Peaks & Plains Devco Limited, a development company and Peaks & Plains Tradeco Limited, a non-charitable property company. Peaks & Plains Devco commenced trading during the year and has been consolidated into the Group’s Financial Statements. Peaks & Plains Tradeco has been dormant throughout the year.

BUSINESS REVIEW

Details of the organisation’s performance for the year, and future plans, are set out in the Strategic Report that follows this Directors’ report.

GOVERNANCE

The Trust is a Community Benefit Society operating under the National Housing Federation’s model rules. Only Board Members may become or remain a shareholder and no shareholder shall hold more than one share and each share carries only one vote.

During the year, a new staffing structure which bolstered our resources in Asset Management, Health and Safety Compliance, Procurement and Regeneration was put into place. These new posts brought new challenge to the existing processes within the Trust. External assistance was secured to undertake a more detailed review of our governance and asset health and safety compliance. This led to the Trust making a self-referral to the Regulator of Social Housing (RSH) in July 2019 regarding a number of health and safety compliance issues. In addition, in July 2019, our funders identified a breach to our loan covenants from when the Trust secured its head office building (Ropewalks) against the Cheshire Pension Scheme in January 2019, this was also reported to the RSH.

As a result of these two presenting issues, in November 2019 the RSH put the Trust’s gradings under review. This was followed on 5 December 2019 by the RSH publishing a Regulatory Notice confirming that the Trust had failed to meet the Home Standard and that as a consequence of this breach, there had been the potential of ‘serious detriment’ to the Trust’s tenants. On 25 March 2020 the RSH published their Regulatory Judgement for the Trust and the Trust was given a governance downgrade to G3 (non-compliant).

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

REPORT OF THE BOARD - continued

EMPLOYEES

The strength of the Group lies in the quality and commitment of its employees, and the ability to meet its objectives and commitments to customers depends on them. The Group is committed to equal opportunities for all its employees and continues to invest in staff training and development. During the year the Group has improved systems of appraisal and performance management.

HEALTH & SAFETY

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides Board and staff training and education on health and safety matters, including safeguarding. Health and safety is a key part of the internal audit cycle.

THE BOARD, COMMITTEES AND EXECUTIVE

Those Board Members who served during the period and the Group's executive directors are set out on page 1.

The Board comprises up to nine non-executive members and is responsible for the strategy, policy framework and managing the affairs of the Trust. A full Board skills review has been undertaken during the period and changes made to the Board to further strengthen it. The Board delegates the day-to-day management and implementation of its strategy to the Chief Executive and other members of the Executive Management Team (EMT).

The Board is supported by the Audit Committee and the Governance Committee. The Audit Committee meets at least four times per year and has responsibility for overseeing the Trust's audit functions and leading on matters of risk.

The Governance Committee meets at least three times per year and is responsible for reviewing the skills of Board Members, ensuring compliance with the Code of Governance and the Human Resources functions.

The Board of the Trust's trading subsidiary, Peaks & Plains Devco Limited, is made up of Board and Executive members and has met once during the period and is responsible for the governance and oversight of the subsidiary.

The Trust Board, Subsidiary Board and committees obtain specialist advice as required.

CODE OF GOVERNANCE

The Group has adopted the National Housing Federation (NHF) Code of Governance (2015). The Board carries out an annual appraisal of governance in terms of its compliance against its chosen code.

In accordance with the requirements, the Trust confirms compliance with the adopted code for the year ended 31 March 2020. The Trust accepts that given its current G3 grading and the RSH's comments in its regulatory judgement that *"the regulator has insufficient assurance that PPHT's governance, risk management and internal control frameworks have been effective."* The Board acknowledges that significant work has been completed to address these issues but recognises that on-going work needs to be completed to ensure that there are *"effective internal controls and appropriate systems for business assurance, so that the board can have confidence in the information it receives"* as required by the code.

STATEMENT OF COMPLIANCE

In preparing this report, a review of the organisation's governance procedures has been undertaken. Following this review, it is the opinion of the Board that the Group complies with the latest Governance and Financial Viability Standard issued by the regulator, subject to those items raised by the RSH in its Regulatory Judgement dated March 2020.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

REPORT OF THE BOARD - continued

INTERNAL CONTROLS ASSURANCE

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2019 up to the date of approval of the report and financial statements. The Group has a number of arrangements in place that comprise the overall internal control framework, which are used to provide Board with assurance about the adequacy of this framework.

The Board has ultimate responsibility for the system of internal control but has delegated authority to the Audit Committee to regularly review its effectiveness. The Audit Committee was formed to oversee the internal control framework across the Group. It does this by reviewing the effectiveness of the system of internal controls across the spectrum of the framework. This includes considering risk registers, internal audit reports, fraud reports, management assurances, the external management letter and specialist reviews on areas such as treasury, health and safety, governance and business planning.

The Audit Committee received and considered reports from management on risk management and control arrangements at each meeting during the year and the Board discussed risk and the impact of the decisions that it took at each meeting.

The Audit Committee has received from the Chief Executive the report on the annual review of the effectiveness of the system of internal control for the Group, alongside the annual report of the internal auditor, and has reported its findings to the Board.

Key elements of the system of control include ensuring that:

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

A fraud register is maintained and is regularly reviewed by the Audit Committee. The Group complies with the Regulator of Social Housing (RSH) requirements with regard to fraud. There have been 3 reported cases of fraud during the year 2019/2020 – with losses totalling £400 (2018/2019 - £nil). During the year the Audit Committee has signed off on the fraud response plan and the fraud matrix, which summarises the key fraud risks faced by the Group and the controls in place.

The Group has a comprehensive internal audit programme provided during 2019/2020 by Beever and Struthers LLP, Chartered Accountants. The Internal Auditors report to the Group's Director of Resources on each assignment and to each meeting of the Audit Committee on their recent and prospective activity.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

REPORT OF THE BOARD - continued

The Audit Committee considered the internal audit annual report at its May 2020 meeting. The annual programme included 10 audits as follows:

- Customer Voice
- Development
- Health and safety Landlord: Fire safety and Legionella control
- Information systems: foundation project
- Procurement
- Risk Management
- Rent Setting
- Allocations and Lettings
- Commercial Properties
- Void Management

The Group specifically chose areas of weakness to be reviewed as part of the internal audit programme, and the Director of Resources and subsequently the Chair of Audit Committee were involved in all scoping meetings to ensure that the Board could receive greater assurance. Based on the results of their internal audits Beever and Struthers concluded that the Trust *“needs to undertake significant work to ensure it has an adequate, effective and reliable framework of risk management and internal control that provides reasonable assurance regarding the effective and efficient achievement of its objectives.”*

In the Regulatory Judgement published in March 2020 the Regulator of Social Housing identified weaknesses in the Group’s Asset and Liability Register (ALR). Significant work has been undertaken on the ALR throughout 2019/2020 and a report is presented to each Audit Committee in respect of this. During the year the Group tendered its internal audit function and appointed RSM LLP as its new internal auditors. Their first review considered the ALR, and their substantial assurance report was presented to the July Audit Committee.

Governance arrangements are subject to continuing review and development to ensure they remain fit for purpose. Board and sub-Committee membership is reviewed annually in line with the membership policy terms. Compliance with the chosen code of governance and the Regulatory Framework is reviewed annually. During the year the Board has undertaken a full skills review to ensure that the Board has the right skills mix to effectively manage the Group. This has resulted in a number of changes to the Board and Committee membership.

The Group recognises it can make a real difference by working closely with its customers and is committed to co-regulation through its Challenge Group that is formed from a selection of our customers. During the year the Challenge Group, through its scrutiny panel, reviewed the Trust’s policies and procedures for transfers and reported the results of its review to the Board. Prior to Covid-19 the intention was to significantly increase the number of reviews undertaken by the panel. This is being kept under review.

External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit. Annually, a management letter is presented to the Audit Committee after the year end audit and once it has been reviewed it is submitted to the RSH.

The Board recognises that the G3 (non-compliant) rating issued by the Regulator of Social Housing means that the Trust has further work to do to strengthen its internal controls.

GOING CONCERN

The Group’s business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report.

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

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

REPORT OF THE BOARD - continued

COVID-19

The Group is continually monitoring the impact of Covid-19 on the sector. The Group has identified the risks of Covid-19, including the potential impact on cash collection and tenant arrears and delays to investment works. There has been no adverse impact seen on the collection of rents in the period since the year end, although this is being closely monitored and some customers are reporting Covid-19 as their reason not to pay. However, the Group believes that changes it has made to its cash collection process has mitigated the impact of these non-payers. The Group has seen an increase in no access with compliance visits and this is being very carefully managed. In addition it is monitored by the senior leadership basis on a weekly basis.

The Group has seen delays in its development programme as a result of Covid-19. Currently all contractors are back on site and the delays have been built into the revised business plan.

Despite the risks identified around Covid-19, the Group continues to be in a strong financial position. The impact of further lockdowns have been scenario tested in the Group's business plan, and mitigations have been identified to address any potential impact of Covid-19 on the business plan. The Trust maintains a mitigation plan, which details what actions will be taken if required, the length of time to put these actions in place, the cost of the actions and any commitments that need to be addressed.

The Board has considered the potential impairment of its assets as a result of Covid-19 and are satisfied that no adjustment is required to the financial statements.

As a result of Covid-19 and the impact on market activity in many sectors, property valuers are currently faced with an unprecedented set of circumstances on which to base a judgement. As such, at 31 March 2020, RICS has instructed all of its member firms to consider including a material valuation uncertainty caveat as per VPS 3 and VPGA 10 of the RICS Red Book Global in valuation reports produced in March 2020. The valuation report provided to the Group for our Investment Properties includes this caveat.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS

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

Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association and group for that period. In preparing these financial statements, the Board is required to:

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

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

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

The report of the Board was approved by the Board on 22nd September 2020 and signed on its behalf by:

Jen Hayball

JEN HAYBALL
Company Secretary

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED STRATEGIC REPORT

OBJECTIVES AND STRATEGY

The year ending 31March 2020 was the second year of the Group's current five year plan and the final year of rent reduction; when the Trust, like other Housing Associations, must decrease the majority of its rents by 1% each year. In 2016 in preparation for the first rent reduction, the Group changed its business model and was able to increase margins, protect its assets and increase the amount of new development activity. In the light of its self-referral to the Regulator of Social Housing and changes in the Group's operating environment, the Board has taken the decision to review the Trust's strategic plan, and this will take place through to autumn 2020.

The Group's purpose is to 'Help Improve Lives' and the four high level Corporate Objectives from our Five Year Plan are presented below together with their associated key deliverables:

Corporate Objective	Delivered By:
Be a Great Landlord	<ul style="list-style-type: none"> • Launch a new tenant charter • Review our allocations Policy • Simplify our complaints process • Increase repair efficiency, right first time & customer satisfaction
Invest in and Enhance Existing Homes	<ul style="list-style-type: none"> • Commission a stock condition survey • Review investment needs of sheltered housing
Build 750 New Homes across all tenures.	<ul style="list-style-type: none"> • Arrange additional £25m borrowing facility • Run a modular construction pilot • Develop standard floor plans • Set approach to new build quality and affordability
Create Great Places to Live	<ul style="list-style-type: none"> • Creating, publishing & delivering ambitious regeneration plans for Macclesfield Town Centre & Moss Estate • A vibrant, multi-tenure regeneration of Sunderland Street

Our objectives are delivered by inspiring and engaging our staff to deliver great services and exhibiting the Group's values:

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

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

Our Behaviours

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

The behaviours are reinforced through frequent catch-up conversations between managers and staff, recognising when the behaviours are being demonstrated and when they are not. During the year the Group introduced a more structured approach to these catch-up conversations and performance development plans were put in place for all staff.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT – Objectives & Strategy (Continued)

Performance during the Year, by Corporate Priority

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

BE A GREAT LANDLORD	2018/2019 Result	2019/2020 Result	2019/2020 Target
Rent Collection %	98.89%	99.17%	97.5%
% of Properties With Valid Landlord Gas Safety Record (LSGR)	98.88%	100.00%	100.00%
% Rent Lost by properties being empty (Void loss %)	0.94%	1.35%	1.09%

The Board recognises that to be a great landlord we need to build on strong foundations and there are key measures that relate to income, safety and efficiency that the Board have chosen to monitor directly.

Rent Collection percentage was higher than 2018/2019 and exceeded our target of 97.5%. Universal Credit claimants have increased in the year with approximately 187 on Alternative Payment Arrangements. During the year we have experienced a number of persistent large arrears cases resulting in evictions, although these have decreased from 29 to 26 when compared with the previous financial year with an average arrears value of £2,384.

Following issues identified during the 2019/2020 year (which in part led to the downgrade of the Trust to a non-compliant G3), the Group has worked hard to improve its performance in asset compliance, and this has resulted in all properties having a valid LSGR as at 31March 2020.

The amount of rent lost because properties are empty is an important measure of efficiency in the key process of letting homes. The percentage of rent we could have charged but were unable to because homes were empty was 1.35%, failing to hit the target of 1.09% and the performance achieved of 0.94% in 2018/2019. The increase year on year is due to a few properties that remained empty for the year, due to be included in a strategic review and accounted for 0.65% of the performance. There was also a higher number of empty properties to deal with in the year, which included some that required significant repairs in order to be relet.

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

BUILD NEW HOMES	2018/2019 Result	2019/2020 Result	2019/2020 Target
New Home Starts	6	83	100
New Home Completions	129	60	75
Net Housing Stock Growth	104	47	50
Unsold Shared Ownership Homes > 4 months	23	8	20

One of the key priorities of the Group is to build new homes. This set of performance indicators looks at the numbers of homes we are increasing by and monitors key risks in relation to delivery.

The number of New Home Starts measures how many new homes we started to build in the year. This was 83 in the financial year and below our target following our decision to be more selective when responding to opportunities to acquire homes from house builders under S.106 arrangements and our intention to concentrate on site-led opportunities which have longer and more uncertain lead-in periods. In common with many in our sector we historically faced some challenges around team skills and capacity in such a buoyant competitive market. 2019/2020 saw the Group establish a strong development team to help us deliver our development plans going forward, in addition to using Devco to deliver some of those developments. We have also focussed on our vision for creating a new residential quarter in Macclesfield town centre and we are now underway with our largest development to date which will be a multi tenure scheme. Further sites have been acquired during the year which will complement our existing developments. Covid-19 has caused the slow down on some of our on-going developments and these delays have been incorporated into our business plan.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT – Objectives & Strategy (Continued)

We remain committed to delivering new homes, but given our recent challenges recognise that we need to revisit the targets set out in our five year plan. This will be completed as part of the overall review of our Strategic Plan.

The number of Shared Ownership Homes unsold for more than 4 months is monitored by the Board as a key risk of the development programme. Homes remaining unsold for long periods could indicate low demand and risk reduced income for these low cost home ownership options. At the end of the year there were 8 shared ownership homes that had been unsold for more than 4 months which is significantly better than the target. Shared Ownership sales and reservations have increased following changes to the way in which properties are marketed, and incentives provided to secure sales.

INVEST IN AND ENHANCE EXISTING HOMES	March 2019 Result	March 2020 Result	March 2020 Target
% Responsive Repairs - Customer Satisfaction	100%	99.07%	96%
% self-sufficient customers (rent payments by Direct Debit)	40.27%	41.41%	45%
Reinvestment % Existing Homes	4,13%	3.39%	3.84%
Net Promoters 'would recommend to friends and family'?	68.9	36.7%	44.5%

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

We know from previous analysis that satisfaction with our responsive repairs service is a key predictor of overall satisfaction with our services, so we monitor this indicator at Board level. Repairs satisfaction averaged 98.45% over the year comparing favourably to a target of 96% and reached 99.07% in the month of March.

During 2019/2020 we have measured the percentage of rent payments that have been made by direct debit. The average for the year was 40.76% with over 2,000 customers paying their rent by direct debit. If we exclude those tenants on full housing benefit from the calculation the average would be 52.47% paying by this cost effective method.

We continue to invest in our homes and this year the Trust has completed a 94% stock condition survey to ensure that that investment is targeted, to deliver great homes for all of our customers. The reduction against target is because the Trust has spent significant monies in the year ensuring our homes are safe and this investment is not included in the calculation.

Net Promotor Score has changed the basis of calculation from 2018/2019 to 2019/2020. In 2018/2019 the calculation was based on a repairs survey asked whilst the operative was on site. For 2019/2020 the survey has been conducted quarterly by an external third party on our behalf. We were below our target with our customers giving the main two reasons as delays in getting through on the phone and timescales involved in completing repairs. The Trust has been working hard to reduce call waiting times and has seen these improving over the course of the year. A full repairs review is to be undertaken in 2020/2021.

The Trust's final priority is to create great places to live. During the year the Trust has continued to develop the area around Sunderland Street in Macclesfield.

RISKS AND UNCERTAINTIES

Throughout the year the Audit Committee and the Board have continued to work to strengthen the risk and control framework of the Trust. This risk appetite statement is reviewed annually by the Board, and this was given a full review at the Board away day in November. At that away day the Board also considered the stress testing that needed to be undertaken on the business plan and also the mitigations available to address any future impacts on the finances of the Group. The Board recognises its duty to safeguard the assets of the Group and believes that financial strength is the key to the delivery of other objectives.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT –Risks and Uncertainties (Continued)

The risk register adopted by the Board includes details of directive / preventative controls together with detective / corrective controls in place. Additionally we have identified assurance that Board can gain from three lines of defence. For each risk these assurances have been reviewed by a separate Audit Committee working group to determine if they provide sufficient assurance. A strategic risk register is maintained that details the key risks that impact the Group. This is annually reviewed against the sector risk profile. In addition operational risk registers are maintained across the Group and specific risk assessments undertaken. Risk training has been delivered to all staff in the year. Risks are assessed to establish the most significant items by reference to both their impact on the organisation and their likelihood of occurrence. The risk register is included on all Board meeting agendas so the Board can assess any changes arising from papers presented to it.

Risk Appetite Statement

The Board accepts that the Group cannot achieve its objectives or purpose without taking some risks. The risk appetite has been revisited in the year and the Board has identified its appetite against eleven separate risk drivers. Given the current challenges faced by the Group in order to regain a compliant governance grading, the Group has taken an overall cautious approach to risk at this time, with a minimal appetite for investment (including assets); governance and control and regulation and compliance. With regard to merger, diversification and innovation, the Board's appetite is currently averse.

The Trust's risk appetite reflects the current position of the Trust. The Trust is currently in a period of consolidation following some issues in controls being highlighted, and its current risk appetite reflects this position. The appetite will be reviewed on an annual basis.

For key strategic risks, controls will be put in place to reduce, where possible, the likelihood and the impact of each risk occurring, taking into account the costs and benefits of controlling, transferring or reducing those risks. Risks are scored on a scale of 1 to 5 for both likelihood and impact, both before and after controls and the results multiplied together to arrive at a risk score. Where possible the Group will look to reduce its risks to below the appetite identified by the Board.

Currently the Trust is aware that there are some areas where the risk is not at an acceptable level. The Board is working with the Executive team to properly address these issues and further strengthen its risk and control framework.

Golden Rules

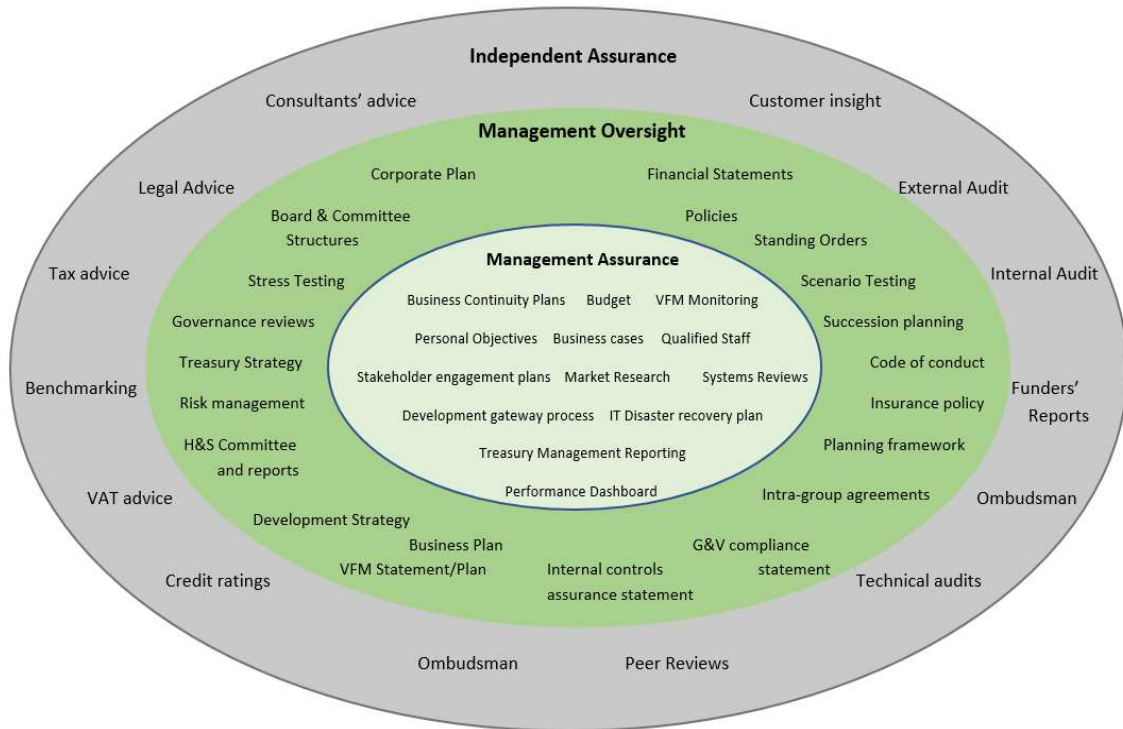
The Group has a number of golden rules that will ensure its financial strength can be maintained. These rules act as early warning indicators for any issues. During the year the Board took the opportunity to review its golden rules. The Board felt that the Operating Margin golden rule had driven some unhelpful behaviours at the organisation so it removed this rule. In addition, it added new rules around liquidity and debt per unit. In addition, the Board took the opportunity to fine tune the remaining rules. The revised rules are noted below:

Golden Rules	2019/2020 Actual
1. Forecast interest cover (EDITDA-MRI/Interest) will be 1.20 or more for all years of the financial plan.	1.82
2. Floating/variable interest rate debt will not exceed 30% of the total outstanding debt for the first two years of the financial forecast plan.	Yes
3. Funding will be arranged 18 months in advance of need forecast by the approved financial plan.	Yes
4. Debt per unit will not exceed £22,500.	£14,368
5. The total drawn plus accessible funding will be at least 5% higher than the peak debt.	Yes
6. There will be sufficient liquidity to cover the next 3 months forecast operating costs.	Yes

We have identified the full range of assurance available to the Board in managing risks and the graphic overleaf shows these grouped into Management Assurance methods, Management Oversight and a range of Independent Assurance.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT – Risk & uncertainties (continued)



CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT – Risks & uncertainties (continued)

The Strategic Risk Register Risks are rated for their likelihood and impact before and after controls and mitigations are put in place. The risks identified in the Strategic Risk Register are listed below ordered by the risk score before controls:

STRATEGIC RISK REGISTER	Inherent Risk	Mitigation overview	Residual Risk
Health & Safety - Staff and Customers. The risk that an individual is injured as a result of insufficient H&S at any Peaks & Plains site - Offices, stock or development. Or a breach in compliance relating to a downgrade.		The Group has ongoing monitoring of all asset compliance and H&S KPIs, along with strong policies and procedures. Training is provided at all levels. The Trust has an ongoing Foundations project that is addressing issues in this area. Once this is completed and the Trust has fully implemented its H&S management system the residual risk should be brought to a more acceptable level.	
Data integrity & accuracy undermining confidence in internal reports & Regulatory returns accuracy, potentially leading to a downgrade in our Governance rating. Also impacting on decision making.		The Group's data is held in a central data hub. There are a number of policies and procedures in place. Control processes are in place to monitor data quality and all new team members are aware of their responsibilities around data.	
Failure to deliver the changes required (Action plans, foundations project and voluntary undertaking.)		The Group has agreed a voluntary undertaking with the RSH and is delivering against that. The Group has also set up a separate recovery working group to monitor the delivery of the associated action plan.	
Loss of key staff to deliver change.		The Group offers a strong salary and benefit package, it operates a performance framework and is currently considering an application for membership in Investors In People.	
Covid-19, risk that the business cannot function as a result of the spread of the virus.		The Group was able to quickly mobilise and have its staff working from home. Weekly KPIs are monitored in respect of rent collection, no access for asset compliance, supplier performance, staff absence, ASB and repairs. (Further details are noted below)	
Environmental, risk that the business is not minimising its impact on the environment and has not set targets to reduce its carbon footprint and will fail to meet government targets.		During the recent stock condition survey the Group obtained SAP ratings for 50% of its stock. The Group is currently developing an environmental strategy to further mitigate this risk.	
Economic collapse following Brexit, or other key change to economic factors.		The Group use their Golden Rules as an early warning, and a significant amount of funding is fixed reducing the impact of any changes in interest. The potential impact has been stress tested in the business plan and a mitigation plan established.	
Risk that stock is not managed and maintained, and housing quality is not maintained leading to a breach of decency standards; high voids and reputational damage. Also disrepair claims.		The Group has completed a 94% stock condition survey during the year and its staff are trained to detect issues. The Group has effective procurement and contract management, and the annual programme of investment is mapped against a decent homes report to ensure any properties coming out of decency are included in the programme of work.	

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC RISK REGISTER	Inherent Risk	Mitigation overview	Residual Risk
Loan covenant breaches - leading to either a repricing or foreclosure of the facility. Leading also to a downgrade in in our governance and viability rating.		The asset and liabilities register is linked to the loan covenants. All board reports also include an assessment of loan covenants the Group is also supported by treasury advisors.	
Data loss or security breach requiring disclosure to the ICO, resulting in a significant fine (up to 4% of turnover) and impact on our reputation.		Training is provided to all staff around GDPR, internet security and phishing, the business case process includes data protection impact. Data sharing agreements with suppliers indemnify the Group from external breaches. In addition the Group has policies for GDPR and security.	
Risk of significantly reduced income and increased voids caused by either not delivering the aim of "Right Tenant Right Home" or the continued roll out of universal credit.		The Group risk assesses perspective new tenants, it has trusted partner status with DWP, there are clear policies and processed for rent arrears collection.	
Lack of funding capacity to deliver 5 Year Plan objectives.		During the year the Group extended its Warrington funding which further secured available funds. The Group's business plan model is stress tested to understand what causes the plan to fail.	
Delays in sales, or under-performance against appraisal assumptions.		Due diligence is undertaken to ensure market for shared ownership properties exist. Appraisal assumptions have been benchmarked and a positive NPV and a marketing strategy for each project is implemented.	
Risk that a development fails either by: a) the failure of major contractor(s) during critical stage of construction process; Increased risk due to Covid-19. b) that HE funding is withdrawn for non-delivery to plan - leading to reputational risk and expulsion from BLOC (local development partnership) c) Lack of market testing of assumptions.		Financial checks are run on all new contractors and at appropriate key stages. Cost consultants used to market test assumptions and soft market tests with potential contractors. Financial & capacity check prior to contract signing. Adequate contract insolvency cover required NHBC/Bond/Parent Company Guarantee. In addition the Group Monitor contract programme schedules to ensure that work is being delivered to time, and all materials are good quality as specified.	
The risk of a significant deficit on the pension scheme at the tri-annual review.		The Group is currently undertaking a full review of its pension offer to further de-risk pensions.	

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT – Risks & Uncertainties (continued)

The risks comprise the Board’s assessment of risks that could affect the business, which has been informed by the Regulator’s 2019 Sector Risk Profile report. There are a number of new risks on the register around environmental risk, loss of key staff and Covid-19.

In response to Covid-19 the Trust undertook a separate risk assessment, which is published on the Trust’s website. An operational risk register is also maintained which looks at each of the potential areas of impact including rental income, health and safety of customers and staff, impact of delays in repairs and planned works and increased cyber fraud risk. An incident management team was established, meeting frequently to review the situation and the KPIs to mitigate the impact as far as possible. The Trust has carried out stress testing on its business plan to consider these potential impacts from Covid-19. The Trust has been monitoring KPIs around the main risk items on a weekly basis and these have been shared with the Board.

Currently the Trust is aware that there are some areas on its Strategic Risk Register where the risk is not within its appetite level. The Board is working with the Executive team to properly address these issues and further strengthen its risk and control framework.

FINANCIAL PERFORMANCE

We are pleased to report a surplus for the year of £1.27m (2019: £5.95m). Our financial performance has exceeded our lenders’ covenants and is in line with our in-year reforecast after reporting our findings to the Regulator.

The table below summarises the overall results of the Trust:

	2020	2019
	£000s	£000s
Turnover	30,591	29,726
Operating costs and cost of sales	(25,209)	(20,201)
Other Income	-	426
Operating surplus	5,382	9,951
Operating surplus % of Turnover	17.6%	33.5%
Net interest charges	(4,104)	(3,994)
Surplus for the year before tax	1,278	5,957
Taxation	(9)	(10)
Total Surplus for the Year	1,269	5,947

Income from rents has increased year on year despite the 1% rent reduction and an increase in the loss of rent through empty properties due to the handover of 60 new properties throughout the year and the full-year effect of the rent from 129 properties handed over the previous year. Shared ownership sales increased from 17 to 38 in 2019/20 reporting an increase year on year in sales of £1.4m. Operating costs increased year-on-year due to the corresponding increase in shared ownership cost of sales of £1.1m, additional fire prevention works, the write off of costs relating to repairs works that could not be capitalised and increases in depreciation of housing components.

The detailed results for the year are set out in the financial statements on pages 25 - 63.

Capital structure

Borrowings at year-end were £74.00m (2019: £74.00m). The debt is sourced from Barclays Bank Plc and Warrington Borough Council.

	2020		2019	
	Available facility £m	Drawn £m	Available facility £m	Drawn £m
Barclays Loan Facility	95.0	70.00	70.00	70.00
Barclays Overdraft Facility	0.5	0	0.50	0.00
Warrington Borough Council loan	25.0	4.00	25.00	4.00
Total facilities	120.50	74.00	95.50	74.00

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT – Financial performance (continued)

The Barclays housing loan facility of £70.00m is fully drawn with the loan being repaid by instalments from 2023/2024 until end of loan term in 2039/2040. The £4m loan drawn from Warrington Borough Council to fund new developments is on a fixed rate basis over a 30 year term. The overdraft facility is used to manage very short term cash flow and was not used during the year.

A £25m revolving credit facility is in place with Barclays Bank to support the future development ambitions set out in the Trust's five year plan. The securitisation of this facility and completion was undertaken in 2019/2020. £64m of the total £74m borrowings at 31March 2020 have interest rates fixed for longer than 12 months. This means only 13.5% (2019: 13.5%) of the debt is exposed to short term interest rate increases, meeting our Golden Rule standard of less than 30% being exposed.

In the financial statements, debt is an amortised cost adjusted to take account of known future increases in interest costs. As at 31March 2020 this adjustment increases the value of the debt drawn to £77.4m (2019: £77.3m).

Cash flows

Cash inflows and outflows for the year under review are set out in the Statement of Cash Flows on page 30.

During the year net cash of £13.6m (2019: £18.3m) was generated from operating activities. The reduction from 2019 is due to additional expenditure on our properties particularly relating to fire prevention works. No further loans were drawn down in the year as the development construction start on sites did not occur.

Future Developments

The Board had approved the business plan for 2019/2020 onwards, which included a development programme for 750 homes. This target is currently under review by the Board as part of a refresh of the Trust's Strategy. The 2020/2021 approved business plan includes provision for 215 new homes. The Trust completed 60 new homes during 2019/2020 and started 83 new homes; the key development being Crossings which is part of our regeneration of the Sunderland Street area of Macclesfield.

We invested £7.2m in new homes during the year, split between rented and shared ownership, with social housing grants received from Homes England of £1.1m. The remaining costs were funded through surpluses.

The Trust will continue to maintain and improve all of its homes and over the next five years is planning to invest £37m making improvements to existing homes, in addition to an investment of £28m in new developments.

Liquidity

The Trust's long term policy is not to hold significant cash balances but to have loan facilities in place to fund future requirements. Because of strong cash performance driven by shared ownership sales and previous treasury management decisions, the Trust had surplus funds of £1.6m placed on deposit at the end of March 2020. Over the last year the surpluses have been invested in our assets and held on deposit to fund development in the near future. The Trust has completed the revolving credit facility to complement its fixed loans and enable more flexibility in liquidity to follow the preferred policy of keeping cash balances low.

Loan covenants

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

Pension arrangements

The Trust participates in four pension schemes; the Cheshire Pension Fund and three schemes with the Social Housing Pension Scheme (SHPS).

The Cheshire Pension Fund is in surplus by £163k (2019: £5.4m deficit) under Section 28 FRS 102 in the balance sheet. The decrease in liability was principally driven by changes in financial assumptions used to calculate the value of the pension fund (£6.4m) based on information from the Administering Authority. The surplus has been restricted to zero as it is classed as non-recoverable. Note 27 refers.

Two of the SHPS schemes are defined benefit schemes, which are a multi-employer schemes and the Trust accounts for its obligation on a defined benefit basis.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT – Financial Performance (continued)

The Cheshire Pension Fund and SHPS 60th Defined Benefit schemes were no longer offered to staff joining the Trust after July 2019. Colleagues who joined before this date were given 12 months to join these schemes.

From July 2019 a new Social Housing Pension Scheme defined benefits CARE 80th scheme was opened to all staff.

The other SHPS scheme is a Defined Contribution scheme that is used as the auto enrolment option when no other option is selected.

The Trust currently has 78% of the eligible staff enrolled in one of the four pension schemes.

TREASURY POLICIES AND OBJECTIVES

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

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

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

Surpluses are invested in financial institutions according to rules that have been approved by the Trust Board. During 2018/2019 the Trust entered into a deposit agreement with Link Treasury Services to receive and facilitate the placement of surplus funds with a deposit bank as instructed by the Trust. This service has continued to be utilised throughout 2019/2020.

VALUE FOR MONEY STATEMENT

In March 2018 the Board adopted a five year plan that clearly articulates the Group's objectives:

1. To be a great landlord
2. To invest in our homes
3. To build 750 new homes across all tenures
4. To create great places to live

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

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

The Board monitors a range of Value for Money targets that are linked to the delivery of our Corporate Objectives:

BOARD MEASURED Vfm INDICATORS	2018/19 Result	2019/20 Result	2019/20 Target
Rent Collection %	98.89%	99.17%	97.5%
% Rent Lost by properties being empty (Void loss %)	0.94%	1.35%	1.09%
New Home Starts	6	83	100
New Home Completions	129	60	75
Net Housing Stock Growth	104	47	50
	March 2019 Result	March 2020 Result	March 2020 Target
% Responsive Repairs - Customer Satisfaction	100%	93.23%	96%
% self-sufficient customers (rent payments by DD)	40.27%	41.41%	45%
Net Promoters 'would recommend to friends and family'?	68.9	36.7%	44.5%

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

FOUNDATIONS – To ensure we continue to be a Great Landlord	Actual 2019/20	Target 2019/20	Value for money impact
% rent collection (current)	99.17%	97.5%	Unpaid rent represents lost value and impacts surpluses
% of properties certified safe			Covering all areas of compliance. This is no longer measured as during the year this was replaced with a monthly report to the Board
Tenancies failing within 24 months	19.33%	18.75%	We have established a break- even point of 24 months and want to reduce loss making tenancies so we can make a lasting difference and deliver more homes
<u>Customer satisfaction</u>			
Customer Satisfaction with Peaks and Plains Housing (Quarterly)	7.9	7.7	The likelihood that people will recommend us is a key indicator of customers valuing our services. This year we have made a change to the NPS score and this has been obtained through telephone surveys on a quarterly basis.
Net Promoter Score - Would our tenants recommend Peaks and Plains to friends and family? (Quarterly)	36.7	44.5	
Rent lost by properties being empty	1.35%	1.09%	Empty properties indicate poor value for money. The increase is due to strategic voids, where the Trust has taken a decision to not let empty properties. This year this includes a number of properties at the Sheltered Schemes.
PROTECT – Invest in and enhance existing homes			
Reinvestment % (Existing homes)*	3.39%	3.84%	Part of the Regulator’s VFM metric this shows how much we are putting back into our current homes.
Gearing	52.41%	54.83%	This measures the amount of debt as a percentage of the value of housing properties and can be seen as an indicator of our appetite for growth.
Return on Capital Employed (ROCE)*	3.7%	6.78%	Also part of the Regulator’s Vfm metric; this shows how much we get back in operating surpluses for the amount invested in our assets.
GROW – 750 New Homes (all tenures)			
Reinvestment % (New homes)*	5.63%	7.95%	Also part of the Regulator’s Vfm metric; this shows how much we are investing in new homes.
% of stock new build (social + non-social)*	1.13%	1.4%	Also the Regulator’s Vfm metric this shows how many new homes we create relative to our size.
New home starts	83	100	Other ways we measure to make sure we are delivering new homes to help improve more lives.
New home completions	60	75	
Net growth in number of homes	47	50	

*Also one of the Regulator’s Vfm Metrics

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT – Value for Money Statement (continued)

Our approach to VfM

The Board has an approved approach to VfM, as detailed in its Value for Money Strategy, reflecting the requirements of the revised Value for Money Standard issued by the Regulator of Social Housing. In its Strategy the Board has agreed a strategic goal to ‘improve value for money throughout the organisation, in order that we can continue to build homes, whilst delivering great services at costs that are optimum to our agreed level of service’.

For the Group, VfM is about being effective in how we plan, manage and operate our business. It means making the best use of the resources available to us to provide quality homes in our communities backed by high quality services and support.

Taking account of the Trust’s current regulatory position and the VfM strategic goal, the VfM objectives of the Trust are to:

- Deliver more affordable homes and help to create sustainable communities
- Ensure that the value of our assets and costs relating to them are well understood and that decisions for investment take both into account
- Develop a new procurement strategy to ensure procurement is planned and used effectively to secure cost savings and/or better services
- Introduce a rolling plan of service reviews, to identify VfM efficiencies. These reviews will also generate VfM performance indicators so that the effectiveness of the reviews can be measured.
- Direct resources to the right balance between frontline services, maintaining existing assets and providing new homes.
- Embed a VfM culture throughout the organisation.
- Maintain customer satisfaction levels.
- Benchmark effectively with the rest of the sector

The Group’s existing five year plan clearly articulates the Trust’s strategic objectives as part of the Group’s review of its governance. A number of key strategies have been reviewed and value for money runs through each of these strategies like a golden thread.

In October 2019 the Board signed off the Group’s development strategy. This clearly outlines what development means to the Group, the development priorities of the Group and the approval process for development. This means specific cost controls are in place to monitor outturn predictability and sales margins. Development hurdle rates and assumptions have been set to ensure all developments generate a sufficient return for the Group. In addition Peaks and Plains Devco Limited has been put into operation to enable the Trust to maximise VfM in its development activity.

During the year, the Board approved a revised asset management strategy. Included in the strategy is the implementation of the Social Housing Asset Performance Evaluation (SHAPE) model, this will ensure that we can understand how all of our different asset groups are performing. The strategy also includes a review of the cost and quality of delivering repairs, improvements and compliance activities to identify the best delivery model (external contractors or in-house operatives).

The Procurement Strategy was also renewed in the year. The purpose of this strategy includes the delivery of quality goods and services with value for money outcomes. This strategy and the supporting policy and procedures is driving strong behaviours around procurement allowing us to achieve VfM.. Through a combination of direct procurement and the use of frameworks we have reviewed and procured new contracts across investment and compliance activity to optimise VfM in relation to cost and quality. The Group has increased the compliance team resources in relation to contract management to drive value for money from contractors and optimise performance in this key regulatory area.

The adoption of the Board suite of KPIs is the tool used by the Board to monitor delivery of these objectives. These, together with the VfM metrics required by the Regulator provides the evidence base as to the delivery or otherwise of VfM.

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

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT – Value for Money Statement (continued)

In agreeing the Board's suite of KPIs, the Board ensures that the KPIs chosen indicate delivery of VfM. In part this may be achieved with the help of benchmarked information from benchmarking groups and other housing associations. Good VfM outcomes are achieved by a combination of top quartile results for outcomes and lowest quartile for costs. The ambition of the targets being set, the rigour in which performance against them is monitored and the way they compare with others will all impact on our VfM delivery.

Key Board decisions with VfM implications are informed by an impact summary included in each Board report. The Board is encouraged to challenge that there has been a rigorous option appraisal taking sufficient account of costs and outcomes. This has been evidenced by the sheltered housing review, which has fully commenced in the year; following an assessment of the assets the Board took the decision to close two sites, Ivy House and Winstanley House.

To help the Group deliver further VfM savings a VfM steering group has been set up, with the first task being to set its terms of reference, these include, but are not be limited to:

- Responsibility for the review and update of the VfM Strategy.
- Oversight of service reviews and monitoring of resulting savings or performance indicators.
- Review of regular benchmarking reports.
- Deliver training and embed a VfM Culture.
- Undertake the annual assessment of the Trust against the VfM Standard

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

VfM Metrics - performance

	2019 Sector	2019 Sector	2019 Peer Group	2019 Trust	2020 Trust
	Median	'Best' Quartile	Median	Actual	Actual
Metric 1 – Reinvestment %	5.37%	9.1%	7.5%	9.9%	9.0%
Metric 2 – New supply delivered %					
A. New supply delivered (Social housing units)	1%	2.4%	0.6%	2.5%	1.1%
B. New supply delivered (Non-social housing units)	0.14	n/a	n/a	n/a	n/a
Metric 3 – Gearing %	33.75%	20.8%	42.0%	52.4%	52.41%
Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	197.92%	283%	233%	194%	129%
Metric 5 – Headline social housing cost per unit (£'000)	3.72	3.17	3.50	3.50	3.82
Metric 6 – Operating Margin %					
A. Operating Margin (social housing lettings only)	27.2%	34.0%	24.4%	30.3%	15.2%
B. Operating Margin (overall)	25.5%	31.7%	24.1%	29.8%	16.2%
Metric 7 – Return on capital employed (ROCE)	3.2%	4.4%	4.4%	6.5%	3.7%

The Trust is pleased to report our results against the Regulator's VfM Metrics. We have compared our performance for the year with our performance last year and also with the housing sector average and best quartile points for last year, calculated from the 'Global Accounts' published on the Regulator's website.

Metric 1: '**Reinvestment %**' was in the highest quartile compared with other Housing Associations for 2018/19. Our reinvestment percentage remained strong in 2019/2020, as a result of continued investment in new properties and investment in our existing properties. The Group has undertaken a full stock condition survey which has enabled them to produce a fully costed five year stock investment plan.

Metric 2: '**New supply delivered**' has reduced from 2.5% in 2018/2019 to 1.1% in 2019/2020. The reduction in delivery is a result of our decision to be more selective when responding to opportunities to acquire homes from house builders under S.106 arrangements and our intention to concentrate on site-led opportunities which have longer and uncertain lead-in periods. Although we have continued to perform better than our peer group, due to delays caused by Covid-19 we are unlikely to deliver any new supply in 2020/2021.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

STRATEGIC REPORT – Value for Money Statement (continued)

Metric 3: '**Gearing**' is consistent with the 2018/2019 and remains above the median when comparing to both the 2019 Global Accounts and the peer group. Delays to start on site and a reduced spend in development has meant that no further borrowing has been drawn in 2019/2020. We anticipate this remaining consistent through 2020/2021.

Metric 4: '**EBITDA MRI Interest cover %**' has decreased from 2018/2019 from 194% (to 129% in 2019/2020). This metric has been impacted by increased expenditure on fire stopping work and compliance expenditure to address the issues which led to the downgrade. This metric remains within our tightest lenders' covenant of 1.1 times and our own minimum level of 1.2 set in the Golden Rules. The lenders' metric includes accelerated depreciation and excludes capitalised interest whereas the VfM metric reported last year and calculated using the same method this year excludes accelerated depreciation and includes capitalised interest. It is anticipated that the EBITDA MRI will remain at a similar level next year.

Metric 5: '**Headline social housing cost per unit**' increased between 2018/2019 and 2019/2020, and is above the median for 2018/2019. The year on year increase is a result of increased spend on fire stopping works repairs and maintenance costs and major repairs expenditure. The impact of this investment in services can also be seen in Metric 6: '**Operating Margin**', which has reduced significantly compared to 2018/2019.

Metric 7: '**ROCE**' has fallen from the previous year. This has been caused by the effects of delayed completions of developments and unsold shared ownership properties during the year as well as the fact that completed developments have not been let for the whole year. The ROCE continues to be ahead of the sector median.

Overall our performance has fallen in the last 12 months as a result of increased spend being required in respect of both fire stopping works and addressing compliance issues.

Statement of compliance

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

The strategic report was approved by the Board on 22 September 2020 and signed on its behalf by:



JANE McCALL
Chair

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

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

OPINION

We have audited the financial statements of Cheshire Peaks and Plains Housing Trust Limited (the 'parent society') and its subsidiaries (the 'group') for the year ended 31 March 2020, which comprise Statement of Comprehensive Income Group, Statement of Comprehensive Income Trust, Statement of Changes in reserves, Statement of Financial Position Group, Statement of Financial Position Trust, Statement of Cash Flows Group and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent society's affairs as at 31 March 2020 and of the group's and parent society's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

BASIS FOR OPINION

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

EMPHASIS OF MATTER – PROPERTY VALUATION

We draw attention to Note 2 to the financial statements, which describes the basis of property valuations in respect of investment properties. Management engaged an expert to value their investment property portfolio. The experts valuation included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case. Our opinion is not modified in respect of this matter.

THE IMPACT OF MACRO-ECONOMIC UNCERTAINTIES ON OUR AUDIT

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The board is responsible for the other information. The other information comprises the information included in the Annual Report¹, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF THE BOARD FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Board's Responsibilities set out on page 6, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Gary Jones
Senior statutory auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date: 23/9/2020

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020 – GROUP

	Note	2020 £'000s	2019 £'000s
TURNOVER	3	30,591	29,726
Cost of sales	3	(2,289)	(1,181)
Operating costs	3	(22,920)	(19,020)
Other Income	3	-	426
OPERATING SURPLUS		5,382	9,951
Interest receivable	7	51	35
Interest payable and other financing costs	8	(4,155)	(4,029)
SURPLUS BEFORE TAX		1,278	5,957
Taxation	11	(9)	(10)
SURPLUS FOR THE YEAR		1,269	5,947
Actuarial (loss)/gain in respect of pension schemes	27	6,520	(3,091)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,789	2,856

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

The financial statements were authorised and approved by the Board on 22 September 2020



JANE MCCALL
Chair

GORDON RICHARDSON
Board Member



JEN HAYBALL
Secretary

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020 – TRUST

	Note	2020 £'000s	2019 £'000s
TURNOVER	3	30,589	29,726
Cost of sales	3	(2,289)	(1,181)
Operating costs	3	(22,920)	(19,020)
Other Income	3	-	426
OPERATING SURPLUS		5,380	9,951
Interest receivable	7	51	35
Interest payable and other financing costs	8	(4,155)	(4,029)
SURPLUS BEFORE TAX		1,276	5,957
Taxation	11	(9)	(10)
SURPLUS FOR THE YEAR		1,267	5,947
Actuarial (loss)/gain in respect of pension schemes	27	6,520	(3,091)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,787	2,856

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

The financial statements were approved by the Board on 22 September 2020.



JANE MCCALL
Chair

GORDON RICHARDSON
Board Member



JEN HAYBALL
Secretary

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STATEMENT OF CHANGES IN RESERVES AS AT 31 MARCH 2020

	Note	GROUP Income and expenditure reserve £'000s	TRUST Income and expenditure reserve £'000s
Balance at 31 March 2018	28	47,953	47,953
Surplus for the year		5,947	5,947
Other comprehensive income for year		(3,091)	(3,091)
Balance at 31 March 2019	28	50,809	50,809
Surplus for the year		1,269	1,267
Other comprehensive income for year		6,520	6,520
Balance at 31 March 2020		58,598	58,596

The accompanying notes form part of these financial statements.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
COMMUNITY BENEFIT SOCIETY REGISTRATION NO: 7528
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 - GROUP

	Note	2020 £'000s	2019 £'000s
FIXED ASSETS			
Tangible fixed assets – housing properties	12	136,936	131,403
Other tangible fixed assets	13	3,185	3,263
Intangible fixed assets	14	28	123
Investment properties	15	3,255	3,255
Investment	16	7	-
		<hr/>	<hr/>
		143,411	138,044
		<hr/>	<hr/>
CURRENT ASSETS			
Properties held for sale	19	1,114	2,792
Trade and other debtors	20	1,548	2,186
Cash and cash equivalents	18	8,675	8,467
		<hr/>	<hr/>
		11,337	13,445
		<hr/>	<hr/>
CREDITORS: Amounts falling due within one year	21	(6,531)	(5,839)
		<hr/>	<hr/>
NET CURRENT ASSETS		4,806	7,606
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		148,217	145,650
		<hr/>	<hr/>
CREDITORS: Amounts falling due after more than one year	22	(88,773)	(88,013)
		<hr/>	<hr/>
PROVISIONS FOR LIABILITIES			
Defined benefit pension liability	27	(846)	(6,828)
		<hr/>	<hr/>
TOTAL NET ASSETS		58,598	50,809
		<hr/>	<hr/>
RESERVES			
Income and expenditure reserve	28	58,598	50,809
		<hr/>	<hr/>
TOTAL RESERVES		58,598	50,809
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

The financial statements were issued and approved by the Board on 22 September 2020



JANE MCCALL
Chair

GORDON RICHARDSON
Board Member



JEN HAYBALL
Secretary

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
COMMUNITY BENEFIT SOCIETY REGISTRATION NO: 7528
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 - TRUST

	Note	2020 £'000s	2019 £'000s
FIXED ASSETS			
Tangible fixed assets – housing properties	12	136,936	131,403
Other tangible fixed assets	13	3,185	3,263
Intangible fixed assets	14	28	123
Investment properties	15	3,255	3,255
Investment	16	7	-
		<u>143,411</u>	<u>138,044</u>
CURRENT ASSETS			
Properties held for sale	19	1,114	2,792
Trade and other debtors	20	1,553	2,186
Cash and cash equivalents	18	8,670	8,467
		<u>11,337</u>	<u>13,445</u>
CREDITORS: Amounts falling due within one year	21	(6,531)	(5,839)
NET CURRENT ASSETS		<u>4,806</u>	<u>7,606</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>148,217</u>	<u>145,650</u>
CREDITORS: Amounts falling due after more than one year	22	(88,773)	(88,013)
PROVISIONS FOR LIABILITIES			
Defined benefit pension liability	27	(846)	(6,828)
TOTAL NET ASSETS		<u>58,598</u>	<u>50,809</u>
RESERVES			
Income and expenditure reserve	28	58,598	50,809
TOTAL RESERVES		<u>58,598</u>	<u>50,809</u>


The accompanying notes form part of these financial statements.

The financial statements were issued and approved by the Board on 22 September 2020



JANE MCCALL
Chair

GORDON RICHARDSON
Board Member



JEN HAYBALL
Secretary

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020 - GROUP

	Note	2020 £'000s	2019 £'000s
Net cash generated from operating activities	29	13,602	18,304
Cash flow from investing activities			
Purchase and refurbishment of tangible fixed assets – housing properties		(11,563)	(13,293)
Purchase of other tangible fixed assets		(242)	(169)
Net gain on sale of fixed assets		1,876	1,276
Grants received		908	234
Interest received		51	35
		(8,970)	(11,917)
Cash flow from financing activities			
Interest paid		(4,424)	(4,173)
New secured loans		-	-
Repayment of borrowings		-	-
		(4,424)	(4,173)
Net change in cash and cash equivalents		208	2,214
Cash and cash equivalents at beginning of the year		8,467	6,253
Cash and cash equivalents at end of the year	18	8,675	8,467

The accompanying notes form part of these financial statements

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. LEGAL STATUS

Legal status

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

The Trust has an investment of one share in Peaks & Plains Devco Limited and one share in Peaks & Plains Tradeco Limited, which are both 100% subsidiaries of the Trust at 31 March 2020. Peaks & Plains Devco commenced trading towards the end of the financial year, and is a registered company which develops new housing for sale to the group. Separate accounts have been produced for this subsidiary. Peaks & Plains Tradeco has remained dormant during the financial year, and accounts have been produced to reflect this.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Trust are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. In May 2019, the Financial Reporting Council issued a narrow-scope amendment to FRS102 in relation to multi-employer defined benefit schemes. This amendment has been early-adopted by the Trust and is reflected in these Financial Statements in respect of the Social Housing Pension Scheme.

The financial statements are presented in Sterling (£).

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

The Trust has prepared consolidated accounts for the year ended 31 March 2020. This is the first set of consolidated accounts prepared; Peaks & Plains Devco Ltd began trading in Quarter 3 of the financial year to 31 March 2020. The other subsidiary has remained dormant throughout the period.

Disclosure exemptions

The individual accounts of Peaks and Plains have adopted the following disclosure exemptions:

- * the requirement to present an individual statement of cash flows and related notes
- * financial instrument disclosures, including:
 - categories of financial instruments
 - items of income, expenses, gains, or losses relating to financial instruments; and
 - exposure to and management of financial risks.

Going concern

The Trust's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board and Strategic Report. The Trust has in place long-term debt facilities and has a 5 year £25m revolving credit facility available which provide adequate resources to finance committed reinvestment and development programmes, along with its day to day operations. The Trust also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. The Trust has an approved £25m facility with Warrington Borough Council of which £4m is drawn.

The Group is continually monitoring the impact of Covid-19 on the sector. The Group has identified the risks of Covid-19, including the potential impact on cash collection and tenant arrears and delays to investment works. There has been no adverse impact seen on the collection of rents in the period since the year end, although this is being closely monitored and some customers are reporting Covid-19 as their reason not to pay. However, the Group believes that changes it has made to its cash collection process has mitigated the impact of these non-payers. The Group has seen an increase in no access with compliance visits and this is being very carefully managed. In addition it is monitored by the senior leadership basis on a weekly basis.

The Group has seen delays in its development programme as a result of Covid-19. Currently all contractors are back on site and the delays have been built into the revised business plan.

Despite the risks identified around Covid-19, the Group continues to be in a strong financial position. The impact of further lockdowns have been scenario tested in the Group's business plan, and mitigations have been identified to

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 - Accounting Policies
(continued)

address any potential impact of Covid-19 on the business plan. The Trust maintains a mitigation plan, which details what actions will be taken if required, the length of time to put these actions in place, the cost of the actions and any commitments that need to be addressed.

The Board has considered the potential impairment of its assets as a result of Covid-19 and are satisfied that no adjustment is required to the financial statements.

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

Significant judgements and estimates

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

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

Impairment

From 1 April 2016, Cheshire Peaks & Plains Housing Trust has reduced social housing rents by one per cent per annum and continued to do so in each year until the current year in accordance with the Housing and Planning Act 2016.

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

During the financial year to 31 March 2020 a review was undertaken to assess the future viability of our sheltered schemes and the decision was made to close two schemes, Ivy House and Winstanley House, and several properties nearby. These sites are being decanted, and once empty will be demolished to allow for redevelopment. The Trust has written off the Net Book Value of these schemes in 2019/2020 which is calculated as £883,000.

Classification of loans as basic

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

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

Estimation uncertainty

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

Revaluation of investment properties

The Trust carries its investment property at fair value, with changes in fair value being recognised in the statement of comprehensive income. The Trust engages independent valuation specialists to determine the fair value at each year-end. The valuer uses a valuation technique based on an open market basis. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 15.

Basis of property valuations

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted the market values of property across many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 - Accounting Policies
(continued)

Therefore, in respect of the valuations of investment properties, the valuer's instruction included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global for valuations undertaken at 31 March 2020. Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case.

Useful lives of depreciable assets

The Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2020 was £49.80m. The carrying amount of the housing properties was £136.90m.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 27). At 31st March 2020 there was a surplus £163k. In making their estimate, management have also considered the impact of the McCloud judgement on the LGPS liability and the impact is included as at 31 March 2020.

The same estimation uncertainty also applies to the Social Housing Pension Scheme (SHPS) for which liabilities of £846k have been recognised.

Basis of consolidation

The group accounts consolidate the accounts of the association and all its subsidiaries at 31 March using the purchase method.

The consolidated financial statements incorporate the financial statements of the association and entities controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate, using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investment in subsidiaries

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

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 - Accounting Policies
(continued)

Turnover and revenue recognition

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

Service charge income is recognised in the period to which it relates, net of losses from voids.

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

Taxation

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

Value Added Tax

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

Interest payable

Interest payable on borrowings is charged to the statement of comprehensive income net of any interest capitalised to development schemes in the year in which it is incurred.

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

- a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or
- b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Financial Instruments

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

Debtors

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

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

Creditors

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

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty upon notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 - Accounting Policies
(continued)

Employee Benefits

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

Pension costs

The Trust participates in the Cheshire Pension Fund CARE Schemes the Social Housing Pension Scheme defined benefit final salary pension scheme, the Social Housing defined contribution scheme and the Social Housing Defined Benefits CARE Scheme.

The Cheshire Pension Fund

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

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

Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Note 27 gives more detail.

Social Housing Pension Scheme (SHPS)

In the previous year, the Trust was able for the first time to identify its share of the scheme assets and scheme liabilities and has therefore applied defined benefit accounting from this period onwards. The scheme assets are measured at fair value. Scheme liabilities are measured on the actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

Housing properties

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

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents;

- a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or
- b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

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

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

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 - Accounting Policies
(continued)

Investment properties

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

Investments

The Trust currently holds shares in the Gawsorth Community shop, which is classed as a community investment. These shares were previously not recognised within the financial statements so have been recognised in 2019/2020. At 31 March 2020 the Trust held 650 shares, with a total value of £6,500.

Government grants

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

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

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

Government grants for housing properties are subordinated to the repayment of loans by agreement with the funding body. Government grants released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account.

Other grants

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

Depreciation of housing properties

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

The Trust depreciates the major components of its housing properties at the following annual rates:

Housing Properties

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

Freehold land is not depreciated.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 - Accounting Policies
(continued)

Impairment

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

Other tangible fixed assets

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

Depreciation is provided evenly on the cost of the other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal estimated useful economic lives used for other fixed assets are:

Fixtures & Fittings	15 years	Computer and office equipment	3 years
Plant, Machinery and Vehicles	3 years	Freehold/leasehold properties	40 years

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

Disposal Proceeds Fund

Section 178(1) of the 2008 Act. Under the Housing and Planning Act 2016 Deregulatory measures applicable from 7 April 2017, additions into the DPF regime were abolished. The balances accrued to this date will be used in accordance with the DPF requirements over the next three years. Therefore the existing balance as at 31 March 2020 will be held as a liability until repaid.

Recycled Capital Grant Fund

The RCGF is an internal fund within the accounts used to recycle historic grant following relevant events outlined in the Recovery Determination, a legal document setting out Homes England's principles for the recovery of grant. Balances accrued within this fund will have interest applied and be spent in accordance with Homes England Guidance. The existing balance as at 31 March 2020 will be carried forward as a liability until spent or repaid if not spent within a three-year period.

Leases

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

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

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

Properties for sale

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

Provisions for liabilities

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

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

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 - Accounting Policies
(continued)

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

Goodwill

Goodwill relates to the excess of the fair value of the consideration paid to Macclesfield Borough Council (MBC) over the fair value of the identifiable assets and liabilities acquired, including the net defined benefit scheme deficit, at the date of transfer from MBC. The consideration paid to MBC equated to the value of the net assets acquired excluding the net defined benefit scheme deficit. As a result, goodwill arose that was equal to the present value of the defined benefit scheme assets compared to the fair value of the defined benefit scheme deficit as at the date of transfer from MBC.

Goodwill is amortised on a straight-line basis over the period calculated by reference to the difference between the average age of employees in the scheme and their expected retirement age. The available transitional relief has been taken not to restate goodwill on conversion to FRS102.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

	Turnover 2020 £'000s	Cost of sales 2020 £'000s	Operating costs 2020 £'000s	Operating surplus 31 March 2020 £'000s
Social housing lettings	26,262	-	(22,345)	3,917
<u>Other social housing activities</u>				
First tranche low cost home ownership sales	3,076	(2,289)	-	787
Support Services	59	-	(44)	15
Gain on disposal of housing properties (note 6)			423	423
Other	254	-	(149)	105
	<u>29,651</u>	<u>(2,289)</u>	<u>(22,115)</u>	<u>5,247</u>
Activities other than social housing	940	-	(805)	135
	<u>30,591</u>	<u>(2,289)</u>	<u>(22,920)</u>	<u>5,382</u>

	Turnover 2019 £'000s	Cost of sales 2019 £'000s	Operating costs 2019 £'000s	Operating surplus 31 March 2019 £'000s
Social housing lettings	25,773	-	(17,953)	7,821
<u>Other social housing activities</u>				
First tranche low cost home ownership sales	1,684	(1,181)	-	503
Charges for Support Services	176	-	(144)	32
Gain on disposal of housing properties (note 6)	-	-	668	668
Other	307	-	(341)	(34)
	<u>27,940</u>	<u>(1,181)</u>	<u>(17,769)</u>	<u>8,990</u>
Activities other than social housing	1,786	-	(1,251)	535
	<u>29,726</u>	<u>(1,181)</u>	<u>(19,020)</u>	<u>9,525</u>
Other Income - Gain on disposal of discontinued activity (note 6)	426	-	-	426
	<u>30,152</u>	<u>(1,181)</u>	<u>(19,020)</u>	<u>9,951</u>

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS - TRUST

	Turnover 2020 £'000s	Cost of sales 2020 £'000s	Operating costs 2020 £'000s	Operating surplus 31 March 2020 £'000s
Social housing lettings	26,262	-	(22,345)	3,917
<u>Other social housing activities</u>				
First tranche low cost home ownership sales	3,076	(2,289)	-	787
Support Services	59	-	(44)	15
Gain on disposal of housing properties (note 6)			423	423
Other	254	-	(149)	105
	<u>29,651</u>	<u>(2,289)</u>	<u>(22,115)</u>	<u>5,247</u>
Activities other than social housing	938	-	(805)	133
	<u>30,589</u>	<u>(2,289)</u>	<u>(22,920)</u>	<u>5,380</u>

	Turnover 2019 £'000s	Cost of sales 2019 £'000s	Operating costs 2019 £'000s	Operating surplus 31 March 2019 £'000s
Social housing lettings	25,773	-	(17,953)	7,821
<u>Other social housing activities</u>				
First tranche low cost home ownership sales	1,684	(1,181)	-	503
Charges for Support Services	176	-	(144)	32
Gain on disposal of housing properties (note 6)	-	-	668	668
Other	307	-	(341)	(34)
	<u>27,940</u>	<u>(1,181)</u>	<u>(17,769)</u>	<u>8,990</u>
Activities other than social housing	1,786	-	(1,251)	535
	<u>29,726</u>	<u>(1,181)</u>	<u>(19,020)</u>	<u>9,525</u>
Other Income - Gain on disposal of discontinued activity (note 6)	426	-	-	426
	<u>30,152</u>	<u>(1,181)</u>	<u>(19,020)</u>	<u>9,951</u>

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS - GROUP

	General needs 2020 £'000s	Supported housing & housing for older people 2020 £'000s	Low cost home ownership 2020 £'000s	31 March 2020 £'000s	31 March 2019 £'000s
Rent receivable net of identifiable service charges	19,867	5,560	148	25,575	25,080
Service charge income	272	287	8	567	580
Amortised government grants	120	-	-	120	113
Net rental income from social housing lettings	20,259	5,847	156	26,262	25,773
Management	(4,253)	(1,369)	-	(5,622)	(5,077)
Service costs	(1,134)	(54)	-	(1,188)	(1,144)
Routine maintenance	(3,395)	(1,105)	-	(4,500)	(4,177)
Planned maintenance	(3,122)	(1,016)	-	(4,138)	(1,718)
Bad debts	(213)	(69)	(3)	(285)	(235)
Accelerated depreciation of housing properties	(875)	(285)	-	(1,160)	(267)
Depreciation of housing properties	(3,974)	(1,293)	(90)	(5,357)	(5,239)
Amortisation of goodwill	(70)	(23)	(2)	(95)	(95)
Operating costs on social housing lettings	(17,036)	(5,214)	(95)	(22,345)	(17,952)
Operating surplus on social housing lettings	3,223	633	61	3,917	7,821
Void losses	225	161	-	386	273

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS - TRUST

	General needs 2020 £'000s	Supported housing & housing for older people 2020 £'000s	Low cost home ownership 2020 £'000s	31 March 2020 £'000s	31 March 2019 £'000s
Rent receivable net of identifiable service charges	19,867	5,560	148	25,575	25,080
Service charge income	272	287	8	567	580
Amortised government grants	120	-	-	120	113
Net rental income from social housing lettings	20,259	5,847	156	26,262	25,773
Management	(4,253)	(1,369)	-	(5,622)	(5,077)
Service costs	(1,134)	(54)	-	(1,188)	(1,144)
Routine maintenance	(3,395)	(1,105)	-	(4,500)	(4,177)
Planned maintenance	(3,122)	(1,016)	-	(4,138)	(1,718)
Bad debts	(213)	(69)	(3)	(285)	(235)
Accelerated depreciation of housing properties	(875)	(285)	-	(1,160)	(267)
Depreciation of housing properties	(3,974)	(1,293)	(90)	(5,357)	(5,239)
Amortisation of goodwill	(70)	(23)	(2)	(95)	(95)
Operating costs on social housing lettings	(17,036)	(5,214)	(95)	(22,345)	(17,952)
Operating surplus on social housing lettings	3,223	633	61	3,917	7,821
Void losses	225	161	-	386	273

4. ACCOMODATION IN MANAGEMENT AND DEVELOPMENT

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

	GROUP		TRUST	
	2020	2019	2020	2019
Social Housing				
General Needs	3,934	3,890	3,934	3,890
Supported Housing	6	6	6	6
Housing for older people	1,274	1,272	1,274	1,272
Low cost home ownership	89	88	89	88
Total owned	5,303	5,256	5,303	5,256
Accommodation managed for others	12	12	12	12
Total owned and managed	5,315	5,268	5,315	5,268
Accommodation in development at the year end	80	141	80	141

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

5. OPERATING SURPLUS

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Surplus on ordinary activities is stated after charging:				
Depreciation:				
Housing properties (note 12)	5,357	5,237	5,357	5,237
Accelerated depreciation on disposal of components	1,160	267	1,160	267
Amortisation of grants	(120)	(113)	(120)	(113)
Other tangible fixed assets	320	281	320	281
Amortisation:				
Goodwill	95	95	95	95
Operating leases:				
Other equipment	16	22	16	22
Auditor's remuneration (excluding VAT):				
Fees payable to the Association's auditor for the audit of the parent and Group annual financial statements	30	-	30	26
Fees payable to the Association's auditors for other services:				
Audit of the accounts of subsidiaries	3	-	-	-
All other assurance services	2	7	2	7
Taxation compliance fees	5	3	3	3
All other taxation advisory services	7	12	7	12

6. SURPLUS ON SALE OF FIXED ASSETS

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Housing Properties				
Sale proceeds	1,241	2,275	1,241	2,275
Carrying value of fixed assets	(293)	(340)	(293)	(340)
Incidental sale expenses	(19)	(38)	(19)	(38)
Right to Buy re-imburement	(506)	(1,229)	(506)	(1,229)
	<hr/>	<hr/>	<hr/>	<hr/>
Total surplus on sale of housing properties	423	668	423	668
	<hr/>	<hr/>	<hr/>	<hr/>

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Other fixed assets				
Sale proceeds	-	445	-	445
Carrying value of fixed assets	-	-	-	-
Incidental sale expenses	-	(19)	-	(19)
	<hr/>	<hr/>	<hr/>	<hr/>
Total surplus on sale of other fixed assets	-	426	-	426
	<hr/>	<hr/>	<hr/>	<hr/>

During the previous financial year, the Trust sold Trustlink which provided alarm monitoring and response services. This service showed surpluses up to disposal of £46k and the surplus on disposal was £426k.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

7. INTEREST RECEIVABLE AND OTHER INCOME

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Income from bank deposits	51	35	51	35

8. INTEREST PAYABLE AND FINANCIAL COSTS

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Defined benefit pension charge	137	89	137	89
Loans and bank overdraft	3,985	3,909	3,985	3,909
SHPS interest expense	33	31	33	31
	4,155	4,029	4,155	4,029

9. EMPLOYEES

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

	GROUP		TRUST	
	2020 No.	2019 No.	2020 No.	2019 No.
Administration	42	40	42	40
Housing	33	57	33	57
Development and maintenance	90	92	90	92
	165	189	165	189

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Employee Costs:				
Wages and salaries	5,457	5,773	5,457	5,773
Social security costs	483	507	483	507
Other Pension costs (included in operating costs)	883	1,073	883	1,073
	6,823	7,353	6,823	7,353

Restructuring Costs	123	219	123	219
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The Trust's employees are members of the Cheshire Pension Fund or the Social Housing Pension Fund (SHPS).

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

10. STAFF NUMBERS AND COSTS

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

	GROUP		TRUST	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £70,000	-	1	-	1
£70,001 to £80,000	1	-	1	-
£80,001 to £90,000	3	3	3	3
£90,001 to £100,000	2	2	2	2
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	1	1	1	1
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	1	-	1
£140,001 to £150,000	2	1	2	1
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	-	-	-	-
£170,001 to £180,000	-	1	-	1
£180,000 to £190,000	-	-	-	-
£190,000 to £200,000	-	-	-	-
£200,000 to £210,000	-	-	-	-
£210,000 to £220,000	-	-	-	-
£220,000 to £230,000	1	-	1	-
	10	10	10	10

KEY MANAGEMENT PERSONNEL

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

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Basic Salary	526	392	526	392
Benefits in kind	3	11	3	11
Total Remuneration	529	402	529	402
Social security costs	43	41	43	41
Pension contributions	59	45	59	45
Total cost of key management personnel	631	488	631	488

The emoluments of the highest paid employee, excluding pension contributions were £118,444.

The Interim Chief Executive (CX) was the highest paid employee in 2019/2020. The emoluments of the Interim CX, the highest paid employee in 2019/2020, excluding pension contributions were £118,444 (2019: £149,878). The Trust's Interim CX is a member of the Social Housing Pension Scheme. He is an ordinary member and no enhanced or special terms apply. The Trust does not make any further contributions to an individual pension arrangement for the Interim CX.

During the year, aggregate compensation for the loss of office made to Executive Directors amounted to £182,628 (2019: £95,222). The aggregate compensation for loss of office of other key management personnel was £nil (2019: £99,872).

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

The Chair and non-executive board members received an annual emolument. £56,751 was incurred in the year (2019: £52,610). The total board expenses for the year are £1,494 (2019: £360).

Non-Executive Directors	Remuneration (£)	Audit Committee	Governance Committee
John Hudson, Chairman	12,288		
Kate Lindley	4,915	✓	
Samantha Knuckey	4,915		✓
Tom Agar	4,915	✓	
Matthew Cunningham	3,527	Chair until 22 October 2019	
Gordon Richardson	5,639	✓	
Simon Leighton	4,915		✓
Paul Findlow	2,000		✓
Alison Light	6,046		Chair
Anthony Read	4,528	✓ Chair from 22 October 2019	
Brian Puddicombe	3,061		

11. TAX ON SURPLUS ORDINARY ACTIVITIES

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

	GROUP		TRUST	
	2020	2019	2020	2019
	£'000s	£'000s	£'000s	£'000s
Current tax				
UK corporation tax on surplus for year	9	10	9	10
Adjustments in respect of prior years	-	-	-	-
Total current tax	9	10	9	10
	2020	2019	2020	2019
	£'000s	£'000s	£'000s	£'000s
Total tax reconciliation				
Surplus on ordinary activities before tax	1,278	5,735	1,276	5,735
Theoretical tax at UK corporation tax rate 19% (2018: 19%)	242	1,090	242	1,090
- Non-taxable income	(228)	(1,074)	(228)	(1,074)
- Capital allowances	(5)	(5)	(5)	(5)
Total taxation charge	9	10	9	10

Cheshire Peaks & Plains Housing Trust Limited is an exempt charity with charitable status for tax purposes. As such its main sources of income and gains, received under Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, are exempt from taxation to the extent that they are applied exclusively to its charitable objectives. Non primary trading includes Feed-in-Tariff income received as part of the Trust's renewal energy project. The aggregate current tax relating to items that are recognised as items of other comprehensive income is £9k (2019: £10k).

Peaks and Plains Devco Ltd commenced trading during the financial year, with taxation due on the surpluses generated during 2019-2020. The aggregate current tax recognised for the period is £300 (2019: nil).

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

12. FIXED ASSETS: HOUSING PROPERTIES – GROUP

	Housing properties held for letting £'000s	Housing properties under construction £'000s	Completed Shared Ownership Properties £'000s	Under Construction Shared Ownership Properties £'000s	Total Housing properties £'000s
Cost					
At 1 April 2019	168,227	3,507	5,214	52	177,000
New development schemes	-	6,444	-	828	7,272
Works to existing properties	4,637	-	-	-	4,637
Interest capitalised	-	357	-	78	435
Schemes completed	6,153	(6,153)	572	(572)	-
Disposals	(2,511)	-	(98)	-	(2,609)
At 31 March 2020	176,506	4,155	5,688	386	186,735
Depreciation					
At 1 April 2019	45,548	-	49	-	45,597
Depreciation charged in year	5,317	-	40	-	5,357
Released on disposal	(1,151)	-	(4)	-	(1,155)
At 31 March 2020	49,714	-	85	-	49,799
Net book value					
As at 31 March 2020	126,792	4,155	5,603	386	136,936
At 31 March 2019	122,679	3,507	5,165	52	131,403

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 Fixed Assets: Housing
Properties (continued)

FIXED ASSETS: HOUSING PROPERTIES – TRUST

	Housing properties held for letting £'000s	Housing properties under construction £'000s	Completed Shared Ownership Properties £'000s	Under Construction Shared Ownership Properties £'000s	Total Housing properties £'000s
Cost					
At 1 April 2019	168,227	3,507	5,214	52	177,000
New development schemes	-	6,444	-	828	7,272
Works to existing properties	4,637	-	-	-	4,637
Interest capitalised	-	357	-	78	435
Schemes completed	6,153	(6,153)	572	(572)	-
Disposals	(2,511)	-	(98)	-	(2,609)
At 31 March 2020	176,506	4,155	5,688	386	186,735
Depreciation					
At 1 April 2019	45,548	-	49	-	45,597
Depreciation charged in year	5,317	-	40	-	5,357
Released on disposal	(1,151)	-	(4)	-	(1,155)
At 31 March 2020	49,714	-	85	-	49,799
Net book value					
As at 31 March 2020	126,792	4,155	5,603	386	136,936
At 31 March 2019	122,679	3,507	5,165	52	131,403

Expenditure on works to existing properties

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Amounts capitalised	4,637	5,735	4,637	5,735
Amounts charged to income and expenditure account	2,409	1,769	2,409	1,769
	<u>7,046</u>	<u>7,505</u>	<u>7,046</u>	<u>7,505</u>

Amounts capitalised includes aggregate finance costs of £435k (2019 - £1,915k).

Social Housing Assistance

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Total accumulated social housing grant received or receivable as 31 March 2020:				
Recognised in the Statement of Comprehensive Income	1,589	1,472	1,589	1,472
Held as deferred income	11,501	10,539	11,501	10,539
Total	<u>13,090</u>	<u>12,011</u>	<u>13,090</u>	<u>12,011</u>

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 – Fixed Assets: Housing
Properties (continued)

Housing properties book value net of depreciation

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Freehold land and buildings	136,687	131,150	136,687	131,150
Leasehold land and buildings	249	253	249	253
	<u>136,936</u>	<u>131,403</u>	<u>136,936</u>	<u>131,403</u>

Impairment

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

13. TANGIBLE FIXED ASSETS – OTHER – GROUP

	Freehold and Leasehold properties £'000s	Fixture and fittings £'000s	Computers & Office Equipment £'000s	Total £'000s
Cost				
At 1 April 2019	1,794	1,408	1,953	5,155
Additions	-	-	242	242
Transfer to Investment Properties	-	-	-	-
Disposals	-	-	-	-
At 31 March 2020	<u>1,794</u>	<u>1,408</u>	<u>2,195</u>	<u>5,397</u>
Depreciation				
At 1 April 2019	153	192	1,547	1,892
Charged in year	45	89	186	320
Transfer to Investment Properties	-	-	-	-
Released on disposal	-	-	-	-
At 31 March 2020	<u>198</u>	<u>281</u>	<u>1,733</u>	<u>2,212</u>
At 31 March 2020	<u>1,596</u>	<u>1,127</u>	<u>462</u>	<u>3,185</u>
At 31 March 2019	<u>1,641</u>	<u>1,216</u>	<u>406</u>	<u>3,263</u>

Freehold and leasehold properties consists of Ropewalks Office. The Trust secured the office to Cheshire Pension Fund in 2018/2019.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 – Tangible Fixed Assets -
Other (continued)

TANGIBLE FIXED ASSETS – OTHER – TRUST

	Freehold and Leasehold properties £'000s	Fixture and fittings £'000s	Computers & Office Equipment £'000s	Total £'000s
Cost				
At 1 April 2019	1,794	1,408	1,953	5,155
Additions	-	-	242	242
Transfer to Investment Properties	-	-	-	-
Disposals	-	-	-	-
	<u>1,794</u>	<u>1,408</u>	<u>2,195</u>	<u>5,397</u>
At 31 March 2020	<u>1,794</u>	<u>1,408</u>	<u>2,195</u>	<u>5,397</u>
Depreciation				
At 1 April 2019	153	192	1,547	1,892
Charged in year	45	89	186	320
Transfer to Investment Properties	-	-	-	-
Released on disposal	-	-	-	-
	<u>198</u>	<u>281</u>	<u>1,733</u>	<u>2,212</u>
At 31 March 2020	<u>198</u>	<u>281</u>	<u>1,733</u>	<u>2,212</u>
	<u>1,596</u>	<u>1,127</u>	<u>462</u>	<u>3,185</u>
At 31 March 2020	<u>1,596</u>	<u>1,127</u>	<u>462</u>	<u>3,185</u>
	<u>1,641</u>	<u>1,216</u>	<u>406</u>	<u>3,263</u>
At 31 March 2019	<u>1,641</u>	<u>1,216</u>	<u>406</u>	<u>3,263</u>

Freehold and leasehold properties consists of Ropewalks Office. The Trust secured the office to Cheshire Pension Fund during 2018/2019

14. INTANGIBLE FIXED ASSETS: GOODWILL

	GROUP Goodwill £'000s	TRUST Goodwill £'000s
Cost		
As at 1 April 2019 and 31 March 2020	1,331	1,331
	<u>1,331</u>	<u>1,331</u>
Amortisation		
At 1 April 2019	1,208	1,208
Charge for year	95	95
	<u>1,303</u>	<u>1,303</u>
At 31 March 2020	<u>1,303</u>	<u>1,303</u>
	<u>28</u>	<u>28</u>
Net book value		
At 31 March 2020	<u>28</u>	<u>28</u>
	<u>123</u>	<u>123</u>
At 31 March 2019	<u>123</u>	<u>123</u>

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

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

15. INVESTMENT PROPERTIES – COMMERCIAL PROPERTY

	GROUP	TRUST
	2020	2020
	£'000s	£'000s
At 1 April 2019 and 31 March 2020	3,255	3,255

The valuation as at 31 March 2020 is an independent valuation carried out by Colliers International professional external valuers. The full valuation of properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors.

16. INVESTMENT

	GROUP	TRUST
	2020	2020
	£'000s	£'000s
At 1 April 2019	-	-
Addition in year	7	7
At 31 March 2020	7	7

The Trust holds 650 fully paid shares of £10 each in the Gawsworth Community Shop.

17. INVESTMENT IN SUBSIDIARIES

The Trust has an investment of one share (£1) in Peaks & Plains Devco Limited and one share (£1) in Peaks & Plains Tradeco Limited, which are both subsidiaries of the Trust at the end of the year. Peaks and Plains Tradeco is classed as dormant i.e. not trading at the end of the year. Peaks and Plains Devco Limited began trading during the year. There was transactions between the Trust and Peaks and Plains Devco Limited during the year. The Trust has the right to appoint members to the boards of the two subsidiaries and therefore exercise control over them.

The Trust is the ultimate parent undertaking. The registered office is the same for all of the group entities.

18. CASH & CASH EQUIVALENTS

	GROUP		TRUST	
	2020	2019	2020	2019
	£'000s	£'000s	£'000s	£'000s
Cash at bank and in hand	5,558	6,600	5,553	6,600
Cash equivalents	3,117	1,867	3,117	1,867
Bank overdraft	-	-	-	-
	<u>8,675</u>	<u>8,467</u>	<u>8,670</u>	<u>8,467</u>

19. PROPERTIES FOR SALE

	GROUP		TRUST	
	2020	2019	2020	2019
	£'000s	£'000s	£'000s	£'000s
Shared Ownership Properties:				
Completed Properties	728	2,742	728	2,742
Work in Progress	386	50	386	50
	<u>1,114</u>	<u>2,792</u>	<u>1,114</u>	<u>2,792</u>

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

20. DEBTORS

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Arrears of rent and service charges	1,117	593	1,117	593
Less: provision for bad and doubtful debts	(571)	(376)	(571)	(376)
	<u>546</u>	<u>217</u>	<u>546</u>	<u>217</u>
Other debtors	450	931	449	931
Prepayments and accrued income	552	1,038	552	1,038
Amounts owed by group undertakings	-	-	6	-
	<u>1,548</u>	<u>2,186</u>	<u>1,553</u>	<u>2,186</u>

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Trade creditors	1,949	1,233	1,697	1,233
Other creditors	774	1,419	774	1,419
Rent and service charges received in advance	753	611	753	611
Amounts owed to group undertakings	-	-	253	-
Other taxation and social security creditors	-	-	-	-
Accruals and deferred income	2,938	2,457	2,937	2,457
Deferred grant income (Note 23)	117	119	117	119
Social housing grants in advance of costs	-	-	-	-
	<u>6,531</u>	<u>5,839</u>	<u>6,531</u>	<u>5,839</u>

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

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Loans				
Debt (Note 26)	77,373	77,337	77,373	77,337
Deferred grant income (Note 23)	11,384	10,421	11,384	10,421
Disposal Proceeds Fund (Note 24)	-	145	-	145
Recycled Capital Grant Fund (Note 25)	16	110	16	110
	<u>88,773</u>	<u>88,013</u>	<u>88,773</u>	<u>88,013</u>

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

23. DEFERRED GRANT INCOME

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
At 1 April 2019	10,539	10,458	10,539	10,458
Grant received in the year	1,082	193	1,082	193
Released to income in the year	(120)	(112)	(120)	(112)
At 31 March 2020	11,501	10,539	11,501	10,539
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Amounts to be released within one year	117	119	117	119
Amounts to be released in more than one year	11,384	10,420	11,384	10,420
At 31 March 2020	11,501	10,539	11,501	10,539

24. DISPOSAL PROCEEDS FUND

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
At 1 April 2019	145	145	145	145
Net sales proceeds recycled	-	-	-	-
Interest accrued	-	-	-	-
Withdrawals	(145)	-	(145)	-
At 31 March 2020	-	145	-	145

As at 31 March 2020, £79k was withdrawn for use on development schemes. The remaining £66k is due for repayment to Homes England. This repayment is included within deferred income.

25. RECYCLED CAPITAL GRANT FUND

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
At 1 April 2019	110	66	110	66
RTA grant claimed	22	44	22	44
Interest accrued	-	-	-	-
Withdrawals	(116)	-	(116)	-
At 31 March 2020	16	110	16	110

As at 31 March 2020, two Right to Acquire claims totalling £22k were made (2019: £44k).

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

26. DEBT ANALYSIS

Borrowings

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Due within one year				
Bank Loans	-	-	-	-
Due after more than one year				
Bank Loans	77,373	77,337	77,373	77,337
	<u>77,373</u>	<u>77,337</u>	<u>77,373</u>	<u>77,337</u>
	=====	=====	=====	=====

Security

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

Terms of repayment and interest rates

The principal amount of the housing loans outstanding was £74m at 31 March 2020. £60m is charged interest at a fixed rate with final repayment in the period 2036 to 2040 on rates of interest ranging from 5.72% to 6.73%. £4m was drawn down from the Local Authority loan facility on 13 March 2018 at a fixed rate of 4.06%. This rate comprises of the Public Works Loan Board (PWLB) rate at issue of 2.91% plus a margin of 1.15% and is repayable on 13 March 2048. The variable loan of £10m is charged interest at a margin on the variable rate linked to 3 month LIBOR. The difference between the outstanding loan of £74m and the carrying value of £77.3m is an adjustment in accordance with FRS 102 to recognise the loans at amortised cost and reflect an effective interest rate over the life of the facilities. The loans are classified as basic and measured at amortised cost using the effective interest rate method.

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

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Within one year or on demand	-	-	-	-
One year or more but less than two years	-	-	-	-
Two years or more but less than five years	7,846	7,846	7,846	7,846
Five years or more	66,154	66,154	66,154	66,154
Total Loans	<u>74,000</u>	<u>74,000</u>	<u>74,000</u>	<u>74,000</u>
	=====	=====	=====	=====

27. PENSION SCHEMES

The Trust participates in two defined benefit pension schemes that were no longer offered to staff from June 2019. These two schemes, 'The Cheshire Fund' (Local Government Pension Scheme) defined benefit scheme, 'The Cheshire Fund', and 'The Social Housing Pension Scheme (SHPS)', both provide benefits based on final pensionable pay. The assets of these schemes are held separately from those of the Trust.

From July 2019 a new Social Housing Pension Scheme defined benefits CARE 80th scheme was opened to all staff.

From 1 July 2016 the trust participated in one National Health Service defined benefit Pension Schemes (NHS). At 31 March 2020 the Trust no longer participates in this scheme. The remaining members left the Trust due to the end of Trustlink and related services.

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

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

The Cheshire Fund

The Cheshire Fund (LGPS) is a multi-employer scheme, administered by Cheshire West Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016 and rolled forward, allowing for the different financial assumptions required under FRS 102, to give the projected net pension cost to 31 March 2020 calculated by a qualified independent actuary.

The employer's contribution to the LGPS by the company for the year ended 31 March 2020 were £479,000 (2019: £411,000) at a contribution rate of 29.7% of pensionable salaries. The contribution rate for the next financial year is estimated at 39.6%. The rate of contribution being determined by the actuary. Estimated employers' contributions to the LGPS during the accounting period commencing 1 April 2020 are £639,000.

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

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)	GROUP		TRUST	
	2020 %	2019 %	2020 %	2019 %
Inflation/pension increase rate	1.7%	2.5%	1.7%	2.5%
Rate of increase in salaries	2.2%	2.8%	2.2%	2.8%
Expected return on asset	2.4%	2.4%	2.4%	2.4%
Discount rate	2.4%	2.4%	2.4%	2.4%

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2019-2020		2018-2019	
	Males	Females	Males	Females
Current pensioners	20.2 years	23.3 years	22.3 years	24.5 years
Future pensioners	21.2 years	24.5 years	23.9 years	26.5 years

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

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Current service cost	809	652	809	652
Past service cost	-	91	-	91
Amounts charged to operating costs	809	743	809	743
Interest on obligation	619	658	619	658
Expected return on scheme assets	(756)	(747)	(756)	(747)
Amounts charged to other finance costs	(137)	(89)	(137)	(89)

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

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

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Fair value of scheme assets	25,033	25,738	25,033	25,738
Present value of defined benefit obligations	(24,870)	(31,201)	(24,870)	(31,201)
Surplus/(Deficit) in the scheme	163	(5,463)	163	(5,463)
Non-recoverable surplus	(163)	-	(163)	-
Net liability in the balance sheet	-	(5,463)	-	(5,463)

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

	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Opening defined benefit obligation	31,201	27,472	31,201	27,472
Current service cost	809	652	809	652
Past service cost	-	91	-	91
Interest on pension liabilities	756	747	756	747
Contributions by scheme participants	107	114	107	114
Actuarial (gains) /losses	(7,450)	2,579	(7,450)	2,579
Benefits paid	(553)	(454)	(553)	(454)
Closing defined benefit obligation	24,870	31,201	24,870	31,201

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

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Opening fair value of scheme assets	25,738	24,346	25,738	24,346
Expected return on scheme assets	619	658	619	658
Contributions by scheme participants	107	114	107	114
Contributions by the employer	479	411	479	411
Actuarial gains	(1,357)	663	(1,357)	663
Benefits paid	(553)	(454)	(553)	(454)
Closing fair value of scheme assets	25,033	25,738	25,033	25,738

Actual return on scheme assets

	GROUP		TRUST	
	2020 %	2019 %	2020 %	2019 %
Cheshire Pension Fund	(0.5)%	5.4%	(0.5)%	5.4%

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

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

	GROUP		TRUST	
	2020	2019	2020	2019
	%	%	%	%
Equities	38	45	38	45
Bonds	46	45	46	45
Property	8	8	8	8
Cash	8	2	8	2

The Social Housing Pension Scheme

The Trust participates in this multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

For the year ended 31 March 2020, sufficient information is available for the association in respect of SHPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation as completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2020 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2019 is £1,365k and £846k as at 31 March 2020.

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

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)	GROUP		TRUST	
	2020	2019	2020	2019
	%	%	%	%
Discount rate	2.40%	2.40%	2.40%	2.40%
Inflation (RPI)	2.70%	3.15%	2.70%	3.15%
Inflation (CPI)	1.70%	2.15%	1.70%	2.15%
Salary growth	2.20%	3.15%	2.20%	3.15%

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2019-20		2018-19	
	Males	Females	Males	Females
Current pensioners	21.2 years	23.0 years	21.8 years	23.5 years
Future pensioners	22.6 years	24.2 years	23.2 years	24.7 years

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

	GROUP		TRUST	
	2020	2019	2020	2019
	£'000s	£'000s	£'000s	£'000s
Current service cost	403	285	403	285
Interest on obligation	33	31	33	31
	<hr/>	<hr/>	<hr/>	<hr/>
Defined benefit costs recognised in statement of comprehensive income	<u>436</u>	<u>316</u>	<u>436</u>	<u>316</u>

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

Fair values defined benefit obligation, fair values of assets and defined benefit liability:

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Fair value of scheme assets	3,534	3,264	3,534	3,264
Present value of defined benefit obligations	(4,380)	(4,629)	(4,380)	(4,629)
Deficit in the scheme	(846)	(1,365)	(846)	(1,365)
Net liability in the balance sheet	(846)	(1,365)	(846)	(1,365)

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

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Opening defined benefit obligation	4,629	3,918	4,629	3,918
Current service cost	403	285	403	285
Interest on pension liabilities	116	106	116	106
Contributions by scheme participants	31	73	31	73
Actuarial losses	(777)	262	(777)	262
Benefits paid	(22)	(15)	(22)	(15)
Closing defined benefit obligation	4,380	4,629	4,380	4,629

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

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Opening fair value of scheme assets	3,264	2,745	3,264	2,745
Expected return on scheme assets	83	75	83	75
Contributions by scheme participants	31	73	31	73
Contributions by the employer	365	226	365	226
Actuarial losses	(187)	160	(187)	160
Benefits paid	(22)	(15)	(22)	(15)
Closing fair value of scheme assets	3,534	3,264	3,534	3,264

Actual return on scheme assets

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Social Housing Pension Scheme	(104)	235	(104)	235

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 – Pension Schemes
(continued)

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

	GROUP		TRUST	
	2020	2019	2020	2019
	%	%	%	%
Equities	17	19	17	19
Bonds	69	72	69	72
Property	11	9	11	9
Cash	3	-	3	-

National Health Service Pension Scheme (NHS)

The Trust participated in a NHS defined benefit pension scheme until Quarter 3 of the financial year when the members of staff under this scheme left the Trust due to the discontinuation of business areas. At 31 March 2020 the Trust no longer participates in this scheme.

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

Amounts recognised in the balance sheet

The amounts recognised in the balance sheet are as follows:

	GROUP		TRUST	
	2020	2019	2020	2019
	£'000s	£'000s	£'000s	£'000s
The Cheshire Fund				
Present value of scheme liabilities	24,870	31,201	24,870	31,201
Fair value of scheme assets	25,033	25,738	25,033	25,738
Defined benefit scheme (surplus)/liability	(163)	5,463	(163)	5,463
Non-recoverable surplus	163	-	163	-
Net pension asset/liability	-	5,463	-	5,463
The Social Housing Pension Scheme				
Present value of scheme liabilities	4,380	4,629	4,380	4,629
Fair value of scheme assets	3,534	3,264	3,534	3,264
Net pension liability	846	1,365	846	1,365

28. RESERVES

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

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

29. CASH FLOW FROM OPERATING ACTIVITIES

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Surplus for the year	1,269	5,947	1,267	5,947
Adjustments for non-cash items:				
Depreciation and impairment of tangible fixed assets	5,357	5,237	5,357	5,237
Depreciation of other fixed assets	320	279	320	279
Amortisation of intangible assets	95	95	95	95
Decrease in trade and other debtors	777	2,629	773	2,629
Increase in trade and other creditors	177	1,648	178	1,648
Decrease/(Increase) in properties held for sale	1,678	(1,235)	1,678	(1,235)
Decrease in provisions		-		-
Pension costs less contributions payable	368	490	368	490
Adjustments for investing or financing activities:				
Net gain on sale of fixed assets	(423)	(668)	(423)	(668)
Government grants utilised in the year	(120)	(112)	(120)	(112)
Interest payable	4,155	4,029	4,155	4,029
Interest receivable	(51)	(35)	(51)	(35)
Net cash generated from operating activities	13,602	18,304	13,597	18,304

Analysis of change in net debt

	1 st April 2019 £'000s	Cash flows £'000s	Other non-cash movements £'000s	31 March 2020 £'000s
Cash	8,467	208	-	8,675
	8,467	208	-	8,675
Bank loans due greater than one year	(77,337)	-	(36)	(77,373)
Total	(68,870)	208	(36)	(68,698)

30. CAPITAL COMMITMENTS

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Expenditure contracted for but not provided for in the accounts	12,335	17,407	12,335	17,407
Expenditure authorised by the Board, but not contracted	5,903	5,808	5,903	5,808
	18,238	23,215	18,238	23,215

The above commitments will be financed primarily through existing cash surpluses (£6m) and from existing loans already available to draw (£21m). The Trust also has in place a £25m revolving credit facility with Barclays Bank. Social housing grant (£0.8m) and income from future property sales (£3m) is expected in the 2020/21 financial year.

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

31. CONTINGENT ASSETS / LIABILITIES

The Trust had no contingent assets at 31 March 2020 (2019: nil).

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

At 31 March 2020, the Trust had not disposed of any components that had received grant funding. As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

The Trust had no other contingent liabilities to disclose at 31 March 2020 (2019: nil).

32. LEASING COMMITMENTS

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

Future minimum operating lease payments

	GROUP		TRUST	
	31 March 2020 £'000s	31 March 2019 £'000s	31 March 2020 £'000s	31 March 2019 £'000s
Within one year	246	240	246	240
Between one and five years	486	708	486	708
	<u>732</u>	<u>948</u>	<u>732</u>	<u>948</u>
	<u><u>732</u></u>	<u><u>948</u></u>	<u><u>732</u></u>	<u><u>948</u></u>

33. RELATED PARTIES

The Trust had one tenant Board members during the year. No tenant members were in arrears at 31 March 2020 or at 31 March 2019.

A member of the Board, Paul Findlow resigned on 4 June 2019 and was a councillor with Cheshire East Council. Brian Puddicombe became a Board member on 13 August 2019 and is a councillor with Cheshire East Council.

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

CHESHIRE PEAKS & PLAINS HOUSING TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

34. FINANCIAL ASSETS AND LIABILITIES

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

Categories of financial assets and liabilities

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Financial assets measured at amortised cost				
Cash	8,675	8,467	8,670	8,467
Debtors	1,875	1,858	1,874	1,858
	<u>10,550</u>	<u>10,325</u>	<u>10,544</u>	<u>10,325</u>
Financial liabilities measured at amortised cost				
Loans	77,373	77,337	77,373	77,337
Creditors	2,384	2,711	2,379	2,711
Accruals	2,960	2,301	2,960	2,301
	<u>82,717</u>	<u>82,349</u>	<u>82,712</u>	<u>82,349</u>

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

Financial assets

Other than short-term debtors, financial assets held are cash deposits placed in 95-day notice business accounts, a 30-day fixed term account and cash at bank. They are Sterling denominated and the interest rate profile at 31 March 2020 was:

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Financial assets held in 95 day notice accounts	1,617	867	1,617	867
Financial assets held in bank account	5,558	6,600	5,553	6,600
Financial assets held in 30 day fixed term account	1,500	1,000	1,500	1,000
	<u>8,675</u>	<u>8,467</u>	<u>8,670</u>	<u>8,467</u>

The financial assets held in 95 day notice accounts have no fixed maturity and attract interest at base rate plus 20 basis points. The financial assets held at fixed term attract an interest rate agreed with the counterparty prior to being deposited. The remaining financial assets are floating rate, attracting interest at rates that vary with bank rates.

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Financial liabilities excluding trade creditors – interest rate risk profile

The Trust's financial liabilities are Sterling denominated. The interest rate profile of the Trust's financial liabilities at 31 March 2020 was:

	GROUP		TRUST	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Fixed rate	64,000	64,000	64,000	64,000
Variable rate	10,000	10,000	10,000	10,000
	74,000	74,000	74,000	74,000
	74,000	74,000	74,000	74,000

The fixed rate financial liabilities have a weighted average interest rate of 6.28% (2019: 6.28%) and the weighted average period for which it is fixed is 14.0 years (2019: 15.0 years).

The debt maturity profile is shown in note 26.

Borrowing facilities

The Trust has undrawn committed borrowing facilities. The facilities available at 31 March 2020 in respect of which all conditions precedent had been met were as follows:

	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Expiring in less than 2 years	21,000	21,000	21,000	21,000
Expiring in more than two years	25,000	-	25,000	-
	46,000	21,000	46,000	21,000
	46,000	21,000	46,000	21,000

The loan due to expire in less than 2 years was extended on 17th June 2020 for a further 5 years.