Financial Statements
Plus Dane Housing Limited

For the year ended 31 March 2019

A Charitable Registered Society No: 31012R

Regulator of Social Housing No: L4556

Contents

Board members	Sir Peter Fahy (Chair) Brian Gowthorpe Robin Lawler Rob O'Malley Sandra Palmer David Brown (resigned 31 July 2019) Lyndsey Burkert Jon Corner Julie Gill Dr Ann Hoskins Thomas McIlravey
Executive officers:	Barbara Spicer (Chief Executive) Madeleine Nelson (Executive Director Growth) Ian Reed (Executive Director Corporate Resources) Andrea Howarth (Executive Director Neighbourhoods) – appointed 1 September 2019 John Kent (Executive Director Finance) – resigned 30 June 2019
Company Secretary	Ian Reed (appointed 30 June 2019) John Kent (resigned 30 June 2019)
Registered office	Baltimore Buildings 13-15 Rodney Street Liverpool L1 9EF
Auditors	KPMG LLP 1 St Peter's Square Manchester M2 3AE
Bankers	National Westminster Bank plc Liverpool One Branch 49 South John Street Liverpool One L1 8BU

Chair's statement

I have great pleasure in presenting Plus Dane Housing's financial statements for 2018/19.

This has been a year of continued development and growth for Plus Dane as we continue to improve our services, reduce overhead costs and provide more homes for those who need a roof over their heads.

We are in a period of transition and change for the organisation as we continue to embed the new strategies and policies developed over the last few years while planning for the next stage of our future. This is reflected in our underlying performance, which while we are pleased to see it improving, is still not where we want it to be.

We have a comprehensive and ambitious change programme based on implementing a new operating model to create a one-team approach centred on the needs of our tenants. Our change programme has clear deliverables over the short to medium term in order to remain in a strong financial position, introduce new digital systems and further develop our work with those that need additional support. Staff involvement is at the centre of the change programme and this has led to a new set of values and behaviours to make best use of the talent in our workforce. The framework is being embedded into all aspects of our work and has resulted in projects to review the full range of people policies to make sure they are relevant to our future strategy.

In December 2018, we took a decision to move tenants from one of our apartment blocks due to concerns related to fire safety. While this was a difficult decision to take, the safety of our tenants had to be our top priority. Staff were successful in

Chair's statement

securing alternative temporary accommodation for all affected, providing logistical, financial and emotional support to tenants throughout the process. As a Board, we have overseen extensive investigations to understand the scale of the problem in order for us to arrive at a decision to dispose of the building. I am grateful for the work of all involved and particularly the forbearance of the tenants at an extremely stressful time. The level of professionalism, care and empathy of our staff has been outstanding and a credit to Plus Dane.

The situation with Carriage Grove has had a significant impact on our surplus after tax (£1m) and operating margin (18.8%) having borne the cost of the investigatory works and the sale of the asset resulting in an impairment in the accounts. Clearly this is a one off incident and we would expect an improvement on this position in the 2019/20 accounts.

During this year, we have formalised our growth ambitions through the development of a new Growth Strategy. This will see us expanding our development programme to 300 homes each year with a strong focus on creating neighbourhoods where people want to live.

I was delighted that our Refugee Resettlement team was recognised nationally for their work in the Housing Hero’s Awards, winning in the Best Care and Support team category. This recognition is testament to their exceptional work with those Syrian families that come to this country having witnessed the most horrendous atrocities and having lost their jobs, homes and in many cases family members due to conflict in their homeland.

Over recent years, we have been committed to increasing the customer voice in all aspects of our work. The Board took a policy decision a number of years ago that any work that impacts on a customer should have the customer voice in its development. We now have over 1,500 customers who are supporting us with policy and service development through Plus Dane Voices and a Scrutiny Panel that

Chair's statement

supports us with service improvement and reports directly in to the Board. We have made considerable progress but there is still more to be made. Housing Associations have had to introduce more complex governance procedures and new business processes but there is a danger that focus is lost on the core aims of the association, its social purpose and its relevance to the reality of the day-to-day lives of its tenants. At Plus Dane we are determined that this will not be the case and that we are seen as an organisation that understands and is totally committed to what is required to give as many people as possible a safe, comfortable and secure home.

Sir Peter Fahy
Plus Dane Housing

Directors’ Report

Directors' Report

The Board has pleasure in presenting its report and financial statements for Plus Dane Housing Limited (PDHL) together with the audited financial statements for the year ended 31 March 2019.

Plus Dane Housing Limited therefore consists of:

- Plus Dane Housing Limited (Parent)
- Dane Partnership Homes Limited
- Three60 Property Investors Limited (in members voluntary liquidation)
- Include Neighbourhood Regeneration Limited (in members voluntary liquidation)

Principal Activity

Plus Dane Housing provides affordable homes for rent and shared ownership together with housing support for vulnerable and elderly residents. It also has interests in major regeneration projects and partnerships to deliver change to the neighbourhoods and communities which it serves.

Status

Plus Dane Housing Limited is a Registered Society incorporated under the Co-operative and Community Benefit Societies Act 2014. It is registered with the Regulator of Social Housing as a Registered Provider of social housing as defined by the Housing and Regeneration Act 2008.

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.

Basis of accounting

Plus Dane Housing has prepared its accounts in accordance with Financial Reporting Standard (FRS) 102 for the year ended 31 March 2019.

Tenant and Customer Involvement

Plus Dane Housing recognises that it can make a real difference to homes and neighbourhoods and improve future service provision and delivery by working closely with the tenants and customers, and is committed to co-regulation through Plus Dane Voices and Tenant and Customer Scrutiny Panel.

Employees

The strength of Plus Dane Housing lies in the quality and commitment of its employees and the ability to meet its objectives and commitments to customers and tenants depends on them.

Plus Dane Housing is committed to working towards equal opportunities for all its employees and continues to invest in staff training and development and has improved systems of appraisal and performance management.

Directors' Report

Plus Dane Housing seeks employees' views on how to improve the organisation and the services it provides, as well as matters of common concern using surveys and union representation.

Efficiency

The Board is committed to delivering an effective and efficient service to tenants, customers and other stakeholders.

Plus Dane Housing employs a range of techniques to improve and monitor efficiency and effectiveness including: regular budget monitoring and reforecasting; tracking of savings plans; re-evaluating contracts through competitive procurement processes; use of our own in-house repairs service; benchmarking with others and targeting the reduction of staff turnover, sickness and absenteeism, following the implementation of Plus Dane Housing's Absence Management Policy.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. Plus Dane Housing has prepared detailed health and safety policies and provides Board and staff training and education on health and safety matters, including safeguarding; in addition Plus Dane Housing has invested in a dedicated health and safety and compliance team. Health and safety is also regularly reported to the Audit and Risk Committee and is a key part of the internal audit cycle.

Board members and Executive Directors

Those Board members who served during the period and Plus Dane's executive directors are set out on page one.

Whilst the Board is responsible for Plus Dane Housing's overall strategy, management is delegated to the Chief Executive. The Executive Management Team (EMT) consisting of: Executive Director – Corporate Resources, Executive Director – Neighbourhoods and Executive Director – Growth, act as executives within the authority delegated by the Board. EMT meets fortnightly under the chairmanship of the Chief Executive to consider management issues and key decisions.

The Board

The Board comprises up to twelve non-executive members and is responsible for the strategy, policy framework and managing the affairs of Plus Dane Housing. The Board members are drawn from a wide background bringing together professional, commercial and local experience. The Board delegates the day-to-day management and implementation of that framework to the Chief Executive and other members of the executive team.

Board and independent committee members are selected by a panel of Board members (including the Chair and the Chief Executive) following public advertisement for recruitment.

Remuneration policy

The People and Governance Committee, comprising a Chair and a minimum of two other Board members, is responsible for setting Plus Dane Housing's remuneration

Directors' Report

policy for the Chief Executive. It also recommends to the Board the remuneration levels for board members.

The Committee pays close attention to remuneration levels in the sector in determining the remuneration levels of the Chair, Chairs of Committees, Board Members, Independent Members and Chief Executive.

Details of the emoluments of Board Members and Executive Directors are set out in note 5 of the financial statements.

Statement of Board's responsibilities in respect of the Board's report and the financial statements

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its 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 responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

Directors' Report

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

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 Plus Dane Housing complies with the latest Governance and Financial Viability Standard issued by the regulator.

National Housing Federation (NHF) Code of Governance

Plus Dane adopts the NHF's Code of Governance (2015) and the supporting Code of Conduct (2012), which is a requirement of the Code of Governance.

The code is framed around nine principles, which the Board ensures that the organisation upholds:

1. *Ethics* - it operates according to high ethical standards, explicit values and appropriate codes of governance and conduct.
2. *Accountability* – there is proper accountability to and involvement of stakeholders, primarily residents
3. *Customer First* – the needs of current and future customers are at the heart of the strategy
4. *Openness* – A spirit of openness and transparency in matters of governance
5. *Diversity and Inclusion* – There is fairness, equality of opportunity and diversity in all aspects of governance
6. *Review and Renewal* – formal and open processes for the periodic review of the board's own performance are established
7. *Clarity* – roles and responsibilities between board members and staff are clear
8. *Control* **–** Effective systems for internal delegation, audit, risk management and control are in place. The board receives adequate and timely advice to inform its decisions
9. *Structures* – There are effective staffing and committee structures to support the board's work

The Board carries out an annual appraisal of governance in terms of its compliance against its chosen Code. For both the overarching Code of Governance and the supporting Code of Conduct the assessment is conducted on a "comply or explain" basis. Based on the self-assessment completed in May 2018, Plus Dane can evidence overall compliance with the principal recommendations of the NHF Code of Governance 2015 and the supporting Code of Conduct.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness annually, as

Directors’ Report

set out in the International Standards of Auditing (UK and Ireland) and the NHF Code of Governance.

The system of internal control is designed to provide the Board with reasonable but not absolute assurance that risks are identified on a timely basis and dealt with appropriately; that operations are being managed both efficiently and effectively; that assets and people are safeguarded; that proper accounting records are maintained; and that the financial information used within the business or for publication is reliable and that the organisation is compliant with rules, laws and regulations.

The organisation 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 and Risk Committee to regularly review its effectiveness. The Audit and Risk Committee was formed to oversee the internal control framework across the organisation. It does this by reviewing the effectiveness of the system of internal control across the spectrum of the framework. This includes considering risk reports, internal audit reports, fraud reports, management assurances, the external management letter and specialist reviews on areas such as treasury, health and safety and value for money and organisational efficiency.

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

The Audit and Risk Committee has received from the Director of Business Effectiveness 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.

The process for identifying, evaluating and managing the risks faced by Plus Dane Housing is ongoing and has been in place throughout the period commencing 1 April 2018 up to the date of approval of the annual report and financial statements.

A monitor on fraud is also maintained and reviewed by the Audit and Risk Committee at every meeting. No significant instances of frauds have been reported during the year.

Based on the above assessment, the Audit and Risk Committee has confirmed that there has been improvement across the internal controls framework and the application of the framework is adequate.

The Board has accepted the conclusion of the Audit and Risk Committee based on their review and scrutiny.

Annual General Meeting

The Annual General Meeting will be held on 26 September 2019.

Directors' Report

Auditors

A resolution to reappoint KPMG as external auditors will be proposed at the Annual General Meeting.

The Directors Report was approved on 26 September 2019 and signed on its behalf by:

Ian Reed

Company Secretary

26 September 2019

Strategic Report

Background

Plus Dane Housing is a long-standing provider of homes and services that has operated for over 40 years in a number of different forms across Merseyside and Cheshire. Plus Dane remains a housing provider operating across Merseyside and Cheshire delivering services to over 13,000 homes and employing over 500 colleagues.

With a successful track record of delivery, in recent times we have simplified our corporate structure, de-risked our treasury position and strengthened our governance arrangements; the outcome of which culminated in our achieving the highest possible recognition [G1:V1] from the Regulator of Social Housing in 2018.

We remain committed to our social purpose of providing homes and services to those who are most in need and achieve this through a balanced, considered and evidence-based approach to strategic decision making.

Five year financial summary

The Board is reporting a surplus for the year of £1.0 million (2018: £4.3 million) after an impairment of £3.02 million and before movements in relation to pension schemes. Total comprehensive income after actuarial adjustments is (£5.2 million) (2018: £6.9 million), following an actuarial loss of £6.2 million (2018: actuarial gain of £2.6 million).

Strategic Report

Statement of Comprehensive Income

The following table provides a summary of the Group's results:

For the year ended 31 March £m	*2019*	2018	2017	2016	2015
Income from social housing lettings	*65.4*	65.2	64.8	64.4	61.1
Group turnover	*74.0*	78.5	94.4	96.9	103.7
Operating surplus	**13.9**	**17.9**	**25.1**	**20.6**	**22.7**
Incl. surplus on sale of property	*0.8*	*1.0*	*0.4*	*0.6*	*4.6*
Net interest payable	*12.8*	13.0	13.8	14.5	13.5
Surplus for the year after tax	**1.0**	**4.3**	**10.9**	**5.2**	**9.6**

Group turnover has decreased by £4.5 million (5.7%) in the year from £78.5 million to £74 million. This is primarily due to ending of the Ellesmere Port and Neston management contract in June 2017.

The operating surplus reduced from £17.9 million to £13.9 million. In percentage terms, this represents a deterioration from 22.8% to 18.8%. This deterioration is mainly attributable to the £3 million impairment on one of the apartment blocks. The operating surplus pre impairment is £16.9 million, which equates to 22.8%.

As a result of loan repayments, supported by continuing low interest rates on variable rate loans, there has been a reduction in net interest costs of £0.2 million.

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Statement of Financial Position

The following table provides a summary of the Group's results:

As at 31 March £m	2019	2018	2017	2016	2015
Housing properties	598.0	589.5	579.9	576.1	576.6
Other fixed assets	10.7	11.8	12.3	15.8	16.9
Tangible fixed assets	**608.7**	**601.3**	**592.1**	**591.9**	**593.5**
Debtors receivable > one year	4.8	5.0	5.1	5.3	5.3
Net current assets / (liabilities)	(10.5)	(18.2)	(6.5)	(1.9)	(4.8)
Total assets less current liabilities	**603.0**	**588.1**	**590.8**	**595.5**	**594.0**
Loans due > one year	(292.8)	(278.5)	(293.0)	(304.4)	(306.6)
Creditors due > one year incl. grant	(240.1)	(243.3)	(239.6)	(244.2)	(245.1)
Pension provision	(21.1)	(12.1)	(10.9)	(7.8)	(14.7)
Total net assets	**49.0**	**54.2**	**47.3**	**39.1**	**27.6**
Reserves:					
Revenue reserve	49.0	54.2	47.3	39.1	27.6
Total reserves	**49.0**	**54.2**	**47.3**	**39.1**	**27.6**

The housing properties owned by Plus Dane Housing are carried in the balance sheet at cost less depreciation of £598 million (2018: £589.5 million).

The freehold commercial investment properties were subject to an independent valuation as at 31 March 2019 and this resulted in a negligible upward valuation, which is a significant improvement in the valuation trend of previous years.

Plus Dane Housing is showing net current liabilities of £10.5m (2018: £18.2m liabilities). This reduction is due to a loan being repayable in January 2019, which has been classified as a current liability in 2018 position.

The organisation's five year headline performance and accommodation figures are summarised below, which link through to the key measures and targets set out in the Corporate Plan:

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Headline performance

	2019	2018	2017	2016	2015
Housing properties:					
Social housing	13,582	13,304	18,666	18,658	18,655
Non-social housing	99	123	116	116	113
Total housing stock owned and managed	**13,681**	**13,427**	**18,782**	**18,774**	**18,768**
Headline financial performance:					
Operating surplus	18.8%	22.8%	26.6%	21.3%	21.9%
Operating surplus on social lettings	25.9%	32.9%	35.0%	28.6%	25.0%
Net surplus after tax as % of turnover	1.5%	5.4%	11.5%	5.4%	9.3%
Rent losses[1]	1.3%	2.0%	1.6%	2.4%	4.5%
Rent arrears[2]	6.9%	6.3%	6.2%	6.1%	5.7%
Liquidity[3]	53%	43%	72%	93%	84%
Interest cover[4]	122%	129%	235%	188%	195%
Debt per unit owned (£'000)	22.1	22.1	22.7	24.3	24.3

At 31 March 2019, the organisation owned or managed 13,681 properties (2018: 13,427).

The decrease in operating surplus as a result of the one-off costs has also led to a reduced interest cover ratio, however it is still within an acceptable range.

Liquidity has increasing to 53% from 43% mainly due to the repayment of the £10.5 million loan reducing current liability.

Investment for the future

[1] Voids and bad debts as % of social lettings rent and service charges receivable
[2] Gross arrears as % of social lettings rent and service charges receivable
[3] Current assets divided by current liabilities
[4] Interest cover based on adjusted operating surplus (operating surplus plus housing depreciation less component replacement spend), divided by gross interest payable

Strategic Report

The investment of surpluses in the organisation's future financial stability is a key tenet of our financial strategy. The investment is in the form of development of new homes, investment in existing stock, extension and improvement of services, and regeneration of our communities and neighbourhoods.

We have invested £5.8m in capital improvements to our existing stock this year, with a further £1.7m invested but charged to revenue.

During the year, 186 new homes have been developed (2018: 144), including 112 (2018: 92), for affordable rent and 69 (2018: 52), for low cost home ownership and 5 (2018: 0) were outright sale. At the year end, a further 181 properties were under development (2018: 295).

Our investment in housing properties this year was funded through a mixture of cash generated from operations, social housing grant and loan finance.

The Group continues to track progress against commitments under the 2015-18 Affordable Homes Programme and other funding arrangements including Section 106 schemes, through regular reporting to Property Committee, Audit and Risk Committee and Board, as part of the overall finance report.

Treasury management

There is a robust Treasury Strategy in place which addresses interest rate risk, covenant compliance, funding and liquidity risk and exposure to counterparties. The Treasury Policy is reviewed annually and is approved by the Board. It includes the following approved instruments: instant access deposit accounts, fixed term deposits, call deposits, collateral deposits, money market fund investments and UK Government securities. The Treasury Policy recommends that between 50% and 80% of the organisation's debt should be fixed.

Management of the loan portfolio is the responsibility of the Executive Director – Corporate Resources and the Director of Finance and is managed in accordance with the Treasury Management Strategy and Policy. Plus Dane Housing Limited borrows at both fixed and floating interest rates. Regular updates on treasury activity are provided to the Audit and Risk Committee and the Board, as part of the overall Finance Report.

The Group does not make use of hedging instruments other than to fix variable rate debt either at the time of drawdown or following a review of the loan portfolio and market conditions.

Investment Powers

The Plus Dane Housing Limited's rules permit investment of monies not immediately required to carry out its objectives, as it determines and is permitted by law.

Capital structure and treasury policy

Strategic Report

Plus Dane Housing borrows principally from banks, at both fixed and floating rates of interest, and only in sterling so is not exposed to currency risk.

Total borrowings as at 31 March 2019 were £297.5 million (2018: £291.4 million). The fixed rate loans account for approximately 58% of the total borrowing, which falls within the recommended parameters of the Treasury Policy. Variable rate borrowings are those where the interest rate is fixed for less than 12 months from the balance sheet date.

The movement in loans year on year represents net loan repayments in line with loan agreement repayment schedules. Cash balances at the end of the year stood at £5.2 million (2018: £4.8 million). Interest costs reduced to £12.4 million (2018: £12.6 million), and the overall weighted cost of capital reduced to 4.08% (2018: 4.3%).

Plus Dane Housing has total facilities of £349.9 million, leaving £52.4 million (2018: £71.5 million) of unutilised committed borrowing facilities.

The maturity of the Group's borrowings is detailed in note 21 of the financial statements.

The Group is subject to a range of covenants through its loan agreements, which vary between lenders. For the financial year 2018/19, the Group has complied with all of these covenants. Our Board has confirmed our "Big 4" strategic goals remain relevant and will continue to frame the delivery objectives over the next two years. There is no change in overall direction for Plus Dane, just a continuum of our journey, while also remaining agile to reflect economic uncertainty and the changes that this could bring in our external operating environment and for our tenants.

Corporate Plan - objectives and strategy

The Board continue to set a very clear direction for Plus Dane Housing and have reaffirmed Plus Dane as an organisation with a strong social purpose focused on the provision of homes at below market cost to tenants and customers of modest means.

In essence our philosophy is to direct as much of our resources to make sure that people in our communities have the opportunity to live in a decent home and access the services that they need through:

- focus on long-term and sustainable ***growth*** and development of new ***products and services*** that will be affordable and tenant led
- developing strong ***strategic partnerships*** to increase capacity and capability to deliver **effective** housing solutions.
- making the best use of resources, ***focusing on efficiency*** and removing areas of duplication, in so doing creating a positive experience for customers and colleagues.
- Attracting and retaining the best people to work with us.

Our purpose is underpinned by our Big 4 strategic goals:

Strategic Report

1) Customer, Products & Services	• Provide a range of products and services that residents want and can afford
2) Financial Resilience	• Improve financial resilience to ensure that the organisation can withstand reasonable internal and external demands
3) Growth	• Deliver greater positive impact on place
4) People	• An environment of engagement, accountability, empowerment & opportunity for our people. All colleagues understand the contribution they make and feel valued

At the end of 2018/19, we delivered the following:

1. **Customers, Products & Services** - the procurement of a new housing management system, strengthened engagement and involvement through Plus Dane Voices and Tenant Scrutiny, delivered the first phase of the transformation of our in-house Repairs service.
2. **Financial Resilience** – a procurement strategy and two-year procurement plan, baselined our operating model, continued to reduce our risk profile and reinforce our internal control environment (as evidenced through Internal Audit findings), and achieved GDPR compliance.
3. **Growth** – began the regeneration of the Welsh Streets, continued to deliver the Help to Buy service contract, built 186 more new homes and a developed a robust Asset Management Plan.
4. **People** – working with colleagues designed a new set of values and behaviours, invested in colleague wellbeing and procured a new people management system.

Over the next two years we will be delivering

1. **Customers, Products & Services** - the implementation and embedding of our new housing management and customer relationship system, reviewing our customer offer and improving the customer experience, and reinforcing the tenant voice in co-regulation. In response to our operating environment we will also be reviewing our Older Persons offer and setting up a self-funded Floating Support service.

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2. **Financial Resilience** – refinancing to support our growth ambition, and lowering operating costs and improving our operating margins by implementing our new operating model.
3. **Growth** – provisioned for a land acquisition fund, development plan of cirica 300 homes each year.
4. **People** – the implementation and embedding of our new people management system, a refreshed employee offer and a new office estate.

We monitor performance through a combination of a strategic balanced scorecard at Board level supported by more detailed scorecard reporting at Committee level in line with their terms of reference.

Highlights of 2018/19 include:

- Income – better than expected at £78.5M against a budget of £78M.
- Void rent loss – 1.35% against a target of 1.4% due to improving relet times to from 22.6 days to 20.4 days.
- Fire risk assessments – 100% compliance.
- Delivery against investment plan – 103% achieved due to the additional installation of 70 components against planned programme.
- New homes built – 186 delivered against target of 177.
- Employee net promoter score – 67 against a target of 50.

Value for Money summary

The Regulator of Social Housing (RSH) requires Registered Providers to demonstrate a robust approach to achieving value for money, underpinned by clear and informed decision making that is owned by the board.

Plus Dane's VfM approach defines value for money as the relationship between effectiveness, efficiency and economy; the aim being to ensure a good balance between all three – achieving high productivity and outcomes from our cost base.

Understanding our cost base and continually looking for opportunities to realise and achieve enhanced VfM is important for Plus Dane as delivering value creates opportunity to further our social and charitable objectives. One of our Big 4 strategic objectives is focused specifically on Financial Resilience and we see activities focused on VfM being critical to achieving our goals.

Our Corporate Plan confirms that the underlying enabler for financial resilience will be a focus on income collection balanced with a continued emphasis on using our financial resources wisely to ensure that we deliver value for money. This ensures that we remain financially viable alongside focusing our resources on the continued investment in homes and delivery of services to our customers and tenants.

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The Board's ambition of achieving an operating surplus to support the growth plan is dependent on the development and implementation of a transformation plan. A key outcome of this plan is to continue to generate a surplus which will enable Plus Dane to sustain itself and grow in order to make an ever-increasing contribution to the communities and people that it serves.

We recognise that to maximise value we need to consider the organisation as a whole and as such we will be implementing a systematic review of our systems, processes and structures without losing the benefits of what we have achieved over the last three years.

To ensure that value for money is owned at a strategic level, 2018/19 has seen the inclusion of specific measures in the Audit and Risk performance report focused on the organisation's VfM performance.

The link between the Corporate Plan objectives, the longer term Business Plan and the budget setting and monitoring process is key to achieving value for money.

Our VfM framework includes the following activities:

- **Annual business planning cycle** – including budget approval and 30 year Business Plan, incorporating long term projections of financial performance and stress testing;
- **Benchmarking** – making use of the global accounts data to assess our costs and understand cost drivers, compared to our peer group;
- **Board Away Days** – to consider the operating environment and the capacity and capability of the organisation to respond effectively to any impact on the business;
- **Board visibility of performance** - based on four strategic elements of the Balanced Scorecard;
- **Budget monitoring** – monthly budget monitoring and detailed quarterly reforecasting with budget holders to keep track of planned efficiency savings;
- **Continuous Improvement Framework** – that enables a consistent approach to performance improvement from a strategic perspective through to individual services.
- **Customer feedback** – to improve our understanding of our current tenants and customers, their needs, and how we can drive value through the services we provide, a Lessons Learnt Framework has been developed and embedded into the Complaint, Comments and Complaints process. We will also focus on horizon scanning to ensure that our products and services are future facing; and a result a new customer research partner is currently procured.
- **Improved approach to procurement** – setting plans for strategic procurement management that will drive efficiencies in the way we procure services, based on the new Procurement Strategy;

Strategic Report

- **Project Management** - a framework is in place to provide consistency and assurance to all change activity within the business. A benefit led approach is adopted to ensure that beneficial outcomes are our focus and not deliverables and outputs to ensure we focus on what is value added.
- **Performance Management –** annual corporate plan performance indicators are cascaded down through the organisation to individual team members through annual appraisal and target setting procedures;

Performance against core metrics

The requirements of the new Value for Money (VfM) Standard include reporting on the set of metrics defined by the Regulator of Social Housing (RSH)

Table one: 2018/19 core metrics

Core metric	Purpose	2018/19 measure
Reinvestment %	To measure efficiency in terms of investment in existing and new properties as a percentage of the value of total properties	**3.50%**
New supply delivered % - social housing	To measure effectiveness in terms of investment in new social housing as a proportion of total social housing	**1.5%**
New supply delivered % - non-social housing	To measure effectiveness in terms of investment in new non-social housing as a proportion of total housing	**0.0%**
Gearing %	To measure efficiency in terms of the proportion of net debt as a proportion of assets and the degree of dependence on debt finance. A key indicator of appetite for growth	**40.5%**
EBITDA (MRI) interest cover %	To measure efficiency in terms of liquidity and investment capacity, through the ability of the adjusted surplus to cover interest costs.	**154.5%**
Headline social housing cost per unit £	To measure the economy of costs	**£3,743**
Operating margin % - overall	Measure of efficiency and profitability of operating assets before exceptional expenses (pre impairment)	**22.8%**
Operating margin % - social housing	Measure of efficiency and profitability of operating assets before exceptional expenses	**25.9%**

Strategic Report

Core metric	Purpose	2018/19 measure
lettings		
Return on capital employed (ROCE)	Measure to assess the efficient investment of capital resources	2.3%

Peer Group comparisons:

Plus Dane is keen to compare its performance with other Registered Provider's in our peer group, and we have used the HCA's *Global Accounts* (consolidated) dataset to assess how our costs and performance compare to other 'similar' social housing providers.

Plus Dane is also aware that looking at its own past performance can provide useful insight, as such a comparator of Plus Dane Housing Limited 2018 has been added into the peer group, to compare 2017/2018's performance to that achieved in 2018/2019.

The following organisations have been identified as our peer group, as they offer similar services to Plus Dane and/or operate in the same geographical locations.

Table two: Peer group and Headline Cost per Unit

As the performance data for our peer group is not yet publicly available for 2018/19, published data from their 2017/18 financial statements has been used.

Registered Provider (Peer Group)	£'000s	Homes
Jigsaw Homes Group Limited	2.37	13,795
Liverpool Mutual Homes Limited	2.71	15,503
ForViva Group Limited	2.74	23,084
Knowsley Housing Trust	3.03	13,265
One Manchester Limited	3.08	11,967
Regenda Limited	3.13	12,543
Great Places Housing Group Limited	3.15	17,779
Plus Dane Housing Limited 2018	3.24	13,051
Peer Median	3.28	13,223
Peer Mean	3.29	14,582
New Charter Housing Trust Limited	3.41	19,461
Wirral Partnership Homes Limited	3.42	12,875
Rochdale Boroughwide Housing Limited	3.49	13,002
First Choice Homes Oldham Limited	3.64	11,484
One Vision Housing Limited	3.74	12,489
Plus Dane Housing Limited 2019 (Excluding Impairment)	3.74	13,181
Wythenshawe Community Housing Group Limited	3.94	13,570
Bolton at Home Limited	4.25	17,622

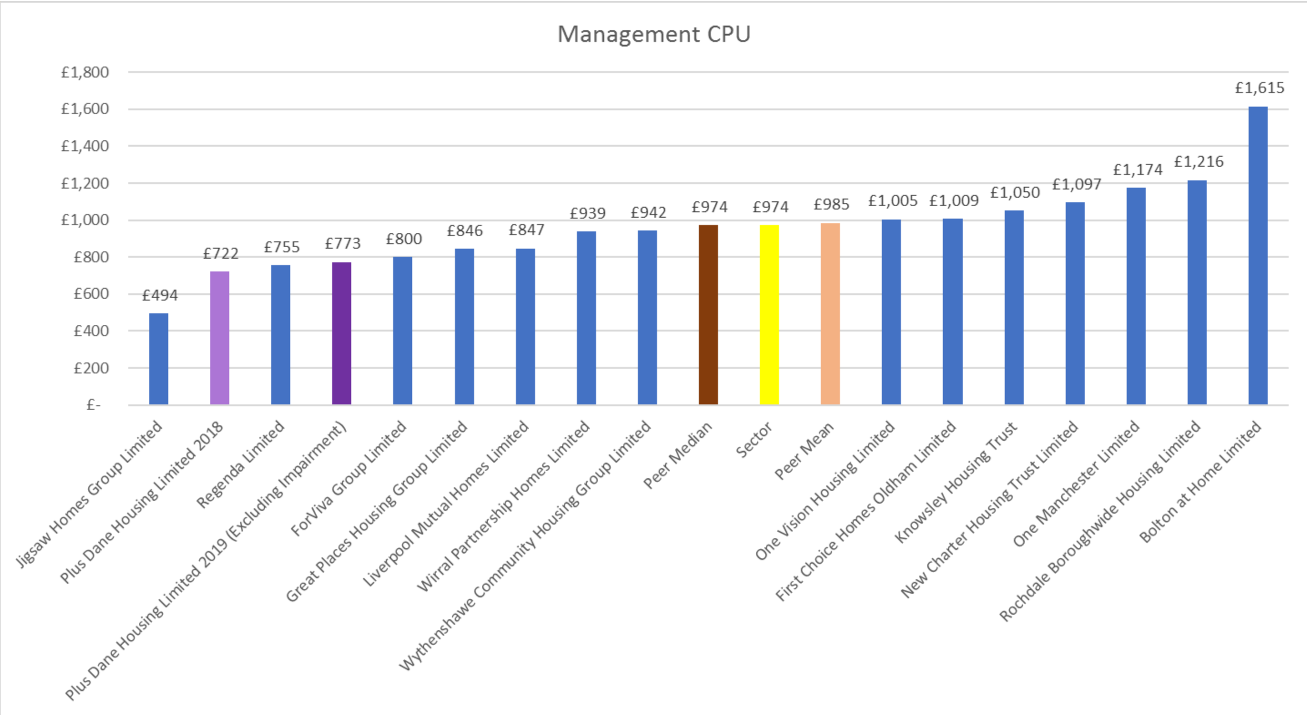
Strategic Report

Table three: Peer group and sector comparison – Core Metrics

Table three: Peer group and sector comparison – Core Metrics	Plus Dane		Peer group average	Sector average
	2018/19	2017/18	2017/18	2017/18
Investment in homes				
Reinvestment %	3.5%	6.8 %	8.9%	6.0%
New supply delivered % - social housing	1.5%	1.07%	1.2%	1.2%
New supply delivered % - non-social housing	0%	0.05%	0.02%	0.0%
Key funders' ratios				
Gearing %	40.5%	48.51%	40.1%	42.9%
EBITDA (MRI) interest cover %	154.5%	132%	187.9%	205.7%
Cost per unit				
Headline social housing cost per unit £	£3,743	£3,246	£3,292	£3,398
Management cost per unit £	£773	£722	£985	£974
Maintenance cost per unit £	£1,387	£1,248	£890	£948
Key ratios				
Operating margin % - overall (pre impairment)	22.8%	22.8%	23.6%	28.9%
Operating margin % - social housing lettings	25.9%	32.9%	26.4%	32.1%
Return on capital employed (ROCE)	2.3%	3.04%	5.4%	4.1%

There has been a slight increase in management costs of 7% from 2017/18 (£722) to 2018/19 (£773). However Plus Dane remains below the Sector Average (£974) and peer group average (£985).

Strategic Report

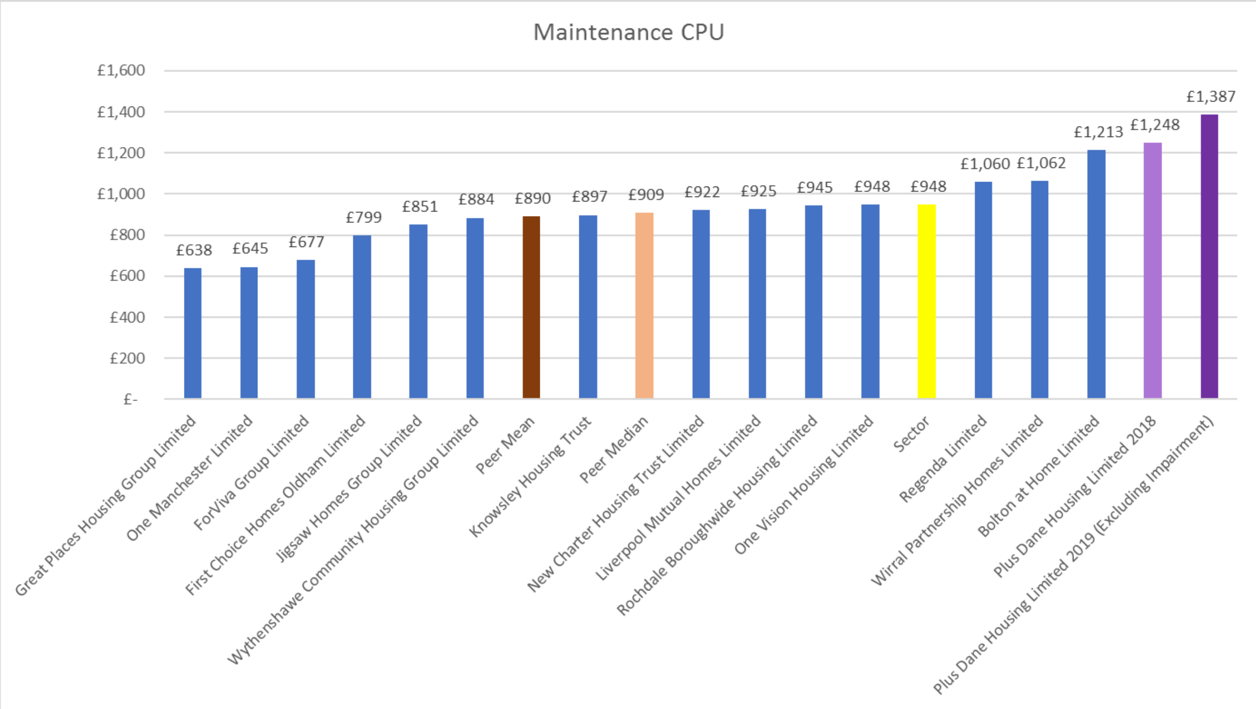


Areas for improvement:

The reinvestment percentage of 3.5% for 2018/19 is based on additions made during the year of £40 million, measured as a percentage of the value of housing properties at cost as at 31st March 2018. This included £10.7 million invested in existing homes.

The charts below show our cost per units for both maintenance and major repairs.

Strategic Report



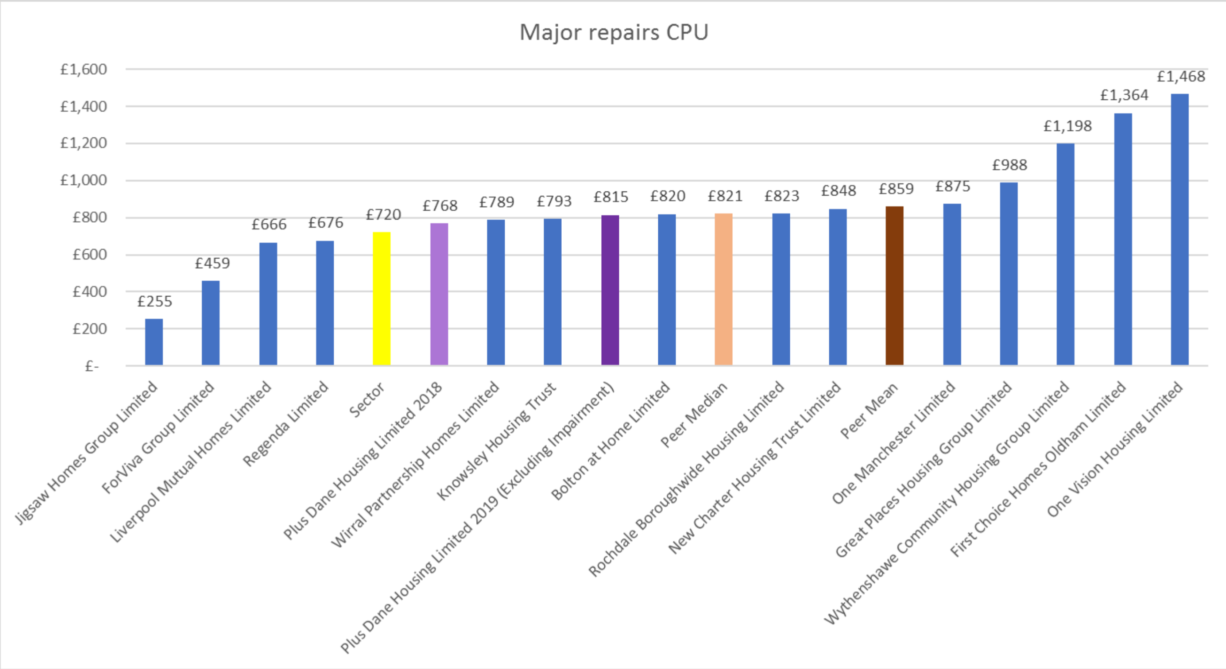
On Maintenance there is an increase of 11% when comparing costs from 2017/18 (£1,248) to 201/8/19 (£1,387). Plus Dane are also above the Peer Group Average and Sector Average.

In 2018/2019, Plus Dane embarked on an efficiency exercise to bring more work under the remit of the In House Team and relying less on third party suppliers to better control costs and quality. This resulted in one off costs for TUPE and on-boarding of new colleagues, however the short-term expenditure will be offset by the long term efficiency savings.

Additionally the members voluntary liquidation of Include Neighbourhood Regeneration Services Limited, resulted in staff transferring into the Repairs Department which would not have been accounted for previously.

Finally a changing in accounting processes, means the In House Repairs Team no longer utilise a trading account, as such income and expenditure is much clearly defined and visible.

Strategic Report



On Major Repairs, there has been an increase of 6% when comparing costs from 2017/18 to 201/8/19. Plus Dane is in line with our Peer Group Average, however it is above the sector average.

During 2018/19, we have continued the level of investment in existing homes with spend of £10.7 million due to this being given continued priority in the Business Plan. At the same time, net development has reduced as a result of significant levels of slippage on three Affordable Homes Programme (AHP) schemes and a reduction in the number of S.106 schemes coming forward from developers. As a result, the reinvestment percentage has increased to 3.5%.

During the year, Plus Dane has continued with its investment plan as based on the updated stock condition from 2017/18, as well updated information captured through continued surveys throughout the year. Over the next four years reinvestment levels are expected to continue, with the Business Plan including significant investment in existing homes.

In addition, the board in 2018/2019 approved a new growth strategy that will see new homes developed or acquired raise to 300 a year over the next few years, as such, we envisage our Reinvestment % to rise over the coming years. The percentage of new supply of non-social homes was higher in 2017/18 due to the sale of the remaining four units at Delph, and as part of the re-focus back on core social purpose, this has resulted in a lower figure for 2018/19.

Our gearing ratio (40.5%) is in line with our Peer Group Average (40.1%) and the sector average (42.9%), compared to 2017/18 (48.51%). It is well within our own funding covenants, to the extent that we have headroom of c £147 million as at 31st March 2019. Refinancing of existing loans and to fund the new growth plan will take place during 2020.

Strategic Report

The 2019/20 Business Plan builds in capacity to deliver a minimum of 300 new homes per year, which is part funded by operating cash surpluses and part funded by current facilities It is anticipated that borrowing will need to increase to c. £459 million by year ten to fund this programme and this can be accommodated within the Plan.

Our interest cover ratio is well above our minimum threshold agreed with funders (between 105%-110%). Excluding the one off costs identified above, the underlying interest cover ratio increases to 169%.

Linked to this our operating margin which is 22.8% (pre impairment) is inline compared to our peer group average (23.6%), and an increase compared to our position in 2017/2018 (22.8%), though still under the sector average (28.9%). Our aim is to continue to improve our operating surplus to deliver the growth plan, while maintaining reinvestment into our assets to ensure Plus Dane provide quality homes to its customers.

Our overall social lettings cost per property is below the sector average at £3,743 (£3,246 in 2017/18). Total cost per unit increased by £497 per home; this is due to several factors such as the TUPE of contractors into the In House Repairs Team and related on boarding costs, costs related to liquidating Include Neighbourhood Regeneration Services Limited, as well continued investment of our Homes to ensure we provide quality homes. Most of the above are one off costs that are incurred in 2018/19 but will lead to savings and efficiencies in the long term.

Plus Dane has been on a sustained period of savings over the last few years. This will continue as Plus Dane enters the final two years of the current corporate plan but concentrate increasing efficiencies and effectiveness of the services we provide. The focus will turn from consolidation to transformation and ensuring change is embedded and sustained within the organisation.

VFM savings delivered in 2018/19:

We have summarised the VfM gains that we have made throughout 2018/19, as well as keeping track of future anticipated VfM gains for 2019/20 onwards. The VfM gains this year compared to 2017/18 are not as significant, however Plus Dane are within the third year of the corporate plan, which is focusing on transitioning from consolidation to transformation.

The next two years of the corporate plan focuses on transformation to deliver the new operating model, which will provide and sustain further savings and efficiencies for the long term. The expectation is that 2018/19 would provide the foundation blocks upon which future VfM gains will be built upon.

The VfM gains are categorised as follows:

- Administration cost savings (including staff costs);
- Additional funding / income generated;
- Cost avoidance;
- Social value generated.

Strategic Report

The following table shows the overall VfM gains made

Table four: VfM gains

Description	2018/19 £'000	Future years £'000
Administration cost savings	£144	£202k
Additional funding income	£4.1M	-
Social value	***£10k***	

We have set out below some examples of the more significant VfM gains that contribute to the saving in the table above:

Administration cost savings:

- IT contract savings – a saving of £89k has been generated from a review of IT contracts, which has led to a new Wide Area Network contract being signed resulting in significant improvements to the business, while also achieving cash savings, as well as negotiating reduce costs for telephony support.
- Restructure savings – a saving of £30k was generated through the restructure of the Programmes and Performance Improvement Teams, which sought to minimise back office costs whilst still providing efficient and effective services. This is a part-year impact;
- Robust Procurement Processes – a saving of c. £25k was generated because of strong procurement processes and experience challenging suppliers, use of rebates and retendering contracts upon renewal.

Additional income / funding generated:

- Help to Buy agent performance – we have outperformed the budget by c. £0.5m for income generated as the Help to Buy agent for the North West, whilst managing the resources to deliver this within the original budget. The surplus generated from this contract is reinvested back into the business.
- Sales – Plus Dane have outperformed on the first tranche sales on Shared Ownership homes generating additional income, as well additional income gained from Right to Buy sales resulting in c. £4.1 million additional income.

Cost avoidance:

- Procurement clubs – through membership of the Northern Housing Consortium, we have made savings in line with other members of c. £20k on goods and services procured through this club.
- Digital meetings – during 2018/19 the business has embedded the use of Skype for business, which has avoided costs via saving travel time, reducing expenses and venue hire saving and improving staff productivity.

Strategic Report

Social value:

- Cyclical painting contract - Additional benefits of the new contract include c. £10k social value budget, which Plus Dane has been able to allocate to Social Value projects.
- Apprenticeships – Secured 6 apprenticeships for local residents with our delivery partner of the Welsh Street Regeneration programme.

Non-housing assets

In addition to housing stock, we are responsible for a small quantity of non-housing assets. We currently have six offices, of which five are owned and one is leased. An accommodation project is under way to consolidate three offices within Liverpool down to one.

The remaining offices will be refurbished to maximise space, and enable additional income through letting to community-focused services, as well as potentially offering conference and meeting spaces reducing need for using external providers.

Future Value for Money

To further improve VfM over the short to medium term, we will:

- Continue to implement the new operating model via a series of strategic projects that make up the Plus Dane Change Portfolio, which focus on three major elements of cash, colleagues and customer to ensure a holistic approach to value for money is achieved.
- Particular emphasis will be around achieving a lean approach to how we work as an organisation, a project setup to review all process across the organisation using Lean Six Sigma to re-engineer our process to ensure waste and defects are removed, while at the same time ensuring we provide value to our customers.
- Re-finance the organisation focusing on the most appropriate funding sources such as private placements that will provide medium to long-term certainty over financial capacity whilst levering resources much more effectively and improve our borrowing capacity to deliver additional new homes;
- Continue the implementation of the two year procurement plan, which will be entering its second year, while also embedding the procurement processes into the business to ensure robust procurement process remain in the business upon its completion.
- Deliver further efficiencies as a result of service reviews which will be scheduled in on an annual basis following the renewal of the continuous improvement framework.
- Embed the revised asset management plan based on the new “Plus Dane Standard” of investment.

Strategic Report

Given the evidence provided within our Value for Money statement and the broader elements of our self-assessment, we are of the opinion that we comply with the RSH Value for Money Standard.

Principal Risks and Uncertainties

Plus Dane's risk appetite is reviewed regularly by the Board, who has reaffirmed its attitude to risk as "open" in the areas of Finance, Operational Delivery and Reputation; however, in the area of compliance the Board remains "cautious".

The strategic risks at the corporate level have been identified based on the presenting risks in both the internal and external operating environment. The risks and a summary of the mitigation strategies being deployed are detailed in the table below:

Strategic Risk	Mitigation overview
Board and the Leadership Team inhibit the business to achieve on-going success	An established code of governance with clear rules that are reviewed regularly is in place. The organisation's goals are set out in the corporate plan which is signed off at Board and reported against regularly and with a strong degree of rigour and robustness
Inability to identify and respond to environmental change for ourselves and stakeholders	Retaining an outward focus on changes in the external environment underpins our Corporate Plan priorities and will continue to do so as the Transformation Plan is developed in the context of positioning the organisation as a key strategic partner.
Inability to appropriately defend and protect the business	Business continuity planning and supporting processes are well established within the business and are subject to annual test to ensure they remain fit for purpose. These processes are being continually tested in the live environment with issues like severe weather management being embedded into business as usual. Our suite of policies focused on probity include key areas of focus such as Anti-Money Laundering, Fraud Prevention and Cyber Security all provide additional assurance.
Poor performance management of Business Plan objectives	The suite of performance scorecards has been refreshed to reflect the priorities in the Corporate Plan and to ensure a top down flow from strategic assurance to Board, through the committees and into operational targets. A focus on Continuous Improvement is underpinned by our Continuous Improvement Framework.
Inadequate resourcing of strategy implementation to deliver	The Board's direction is predicated on informed decision making and having clarity on the financial position of the organisation. There is an effective and coordinated

Strategic Report

Strategic Risk	Mitigation overview
products/services to agreed standards	approach to strategic and financial planning across the organisation Detailed resource plans have been developed to map resource availability across business as usual activity and core change programmes. Directors are actively engaged in decision making around resource planning to ensure that risks are managed and priorities are determined based on the Board's direction alongside the need to fulfil our legal and regulatory responsibilities.
Providing products or services that do not meet the requirements of our customers, market or support our business objectives	Using insight and intelligence and customer segmentation data will enable the organisation to predict future demand for products will shape the development aspirations and strategic partnerships that the organisation will pursue.
Finances are not managed in a way that secures the sustained success of the business	Securing value for money and making best use of the full range of assets available to the organisation sits at the heart of our strategies and plans. Funding arrangements are continually reviewed via our treasury management approach to ensure that the most appropriate funding sources are established to meet the demands of the business. Robust financial reporting is established and embedded from Board through to operational directorates. The Transformation Plan will be developed with securing financial resilience and capacity for growth at its heart. Refinancing of the organisation is a key priority for 2019/20 and will ensure that our financial capacity to grow and develop new homes is maximised whilst securing value for money in our financial arrangements.
Ineffective people management including the delivery of change	Change is delivered across the organisation with programme assurance provided from the central Programmes Team. We operate a portfolio management approach to change design and delivery to ensure that the full impact of projects and interventions can be managed.
Inability to retain or attract talent at Board and staff level	Strategic workforce planning is a key theme for the organisation as it moves into 2018/19. Securing the right skills, knowledge and experience will be integral to the future proofing of the organisation. Focusing on the employee lifecycle with an emphasis on

Strategic Report

Strategic Risk	Mitigation overview
	attracting and retaining talent is a key priority and risk control.
Incorrect alignment between the businesses position in the market and the business objectives	The strategic planning framework allows the Board to assess internal capabilities against the operating environment in order that its purpose and aspirations are aligned
Not maximising /optimising all available income streams	Effective performance reporting and management of all income streams across the organisation is based on a contemporary Rent and Service Charge Strategy and Policy
Breaching regulation and/or legislation	Health and safety awareness and compliance is prioritised across the organisation and underpinned by self-assessment. Clear lines of sight between the operational business and the Board is established. Our regulatory and legislative responsibilities are underpinned by robust risk assessment and management at both the front line and in our corporate services where financial resilience is owned by the Board.
Disjointed organisational effort due to lack of clear corporate culture across the business	Development of a clear aspirational culture for the organisation will frame our people offer and underpin our approach to customer service delivery.

Statement of compliance

In preparing this Strategic Report, the Board has followed the principles set out in the Statement of Recommended Practice for registered social housing providers (2014).

Going concern

Plus Dane'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 expectation that Plus Dane Housing has adequate resources to continue in operational existence for the foreseeable future, being a period of 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.

The economy and Brexit

Strategic Report

Plus Dane is continually monitoring events relating to Brexit and the impact it will have on the sector.

The current political environment means the risk of a no deal Brexit is very real, with the impact on the economy and sector still unsure.

Plus Dane have identified the risks of Brexit, with house price and sales volumes both areas of concern, along with material prices.

Despite these risks, Plus Dane continues to be in a strong financial position and scenario analysis and stress testing ensures the business is equipped to plan and adapt to change arising from Brexit.

Ian Reed

Company Secretary

25 September 2019

Independent Auditors' Report to the Members of Plus Dane Housing Limited

Independent auditor’s report to Plus Dane Housing Limited

Opinion

We have audited the financial statements of Plus Dane Housing Limited (“the association”) for the year ended 31 March 2019 which comprise the Group and Association Statements of Comprehensive Income, the Group and Association Statements of Changes in Reserves, the Group and Association Statement of Financial Position, the Group Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2019 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of the pension assets and liabilities and 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 group’s future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group’s future prospects and performance. However, no audit should be

Independent Auditors' Report to the Members of Plus Dane Housing Limited

expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group business model, including the impact of Brexit, and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the association will continue in operation.

Other information

The association's Board is responsible for the other information, which comprises the Chair's Statement, the Director's Report and the Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or

Independent Auditors' Report to the Members of Plus Dane Housing Limited

- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 7, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditors' Report to the Members of Plus Dane Housing Limited

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Tim Cutler
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Group and Association Statements of Comprehensive Income

		Group		Association	
		2019	2018	**2019**	2018
	Note	**£'000**	£'000	**£'000**	£'000
Turnover: Group and share of joint venture		**74,465**	78,983	**73,399**	76,840
Less: share of joint venture turnover		**(462)**	(533)	**-**	-
Group turnover	**3**	**74,003**	78,450	**73,399**	76,840
Operating costs	**3**	**(59,048)**	(50,238)	**(58,631)**	(49,884)
Cost of Sales	**3**	**(1,808)**	(11,332)	**(2,008)**	(9,976)
Surplus on sale of fixed assets	**3**	**753**	1,007	**753**	1,007
Group operating surplus before share of joint venture operating profit	**3**	**13,900**	17,887	**13,513**	17,987
Share of joint venture operating profit / (loss)		**(4)**	19	**-**	-
Total operating surplus	**9**	**13,896**	17,906	**13,513**	17,987
Interest receivable	**7**	**16**	10	**16**	10
Interest payable and similar charges	**8**	**(12,392)**	(12,591)	**(12,392)**	(12,945)
Share of joint venture interest payable		**(3)**	(3)	**-**	-
Other finance costs	**6**	**(444)**	(418)	**(444)**	(418)
Surplus on ordinary activities before tax		**1,073**	4,904	**693**	4,634
Tax on surplus on ordinary activities	**11**	**(56)**	(608)	**(-)**	(637)
Surplus for the year		**1,017**	4,296	**693**	3,997
SHPS opening balance adjustment on initial recognition	**6**	**(1,968)**	-	**(1,968)**	-
Actuarial (loss) / gain in respect of pension schemes	**6**	**(4,269)**	2,608	**(4,269)**	2,608
Deferred tax movement in respect of pension schemes	**11**	**-**	-	**-**	-
Total comprehensive income		**(5,220)**	6,904	**(5,544)**	6,605

All amounts relate to continuing activities.

The financial statements were approved by the Board and signed on its behalf on 26 September 2019.

Sir Peter Fahy	Rob O'Malley	Ian Reed
Chair	**Board Member**	**Company Secretary**

The accompanying notes form part of these financial statements.

Group and Association Statements of Changes in Reserves

Group

	£'000
Balance as at 31 March 2017	47,313
Total comprehensive income for the year	6,904
Balance as at 31 March 2018	54,217
Total comprehensive income for the year	(5,220)
Balance as at 31 March 2019	**48,997**

Association

	£'000
Balance as at 31 March 2017 (combined)	49,886
Total comprehensive income for the year	6,605
Balance as at 31 March 2018 (combined)	56,491
Total comprehensive income for the year	(5,544)
Balance as at 31 March 2019	**50,947**

The accompanying notes form part of these financial statements.

Group and Association Statement of Financial Position

	Note	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Fixed assets					
Housing properties	12	**597,975**	589,468	**599,984**	591,477
Investment properties	13	**5,081**	6,150	**5,081**	6,150
Other fixed assets	14	**4,089**	4,065	**4,089**	4,061
Investments	16	**101**	107	**101**	107
Share of joint venture net assets	16	**40**	51	**-**	-
Homebuy Loans Receivable		**1,384**	1,480	**1,384**	1,480
		608,670	601,321	**610,639**	603,275
Debtors: due after one year	19	**5,097**	4,950	**5,097**	4,950
Current assets					
Stock	17	**129**	73	**129**	73
Properties for sale	18	**2,193**	2,019	**2,193**	2,019
Trade & other debtors due within a year	19	**4,348**	6,906	**4,348**	7,967
Cash and cash equivalents		**5,222**	4,771	**5,182**	4,477
		11,892	13,769	**11,852**	14,536
Creditors: falling due within a year	21	**(22,688)**	(31,981)	**(22,667)**	(32,428)
Net current liabilities		**(10,796)**	(18,212)	**(10,815)**	(17,892)
Total assets less current liabilities		**602,971**	588,059	**604,921**	590,333
Creditors: due after more than a year	22	**(532,927)**	(521,764)	**(532,927)**	(521,764)
Provisions for liabilities					
Net pension liability	6	**(21,047)**	(12,078)	**(21,047)**	(12,078)
Total net assets		**48,997**	54,217	**50,947**	56,491
Capital and reserves					
Non-equity share capital	27	**-**	-	**-**	-
Revenue reserve		**48,997**	54,217	**50,947**	56,491
Total reserves		**48,997**	54,217	**50,947**	56,491

These financial statements were approved by the Board and signed on its behalf on 26 September 2019.

Sir. Peter Fahy	Rob O'Malley	Ian Reed
Chair	**Board Member**	**Company Secretary**

The accompanying notes form part of these financial statements

Group Cash Flow Statement

	Note	2019		2018	
		£'000	**£'000**	£'000	£'000
Net cash generated from operating activities	**28**		**30,896**		30,805
Cash flow from investing activities					
Purchase of tangible fixed assets		**(29,418)**		(26,787)	
Proceeds from sale of tangible fixed assets		**5,091**		2,811	
Grants received		**2,958**		5,317	
Homebuy loans repaid		**96**		12	
Interest received		**16**		10	
			(21,257)		(18,637)
Cash flow from financing activities					
Interest paid		**(12,361)**		(12,744)	
Interest element of finance lease payments				(21)	
Drawdown/(Repayment) of borrowings		**3,174**		(3,297)	
Capital element of finance lease rental payments		**(1)**		(23)	
			(9,188)		(16,085)
Net change in cash and cash equivalents			**451**		(3,917)
Cash and cash equivalents at beginning of the year			**4,771**		8,688
Cash and cash equivalents at end of the year			**5,222**		4,771

The accompanying notes form part of these financial statements

Notes to the financial statements

1. Legal status

Plus Dane Housing Limited is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a housing provider.

On 30 November 2017, transfers of engagement were undertaken. On this date the activities, assets and liabilities of Plus Dane Cheshire Limited and Plus Dane Group Limited were transferred to Plus Dane Merseyside Limited; which subsequently, changed its name to Plus Dane Housing Limited.

Plus Dane Housing Limited is a public benefit entity, whose primary objective is to provide goods or services the general public, community or social benefit and where any equity is provided with a view to supporting the entity's primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.

2. Principal accounting policies

Basis of Accounting

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

The financial statements are presented in Sterling (£).

Going concern

The financial statements have been prepared on a going concern basis.

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. Government's announcements in July 2015 impacting on the future income of the Group have led to a reassessment of the Group's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. The group has in place long-term debt facilities (including £52.4m of undrawn facilities at 31 March 2019), which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Significant management judgements

Notes to the financial statements

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

a. Adjustment to net interest on net defined pension liability

Under previous UK GAAP, the interest on the expected return on plan assets was calculated using an expected asset rate. FRS 102 requires that the net interest on the net defined benefit liability is calculated using the liability discount rate for the scheme.

b. Supporting people

Management judgement is applied in determining the extent to which the risks and benefits are transferred to Plus Dane Housing when considering the Income to be recognised.

c. Categorisation of housing properties

The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals.

d. Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. The Group has relied on an external valuation of its investment properties as at 31 March, the group are satisfied that the external consultant has estimated a reasonable fair value.

e. Impairment

The Group continually assess whether an indicator of impairment exists. If an indicator exists the group perform an impairment assessment at property scheme level by comparing the asset’s carrying value to the recoverable amount. Indicators of impairment are examples of the following: Change in government policy, regulation or legislation, a change in demand of the properties or a material reduction in market values. Any impairment provisions are charged to the statement of comprehensive income.

As a result of fire safety concerns in one of our apartment blocks, and following extensive investigation to understand the scale of the problem, there has been an impairment of £3.02m of this asset to reflect its net realisable value. This impairment was arrived at after exploring all options, including remediation, demolition and disposal.

f. Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

g. McCloud Ruling on LGPS

Notes to the financial statements

In June 2019, the Supreme Court denied the government permission to appeal the Court of Appeal's judgement that transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination.

The ruling relates to the transitional protection offered to some members – broadly those within 10 years of retirement change for the LGPS - when the reformed schemes were introduced. The court has found that those too far away from retirement age to qualify for transitional protection have been unfairly discriminated against. As transitional protection was offered to members of all the main public service pension schemes, the difference in treatment will need to be remedied across all those schemes. This includes schemes for LGPS.

Plus Dane have considered the impact of the special events arising during the year including the McCloud age discrimination case and the Lloyds Guaranteed Minimum payments (GMP) judgements. Plus Dane requested revised liability valuations from the relevant scheme actuaries which resulted in an increase in the net pension liability of £1.2 million in the year.

Estimation uncertainty

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

a. Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

b. 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 6).

Basis of consolidation

The group accounts consolidate the accounts of Plus Dane Housing Limited and all its subsidiaries at 31 March using the acquisition method.

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the Plus Dane Housing Limited 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

Notes to the financial statements

as to obtain benefits from its activities.

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

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Service charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position. Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted.

Value Added Tax

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

Interest Payable

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 Plus Dane Housing Limited as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure in the year.

Home Buy Loans (including Mortgage Rescue and Shared Equity Schemes)

Home Buy loans are treated as concessionary loans. They are initially recognised as a loan at the amount paid to the purchaser and are subsequently updated to reflect any accrued interest. Any impairment loss is recognised in income and expenditure to the extent that it cannot be offset against the Home Buy grant. The associated Home Buy grant is recognised as deferred income until the loan is redeemed.

Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historical cost model.

Direct costs incurred in connection with the issue of a basic financial instrument are deducted from the proceeds of the issue. Finance interest, transaction costs and associated premium or discount are charged to the Statement of Comprehensive Income using either the effective interest rate (EIR) method or on a straight-line basis where not materially different. The EIR method spreads all associated costs over the life of the instrument by comparing the borrowing amount at initial recognition and amount at maturity. On the basis that the difference produced by the two methods is not material, these costs have been amortised on a straight-line basis in this set of financial statements.

Notes to the financial statements

Debtors

Short term debtors are measured at transaction price, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income..

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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 costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

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

Pensions

The group participates in the following funded multi-employer defined benefit schemes; the Merseyside Pension Fund (MPF) and the Cheshire Pension Fund (CPF), both Local Government Pension Schemes and the Social Housing Pension Scheme (SHPS), administered by The Pension's Trust.

For all schemes, scheme assets are measured at fair value. 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 group 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. Re-measurements are reported in other comprehensive income.

SHPS (Social Housing Pension Scheme) is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme. At 31 March 2018 it was not possible for the Association to obtain sufficient information to account for the liability on a full FRS 102 valuation basis so it was accounted for as a defined contribution scheme where the net present value of the

Notes to the financial statements

deficit contributions were recognised in the accounts as creditors falling within and more than one year.
As a result of additional information, SHPS are now able to split the pension liability by employer which has resulted in the scheme liability being accounted for adopting a full FRS 102 valuation at 31 March 2019. In accordance with FRED 71, no restatement of prior year figures has been made in these accounts with the opening balance adjustment being recorded through OCI.

Contributions to an historic defined contribution pension scheme, the Aviva Group personal pension plan, are charged to the Statement of Comprehensive Income in the year in which they become payable.

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, development costs, interest charges incurred during the development period.

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 benefits 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 provisions needed for depreciation or impairment.

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. The purpose of holding these assets is to generate surpluses to apply to Plus Dane Housing's charitable purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

Government grants

Notes to the financial statements

Government grants include grants receivable from Homes England (HE), 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 and, where applicable, its individual components (excluding land) under the accruals model.

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 received for housing properties are subordinated to the repayment of loans by agreement with HE. Government grants released on sale of a property may be repayable but are normally available to be recycled and are 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. Upon disposal of the associated property, the group is required to recycle grant proceeds and recognise them as a liability.

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 Plus Dane Housing is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties

The Group 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 estimated useful economic life.

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

Component	Years
Main structure	100
Pitched Roofs	60
Flat Roofs	20
Windows, doors (including communal fire doors), external joinery and cladding	25
Boilers	15
Heating Systems	30
Kitchens	15
Bathrooms	20

Notes to the financial statements

Electrics including PV panels, wind turbines and other generators	25
Septic Tanks	25
Lifts	20
Aids and adaptations	15

Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

From 1 April 2015, the group has reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016. Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This was a trigger for an impairment review at that time.

As a result, we estimated the recoverable amount of our housing properties as follows:

(a) Determine the level at which recoverable amount is to be assessed (i.e. the asset level or cash generating unit (CGU) level). The CGU level was determined to be an individual scheme;

(b) Estimated the recoverable amount of the cash-generating unit;

(c) Calculated the carrying amount of the cash-generating unit; and,

(d) 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, we do not consider there to be an impairment charge against social housing properties.

Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

PDH has considered the impact of the fire risk, duration of void, net realisable value and future development plans in this year's impairment review.

Other tangible fixed assets

Depreciation is provided evenly on the cost of 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 annual rates used for other assets are:

Freehold office building (straight line)	2%

Notes to the financial statements

Motor vehicles (on a reducing balance basis)	25%
Fixtures and equipment (straight line)	10% to 33%
Leasehold buildings (straight line)	Over term of the lease

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.

Leases

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure 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 group 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, completed properties for outright sale 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.

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Provisions for liabilities

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

Notes to the financial statements

obligation.

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

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

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next twelve months. The provision is measured at the salary cost payable for the period of absence.

Notes to the financial statements

3a. Turnover, cost of sales, operating costs and operating surplus

	2019				2018			
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings	65,449	-	(48,511)	16,938	65,244	-	(43,799)	21,445
Other social housing activities								
Development services	-	-	(4)	(4)	-	-	(7)	(7)
Supporting people contracts	1,056	-	(2,079)	(1,023)	917	-	(2,019)	(1,102)
Management services and other	67	-	(78)	(11)	37	-	(73)	(36)
Leased to others	608	-	(449)	159	575	-	(216)	359
Community regeneration	57	-	(1,150)	(1,093)	-	-	(484)	(484)
First tranche shared ownership	2,613	(2,008)	-	605	3,473	(2,393)	-	1,080
Other	783	-	(4,364)	(3,581)	601	-	(1,181)	(580)
	5,184	(2,008)	(8,124)	(4,948)	5,603	(2,393)	(3,980)	(770)
Surplus on sale of fixed assets (Note 10)				753				1,007
	5,184	(2,008)	(8,124)	(4,231)	5,603	(2,393)	(3,980)	237
Non-social housing activities								
Commercial lettings	472	-	(649)	(177)	421	-	(652)	(231)
EP&N management contract	-	-	(26)	(26)	3,201	(7,583)	-	(4,382)
Help to Buy agency	1,819	-	(1,282)	537	1,695	-	(1,275)	420
Market rental	869	-	(688)	181	860	-	(698)	162
Other*	210	200	232	642	1,426	(1,356)	166	236
	3,370	200	(2,413)	1,157	7,603	(8,939)	(2,459)	(3,795)
	74,003	(1,808)	(59,048)	13,900	78,450	(11,332)	(50,238)	17,887

* Other non-social housing activities – other, includes the activities of three60 Property Investors Limited, a subsidiary of the Group, whose principal activity was that of property investment and development.

Notes to the financial statements

3a. Turnover, cost of sales, operating costs and operating surplus

	2019				2018			
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
Association	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings	65,449	-	(48,511)	16,938	65,244	-	(43,799)	21,445
Other social housing activities								
Supporting people contracts	1,056	-	(2,079)	(1,023)	917	-	(2,019)	(1,102)
Management services and other	67	-	(78)	(11)	37	-	(73)	(36)
Leased to others	608	-	(449)	159	575	-	(216)	359
Community regeneration	57	-	(1,150)	(1,093)	-	-	(484)	(484)
First tranche shared ownership	2,613	(2,008)	-	605	3,473	(2,393)	-	1,080
Other	389	-	(4,224)	(3,835)	417	-	(846)	(429)
	4,790	(2,008)	(7,980)	(5,198)	5,419	(2,393)	(3,638)	(612)
Surplus on sale of fixed assets	-	-	-	753	-	-	-	1,007
	4,790	(2,008)	(7,980)	(4,445)	5,419	(2,393)	(3,638)	395
Non-social housing activities								
Commercial Lettings	472	-	(649)	(177)	421	-	(652)	(231)
EP&N Management contract	-	-	(26)	(26)	3,201	(7,583)	-	(4,382)
Help to Buy agency	1,819	-	(1,282)	537	1,695	-	(1,275)	420
Market rental	869	-	(688)	181	860	-	(698)	162
Other	-	-	505	505	-	-	178	178
	3,160	-	(2,140)	1,020	6,177	(7,583)	(2,447)	(3,853)
	73,399	(2,008)	(58,631)	13,513	76,840	(9,976)	(49,884)	17,987

Notes to the financial statements

3b. Income and expenditure from social housing lettings

Group and Association

	General needs housing £'000	Supported housing & housing for older people £'000	Shared ownership £'000	Total 2019 £'000	Total 2018 £'000
Rent receivable	**48,556**	**8,934**	**1,781**	**59,271**	59,324
Service charges receivable	**1,216**	**1,273**	**203**	**2,692**	2,477
Charges for support services	**51**	**381**	**0**	**432**	425
Government Grants	**2,676**	**295**	**83**	**3,054**	3,018
Turnover from social housing lettings	**52,499**	**10,883**	**2,067**	**65,449**	65,244
Expenditure on social housing lettings					
Management	**8,617**	**1,504**	**70**	**10,191**	9,695
Services	**1,880**	**2,564**	**286**	**4,730**	4,373
Routine and planned maintenance	**16,085**	**2,115**	**80**	**18,280**	15,437
Major repairs expenditure	**1,382**	**902**	**(2)**	**2,282**	1,326
Rent losses from bad debts	**408**	**35**	**(5)**	**438**	457
Supporting people	**2**	**93**	**0**	**95**	75
Depreciation of housing properties	**11,249**	**970**	**276**	**12,495**	12,436
Operating costs on social housing lettings	**39,623**	**8,183**	**705**	**48,511**	43,799
Operating surplus on social housing lettings	**12,876**	**2,700**	**1,362**	**16,938**	21,445
Rent losses from voids	**482**	**306**	**4**	**792**	881

Notes to the financial statements

4. Accommodation in management and development

Group and Association

At the end of the year, accommodation in management for each class of accommodation was as follows:

Owned and managed by the Group	2019 Units	2018 Units
Social housing		
General housing:		
- Social Rent	**9,647**	8,450
- Affordable Rent	**1,923**	1,812
Supported housing	**758**	1,966
Low cost home ownership	**672**	623
Leaseholder units	**181**	105
Total owned	**13,181**	12,956
Managed for others	**309**	292
Managed by others	**92**	79
Non-social housing		
Market rented	**27**	28
Extra care	**72**	72
	99	100
Total owned and in management	**13,681**	13,427
Under development		
Accommodation in development at the year end	**181**	295

Notes to the financial statements

5. Directors' emoluments and expenses

Group and Association

Directors

The remuneration for the executive directors of the Plus Dane Housing Limited for the year ended 31 March 2019 is detailed in the table below.

	Basic salary £'000	Benefits in kind £'000	Pension contribution £'000	National Insurance £'000	2019 Total £'000	2018 Total £'000
Barbara Spicer Chief Executive	**160**	**-**	**39**	**21**	**220**	220
Madeleine Nelson Executive Director of Growth	**134**	**-**	**34**	**17**	**185**	166
John Kent Executive Director of Finance	**112**	**-**	**7**	**14**	**133**	130
Ian Reed Executive Director Corporate Services	**101**	**-**	**25**	**13**	**139**	124
Jim Preston Executive Director of Assets * (Interim) (to 14 December 2018)	**92**	**-**	**-**	**-**	**92**	150
Claire Griffiths Executive Director Development (to 31 July 2017) *	**-**	**-**	**-**	**-**	**-**	46
Andrea Howarth Executive Director of Neighbourhoods (appointed 1 September 2018)	**105**	**-**	**26**	**13**	**144**	-
Total	**704**	**-**	**130**	**78**	**912**	836

The emoluments of the highest paid director of the Group, the Chief Executive, excluding pension contributions were £160,000. The Chief Executive was a member of the Merseyside Local Government Pension Scheme. She was an ordinary member of the pension scheme and no enhanced or special terms apply. During the year the Group did not make any further contribution to an individual pension arrangement for the Chief Executive.

*A review of the Executive Management Team and realignment of resource resulted in the disestablishment of these roles during the year.

Notes to the financial statements

Board members

During the year, fees of £84,462 (2018: £77,906) were paid to Board members and expenses paid amounted to £2,997 (2018: £311).

	2019 Total £'000	2018 Total £'000
Sir Peter Fahy (Chair)	**14**	14
Brian Gowthorpe	**11**	5
Sandra Palmer	**8**	5
Thomas Murtha - Resigned (16/11/2017)	**-**	4
Robin Lawler	**7**	7
David Brown	**5**	5
Julie Gill	**5**	5
Robert O'Malley	**8**	7
Ann Hoskins	**5**	5
Thomas McIlravey	**5**	5
Bridget Guilfoyle – Independent Committee Member - Resigned (16/05/2018)	**1**	2
John Corner	**5**	5
John Cocker – Independent Committee Member - Resigned (07/08/2018)	**2**	2
Lyndsey Burkert	**5**	5
James Keating - Resigned (01/10/2017)	**-**	1
Gary Dixon – Independent Committee Member	**2**	1
Scott Murray – Independent Committee Member	**1**	-
Peter McPartland – Independent Committee Member	**2**	-
Mark Beach – Independent Committee Member	**1**	-
	87	78

Notes to the financial statements

6. Employees

Group and Association

The average number of employees expressed in full time equivalents (calculated based on a standard working week of 35 hours) during the year was:

	2019 Number	2018 Number
Housing, support and care	**423**	428
Administration and Development	**122**	126
	545	554

	2019 £'000	2018 £'000
Employee costs		
Wages and salaries	**16,945**	15,915
Social security costs	**1,650**	1,460
Other pension costs	**2,420**	1,990
	21,015	19,365

The full time equivalent number of staff (including executive directors and calculated based on a standard working week of 35 hours) who received emoluments within Plus Dane Housing Limited and Group:

	2019 No.	2018 No.
£60,001 to £70,000	**12**	5
£70,001 to £80,000	**5**	2
£80,001 to £90,000	**3**	2
£90,001 to £100,000	**2**	2
£100,001 to £110,000	**-**	-
£110,001 to £120,000	**1**	2
£120,001 to £130,000	**1**	-
£130,001 to £140,000	**1**	-
£140,001 to £150,000	**-**	-
£150,001 to £160,000	**-**	2
£160,001 to £170,000	**-**	-
£170,001 to £180,000	1	-
£180,001 to £190,000	**-**	-
£190,001 to £200,000	**1**	-
£200,001 to £210,000	**-**	1

Notes to the financial statements

Plus Dane Housing Limited (PDHL) participates in three funded multi-employer defined benefit schemes: the Social Housing Pension Scheme, Merseyside Pension Fund and Cheshire Pension Fund.

Social Housing Pension Scheme (SHPS)

SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme. At 31 March 2018 it was not possible for the Association to obtain sufficient information to account for the liability on a full FRS 102 valuation basis so it was accounted for as a defined contribution scheme where the net present value of the deficit contributions were recognised in the accounts as creditors falling within and more than one year.

As a result of additional information, SHPS are now able to split the pension liability by employer which has resulted in the scheme liability being accounted for adopting a full FRS 102 valuation at 31 March 2019. In accordance with FRED 71, no restatement of prior year figures has been made in these accounts with the opening balance adjustment being recorded through OCI.

A reconciliation between the liability at 31 March 2018 and the re-stated provision is shown below.

	£000s
Liability as previously calculated based on the net present value of deficit contributions payable	2,006
SHPS opening balance adjustment recorded in OCI	1,968
Liability re-stated using the full valuation method at 31st March 2018	3,974

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	2019 (£000s)	**2018 (£000s)**
Fair value of plan assets	13,275	12,305
Present value of defined benefit obligation	18,055	16,279
Surplus (deficit) in plan	(4,780)	(3,974)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(4,780)	(3,974)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(4,780)	(3,974)

Notes to the financial statements

Reconciliation of opening and closing balances of the defined benefit obligation

	2019 (£000s)
Defined benefit obligation at start of period	16,279
Current service cost	206
Expenses	14
Interest expense	422
Contributions by plan participants	123
Actuarial losses (gains) due to scheme experience	11
Actuarial losses (gains) due to changes in demographic assumptions	48
Actuarial losses (gains) due to changes in financial assumptions	1,384
Benefits paid and expenses	(432)
Defined benefit obligation at end of period	18,055

Reconciliation of opening and closing balances of the fair value of plan assets

	2019 (£000s)
Fair value of plan assets at start of period	12,305
Interest income	322
Experience on plan assets (excl amounts included in interest income) - gain (loss)	479
Contributions by the employer	478
Contributions by plan participants	123
Benefits paid and expenses	(432)
Fair value of plan assets at end of period	13,275

Notes to the financial statements

Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)

	2018/19 (£000s)
Current service cost	206
Expenses	14
Net interest expense	100
Defined benefit costs recognised in statement of comprehensive income (SoCI)	320

Defined benefit costs recognised in Other Comprehensive Income

	2018/19 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	479
Experience gains and losses arising on the plan liabilities - gain (loss)	(11)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(48)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(1,384)
Total amount recognised in other comprehensive income - gain (loss)	(964)

Notes to the financial statements

Assets

	2019 (£000s)	2018 (£000s)
Absolute Return	1,149	1,503
Alternative Risk Premia	766	467
Corporate Bond Fund	619	505
Credit Relative Value	243	-
Distressed Opportunities	241	119
Emerging Markets Debt	458	496
Fund of Hedge Funds	60	405
Global Equity	2,234	2,431
Infrastructure	696	315
Insurance-Linked Securities	381	323
Liability Driven Investment	4,855	4,483
Long Lease Property	195	-
Net Current Assets	25	12
Private Debt	178	110
Property	299	566
Risk Sharing	401	114
Secured Income	475	456
Total assets	13,275	12,305

None of the fair values of the assets shown above include any direct investments in the employer’s own financial instruments or any property occupied by, or other assets used by, the employer.

Notes to the financial statements

Key Assumptions

	2019 % per annum	2018 % per annum
Discount Rate	2.36%	2.60%
Inflation (RPI)	3.24%	3.13%
Inflation (CPI)	2.24%	2.13%
Salary Growth	3.24%	3.13%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

Notes to the financial statements

Merseyside Pension Fund (MPF)

The MPF is a multi-employer scheme, administered by Wirral Borough 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 2019.

The employers' contributions to the MPF by Plus Dane Housing Limited for the year ended 31 March 2019 were £0.707m (2018: £0.811m) at a contribution rate of 14.6% - 24.6% of pensionable salaries.

Financial assumptions

Plus Dane Housing Limited has two admission agreements into the MPF, the disclosures for which have been aggregated below.

The major assumptions used by the actuary in assessing scheme liabilities were:

	2019 **% per annum**	2018 % per annum
Discount rate	**2.5**	2.7
Future salary increases	**3.7**	3.6
Future pension increases	**2.3**	2.2
Inflation assumption	**2.2**	2.1

Mortality

The post retirement mortality assumptions used to value the benefit obligation at March 2019 are based on S2PA CMI_2015_1.75% /1.5% Tables (107% Males, 92% Females) for non-retired members and S2PA CMI_2015_1.75% /1.5% Tables (112% Males, 99% Females) for retired members. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	2019 (years)	2018 (years)
Current pensioners		
Males	**22.2**	22.0
Females	**25.0**	24.8
Future Pensioners		
Males	**25.2**	25.0
Females	**27.9**	27.8

Notes to the financial statements

Amounts Recognised in surplus or deficit

	2019	2018
	£'000	£'000
Current service costs	**659**	777
Past service costs	**416**	-
Loss on settlements/curtailments	**11**	31
Amounts charged to operating costs	**1,086**	808

	2019	2018
	£'000	£'000
Net interest	**204**	238
Amounts charged to other finance costs	**204**	238

Reconciliation of opening and closing balances of the present value of the scheme liabilities

	2019	2018
	£'000	£'000
Opening scheme liabilities	**45,386**	46,373
Current service cost	**659**	777
Past service cost	**416**	-
Interest cost	**1,212**	1,194
Re-measurements	**2,828**	(2,040)
Plan participants' contributions	**180**	186
Curtailments	**-**	19
Benefits paid	**(1,163)**	(1,123)
Closing scheme liabilities	**49,518**	45,386

Notes to the financial statements

Reconciliation of opening and closing balances of the fair value plan assets

	2019 £'000	2018 £'000
Opening fair value of plan assets	**37,445**	36,811
Interest income	**1,008**	956
Remeasurements	**1,085**	(218)
Plan participants' contributions	**180**	186
Contributions by employer	**707**	833
Administration	**(11)**	-
Benefits/transfers paid	**(1,163)**	(1,123)
Closing fair value of plan assets	**39,251**	37,445

Actual return on scheme assets

	2019 £'000	2018 £'000
Actual return on plan assets	**2,093**	751

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

	2019 %	2018 %
Equities	**39.3**	42.2
Government bonds	**6.8**	6.7
Other bonds	**22.8**	23.3
Property	**7.6**	7.1
Cash/liquidity	**5.4**	5.0
Other	**18.1**	15.7

Notes to the financial statements

Cheshire Pension Fund (CPF)

The CPF is a multi-employer scheme, administered by Cheshire West and Chester 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 2019.

Financial assumptions

The major assumptions used by the actuary in assessing scheme liabilities were:

	2019	2018
	%	%
Discount rate	**2.4**	2.7
Future salary increases	**2.8**	2.7
Future pension increases	**2.5**	2.4

Mortality

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	2019	**2018**
	(years)	**(years)**
Current Pensioners		
Males	**22.3**	22.3
Females	**24.5**	24.5
Future Pensioners		
Males	**23.9**	23.9
Females	**26.5**	26.5

Notes to the financial statements

Amounts Recognised in surplus or deficit

	2019 £'000	2018 £'000
Current service costs	**554**	542
Past service cost	**49**	-
Amounts charged to operating costs	**603**	542

	2019 £'000	2018 £'000
Net interest	**114**	121
Amounts charged to other finance costs	**114**	121

Reconciliation of opening and closing balances of the present value of the scheme liabilities

	2019 £'000	2018 £'000
Opening scheme liabilities	**27,851**	51,528
Current service cost	**554**	542
Past service cost	**49**	-
Interest cost	**751**	719
Re-measurements	**2,206**	(512)
Plan participants' contributions	**96**	89
Benefits paid	**(702)**	(710)
Effect of EPN settlement	**-**	(23,805)
Closing scheme liabilities	**30,805**	27,851

Reconciliation of opening and closing balances of the fair value plan assets

	2019 £'000	2018 £'000
Opening fair value of plan assets	**23,714**	50,220
Interest income	**637**	598
Remeasurements	**644**	235
Plan participants' contributions	**96**	89
Contributions by employer	**416**	341
Benefits paid	**(702)**	(710)
Effect of EPN settlement	**-**	(27,059)
Closing fair value of plan assets	**24,805**	23,714

Notes to the financial statements

Actual return on scheme assets

	2019 £'000	2018 £'000
Actual return on plan assets	**1,281**	833

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

	2019 % per annum	2018 % per annum
Equities	**45**	42
Bond	**45**	46
Property	**8**	8
Cash	**2**	4

7. Interest receivable

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable and similar income	**16**	10	**16**	10

Notes to the financial statements

8. Interest payable and similar charges

Group	**2019 £'000**	2018 £'000
Interest on bank loans and overdrafts	**12,167**	12,272
Finance leases	**-**	21
RCGF Interest	**13**	12
Refinancing costs written off	**481**	422
	12,661	12,727
Less: interest capitalised in housing property costs	**(269)**	(136)
	12,392	12,591

Association	**2019 £'000**	2018 £'000
Interest on bank loans and overdrafts	**12,167**	12,626
Finance leases	**-**	21
RCGF Interest	**13**	12
Refinancing costs written off	**481**	422
	12,661	13,081
Less: interest capitalised in housing property costs	**(269)**	(136)
	12,392	12,945
Capitalisation rate used to determine the finance costs capitalised during the period	**4.5%**	4.5%

Notes to the financial statements

9. Operating surplus

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Is stated after charging:				
Depreciation of housing properties	**12,398**	**12,082**	**12,398**	12,082
Impairment of housing properties	**3,024**	**-**	**3,024**	-
Depreciation of other tangible fixed assets	**424**	**533**	**488**	533
Operating lease charges:				
- Land and buildings	**111**	85	**110**	1,616
- Motor Vehicles	**400**	612	**400**	612
Auditors' remuneration (excluding VAT):				
- for audit services	**59**	46	**72**	46
- for non-audit services				
- tax advisory	**41**	18	**38**	18
- other	**55**	52	**55**	52

Auditors' remuneration for subsidiaries has been paid for by the parent in the year.

10. Surplus on sale of fixed assets - housing properties

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Disposal proceeds	**5,091**	2,811	**5,091**	2,811
Carrying value of fixed assets	**(4,338)**	(1,804)	**(4,338)**	(1,804)
	753	1,007	**753**	1,007

Notes to the financial statements

11. Tax on surplus on ordinary activities

	Group		Association	
United Kingdom Corporation Tax	**2019**	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Current taxation:				
Current tax on income for year	**4**	431	**-**	427
Adjustment in respect of prior year	**-**	(27)	**-**	(26)
Total current tax charge/(credit)	**4**	404	**-**	401
Deferred taxation:				
Net origination and reversal of timing differences	**52**	204	**-**	236
Adjustments in respect of prior periods	**-**	-	**-**	-
Effect of tax rate change on opening balance	**-**	-	**-**	-
Total tax charge	**56**	608	**-**	637
Tax relating to other comprehensive income				
Deferred taxation:				
Net origination and reversal of timing differences	**-**	-	**-**	-
Tax relating to other comprehensive income	**-**	-	**-**	-

Notes to the financial statements

11. Tax on surplus on ordinary activities (continued)

The current tax charge for the year varies from the standard rate of corporation tax in the United Kingdom of 19% (2018 19%). The differences are explained below:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Surplus on ordinary activities subject to tax	4,560	4,904	-	28
Expected tax charge at 19%	866	932	-	5
Effects of:				
Expenses not deductible for tax purposes	12	101	-	98
Adjustments to tax charge in respect of previous periods	-	(27)	-	(26)
Income not taxable	(819)	(958)	-	(69)
Fixed asset differences	-	323	-	321
Capital gains/(losses)	-	10	-	10
Adjust opening / closing deferred tax balances to 19%	(6)	2	-	6
Deferred tax not recognised	3	223	-	290
Deferred Tax timing differences	-	2	-	2
	56	608	-	637

Unrelieved losses of **£nil** (2018: £nil) are carried forward and are available to reduce the tax liability in respect of future surpluses.

Notes to the financial statements

12. Tangible fixed assets - Housing properties – Group

	Housing properties to rent		Shared ownership		
	Held for letting	Under construction	Held for letting	Under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	662,654	12,349	35,373	1,753	712,129
Additions	6,038	16,160	32	7,188	29,418
Schemes completed in year	15,686	(15,686)	3,626	(3,626)	-
Reclassified properties	(43)	355	-	(312)	-
Transfer (to)/ from current assets	-	-	29	(2,845)	(2,816)
Disposals	(3,287)	(252)	(910)	-	(4,449)
At 31 March 2019	681,048	12,926	38,150	2,158	734,282
Depreciation & impairment					
At 1 April 2018	120,823	235	1,601	2	122,661
Charged in year	15,090	10	320	2	15,422
Schemes completed in year	225	(225)	-	-	-
Reclassified properties	(14)	1	14	(1)	-
Released on disposal	(1,713)	-	(63)	-	(1,776)
At 31 March 2019	134,411	21	1,872	3	136,307
Net book value					
At 31 March 2019	546,637	12,905	36,278	2,155	597,975
At 31 March 2018	541,831	12,114	33,772	1,751	589,468

Notes to the financial statements

Tangible fixed assets - Housing properties – Association

	Housing properties to rent		Shared ownership		
	Held for letting	Under construction	Held for letting	Under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	664,663	12,349	35,373	1,753	714,138
Additions	6,038	16,160	32	7,188	29,418
Schemes completed in year	15,686	(15,686)	3,626	(3,626)	-
Reclassified properties	(43)	355	-	(312)	-
Transfer (to)/ from current assets	-	-	29	(2,845)	(2,816)
Disposals	(3,287)	(252)	(910)	-	(4,449)
At 31 March 2019	683,057	12,926	38,150	2,158	736,291
Depreciation & impairment					
At 1 April 2018	120,823	235	1,601	2	122,661
Charged in year	15,090	10	320	2	15,422
Schemes completed in year	225	(225)	-	-	-
Reclassified properties	(14)	1	14	(1)	-
Released on disposal	(1,713)	-	(63)	-	(1,776)
At 31 March 2019	134,411	21	1,872	3	136,307
Net book value					
At 31 March 2019	548,646	12,905	36,278	2,155	599,984
At 31 March 2018	543,840	12,114	33,772	1,751	591,477

Notes to the financial statements

12. Tangible fixed assets - Housing properties (continued)

The net book value includes £988,107 (2018: £973,348) in respect of assets held under finance leases. Depreciation charged in the year on these assets amounted to £17,049 (2018: £17,847).

Social Housing Grant – Group and Association	**2019**	2018
	£'000	£'000
Total accumulated SHG receivable at 31 March :	**245,407**	246,452
Recognised in the Statement of Comprehensive Income	**3,089**	2,945
Held as deferred income (Note 23)	**242,318**	243,507
	245,407	246,452

The Group is unable to analyse the cost of housing land and buildings between freehold and other tenures, nor is it able to provide a reasonable estimate except at excessive costs. It is considered the effect of this omission is negligible.

Impairment

The Group considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2014.

As a result of fire safety concerns in one of our apartment blocks, and following extensive investigation to understand the scale of the problem, there has been an impairment of £3.02m of this asset to reflect its net realisable value. This impairment was arrived at after exploring all options, including remediation, demolition and disposal.

Expenditure on works to existing properties:	**2019**	2018
	£'000	£'000
Amounts capitalised	**6,084**	8,686
Amounts charged to income and expenditure account	**4,660**	4,481
	10,744	13,167

Notes to the financial statements

13. Investment properties

Group and Association	Total £'000
Valuation	
At 1 April 2018	**6,150**
Additions	**200**
Disposal	**(1,500)**
Revaluation	**231**
At 31 March 2019	**5,081**

The group's freehold commercial investment properties were subject to an external valuation as at 31 March 2019. This valuation was carried out by Avison Young, Manchester under instruction from the directors of Plus Dane Housing Limited. The result of the valuation was an uplift of £230,500 in value, which has been recognised through the Statement of Comprehensive Income in arriving at the surplus for the year.

The valuation represents an assessment of the Market Value (as defined in the Royal Institute of Chartered Surveyors' Valuation Standards) of the individual properties. This was based on an offer for sale of the property as at the end of March 2019.

Notes to the financial statements

14. Other fixed assets

Group

	Freehold offices £'000	Leasehold office premises £'000	Motor vehicles £'000	Fixtures & equipment £'000	Total £'000
Cost					
At 1 April 2018	5,597	1,186	62	6,731	13,576
Additions	-	-	-	447	447
Disposals	-	-	(20)	(681)	(701)
At 31 March 2019	5,597	1,186	42	6,497	13,322
Depreciation					
At 1 April 2018	2,746	950	62	5,753	9,511
Charged for the year	97	10	-	317	424
Disposals	-	-	(20)	(682)	(702)
At 31 March 2019	2,843	960	42	5,388	9,233
Net book value					
At 31 March 2019	2,754	226	-	1,109	4,089
At 31 March 2018	2,851	236	-	978	4,065

Association

	Freehold offices £'000	Leasehold office premises £'000	Motor vehicles £'000	Fixtures & equipment £'000	Total £'000
Cost					
At 1 April 2018	5,597	1,186	20	6,178	12,981
Additions	-	-	42	473	515
Disposals	-	-	(20)	(166)	(186)
At 31 March 2019	5,597	1,186	42	6,485	13,310
Depreciation					
At 1 April 2018	2,746	950	20	5,204	8,920
Charged for the year	97	10	42	339	488
Disposals	-	-	(20)	(167)	(187)
At 31 March 2019	2,843	960	42	5,376	9,221
Net book value					
At 31 March 2019	2,754	226	-	1,109	4,089
At 31 March 2018	2,851	236	-	974	4,061

Notes to the financial statements

15. Subsidiaries

As required by statute, the financial statements consolidate the results of Plus Dane Housing Limited and its wholly owned and/or controlled subsidiary undertakings, as follows:

- INclude Neighbourhood Regeneration Limited (In Members Voluntary Liquidation)
- Three60 Property Investors Limited (In Members Voluntary Liquidation)
- Dane Partnership Homes Limited

The three subsidiaries listed above are all Limited Companies Registered in England and Wales.

In accordance with the Accounting Direction for Private Registered Providers of Social Housing 2015 disclosures have been made in relation to transactions between Plus Dane Housing Limited and non-regulated entities within the Group.

16. Fixed asset investments

Group and Association

	2019	2018
	£'000	£'000
Joint Venture Loan	**101**	107

Joint Venture Undertakings

The Group and Plus Dane Housing Limited have the following aggregate interests in joint ventures.

	2019	2018
	£'000	£'000
Share of gross assets	**312**	339
Share of gross liabilities	**(271)**	(288)
Share of net assets	**41**	51

Plus Dane Housing Limited (and hence the Group) holds a 22.5% interest in the ordinary share capital of a joint venture undertaking, Circle Liverpool Limited. This company is incorporated in the England and Wales and manages and operates waste recycling in the Liverpool area.

Notes to the financial statements

17. Stock

	2019 £'000	2018 £'000
Consumables	**129**	73

18. Properties for sale

Group and Association	2019	2018
	£'000	£'000
Outright sale	-	119
Shared ownership	2,193	1,900
	2,193	2,019

19. Debtors

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts receivable after one year				
Amounts due under finance lease (note 20)	**5,097**	4,950	**5,097**	4,950
Amounts receivable within one year				
Rent and service charges	**4,582**	4,121	**4,582**	4,121
Less: provision for bad debts	**(3,356)**	(2,937)	**(3,356)**	(2,937)
	1,226	1,184	**1,226**	1,184
Amounts due under finance lease (note 20)	**162**	462	**162**	462
Amounts due from group undertakings	**-**	-	**-**	1,227
Loans to employees	**37**	37	**37**	37
Other debtors and prepayments	**2,660**	3,299	**2,660**	2,975
Other tax and social security	**212**	-	**212**	235
Social Housing Grant receivable	**-**	1,847	**-**	1,847
Corporation tax debtor	**-**	26	**-**	-
Deferred tax	**51**	51	**51**	-
	4,348	6,906	**4,348**	7,967
	9,445	11,856	**9,445**	12,917

20. Amounts due under finance lease

Group and Association

Amounts due under finance leases amount to £5,259,000. This represents the value of the finance lease at 31 March 2019 granted to CLS Care Services over The

Notes to the financial statements

Larches in Macclesfield. The Larches is a 90 unit dementia and extra care village which was completed and the lease granted in October 2007. The lease is for a period of 30 years and the substance of the lease is such that it is deemed to be a finance lease and has been treated in the financial statements accordingly.

Finance leases are receivable as follows:

	2019	2018
	£'000	£'000
Within one year	**162**	462
Between one and two years	**172**	462
Between two and five years	**798**	924
After five years	**4,127**	3,564
	5,259	5,412

Loans to employees

The loans to employees relate solely to the PDH's car loan, travel pass and course loan scheme, the interest rate on all loans being between 3 per cent and 3.5 per cent per annum repayable by monthly instalments.

21. Creditors: amounts falling due within one year

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Loans (see note 22)	**3,189**	12,871	**3,189**	12,871
Finance lease creditor (see note 22)	**-**	1	**-**	1
Trade creditors	**1,300**	964	**1,300**	945
Social Housing Grant received in advance	**326**	610	**326**	610
Rent received in advance	**2,785**	2,778	**2,785**	2,778
Other tax and social security	**510**	506	**510**	466
Corporation tax	**64**	-	**12**	-
Accruals and deferred income	**8,284**	8,009	**8,284**	7,973
Recycled Capital Grant Fund (see note 24)	**826**	494	**826**	494
Disposal Proceeds Fund (see note 25)	**141**	234	**141**	234
Amounts due to Group undertakings	**-**	-	**120**	660
Other creditors	**2,134**	2,275	**2,045**	2,157
Deferred Grant Income (see note 23)	**2,920**	2,900	**2,920**	2,900
Amounts due to pension funds	**209**	339	**209**	339
Deferred tax	**-**	-	**-**	-
	22,688	31,981	**22,667**	32,428

Notes to the financial statements

22. Creditors: amounts falling due after more than one year

Group and Association

	2019 £'000	2018 £'000
Bank loans	294,143	279,986
Less: issue costs	(1,326)	(1,491)
	292,817	278,495
Deferred grant income (see note 23)	239,398	240,607
Recycled Capital Grant Fund (see note 24)	636	730
Disposal Proceeds Fund (see note 25)	76	265
Finance lease creditor	-	-
Obligations from pension schemes	-	1,667
	532,927	521,764

Debt Analysis

	2019 £'000	2018 £'000
Debt on bank loans repayable as follows		
In five or more years	195,805	211,106
Between two and five years	93,161	65,041
Between one and two years	3,851	2,348
	292,817	278,495
In one year or less	3,189	12,871
	296,006	291,366

Housing loans from lending institutions are secured by specific charges on some of the Group's housing properties and floating charges over the Group's assets and are repayable at rates of interest of between 0.7% and 10.73%. The level of undrawn facilities at the year-end stands at £52.4 million (2018: £71.5 million).

Debt on finance leases repayable as follows	2019 £'000	2018 £'000
Within one year	-	1
Between one and two years	-	-
Between two and five years	-	-
After five years	-	-
	-	1

Finance leases are secured on the assets to which they relate.

Notes to the financial statements

23. Deferred grant income

Group and Association	2019 £'000	2018 £'000
At 1 April	243,507	239,201
Grants received in the year	3,337	8,000
Released to income in the year	(4,526)	(3,694)
At 31 March	242,318	243,507

	2019 £'000	2018 £'000
Amounts to be released within one year	2,920	2,900
Amounts to be released in more than one year	239,398	240,607
	242,318	243,507

24. Recycled Capital Grant Fund (RCGF)

Group and Association	2019 £'000	2018 £'000
At 1 April	1,224	2,683
Additions to fund	323	309
Interest credited	9	10
Utilised in the year	(94)	(1,778)
At 31 March	1,462	1,224
Disclosed as:		
Amounts falling due within one year	826	494
Amounts falling due after one year	636	730
	1,462	1,224

Notes to the financial statements

25. Disposal proceeds funds (DPF)

Group and Association	2019 £'000	2018 £'000
At 1 April	**499**	602
Grant recycled upon relevant events	**-**	75
Utilisation of fund	**(285)**	(180)
Interest credited	**3**	2
Balance at 31 March	**217**	499
Disclosed as:		
Due within one year (see note 21)	**141**	234
Due after one year	**76**	265
	217	499

26. Deferred tax

	Group		Association	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
At 1 April	**(51)**	(256)	**(237)**	(237)
Origination and reversal of timing differences	**51**	205	**237**	237
Prior year adjustment	**-**	-	**-**	-
At 31 March	**-**	(51)	**-**	-
Deferred tax asset (note 19)	**-**	(51)	**-**	-
Deferred tax liabilities (note 21)	**-**	-	**-**	-
Net deferred tax liability/(asset)	**-**	(51)	**-**	-
Comprising:				
Accelerated capital allowances	**-**	(51)	**-**	-
Fixed asset timing differences	**-**	-	**-**	-
Losses and other deductions	**-**	-	**-**	-
Short term timing differences	**-**	-	**-**	-
Net deferred tax (asset)/liability	**-**	(51)	**-**	-

Notes to the financial statements

27. Share capital

Group and Association	2019 £	2018 £
Shares of £1 each issued and fully paid		
At 1 April and 31 March	11	19

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions. The members' liability is limited to £1 on a winding up of Plus Dane Housing Limited.

28. Notes to the group cash flow statement

Reconciliation of operating surplus to net cash generated from operating activities	2019 £'000	2018 £'000
Operating surplus	**13,900**	17,887
Adjustment for non-cash items:		
Depreciation of tangible fixed assets	**15,846**	12,615
Decrease/(increase) in stock	**56**	36
Decrease/(increase) in trade and other debtors	**85**	1,661
Decrease/(increase) in trade and other creditors	**5,461**	3,728
Pension costs less contributions payable	**(327)**	(361)
Impairment/Revaluation of investment properties	**(231)**	(168)
Carrying amount of tangible fixed asset disposals	**4,338**	1,804
Share of operating (surplus)/deficit in associate	**4**	(19)
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed Assets	**(5,091)**	(2,811)
Government grants utilised in the year	**(3,089)**	(2,945)
Tax	**(56)**	(622)
Net cash generated from operating activities	**30,896**	30,805

Notes to the financial statements

29. Capital commitments

Group and Association

	2019 £'000	2018 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**13,903**	21,610
Capital expenditure that has been authorised but not yet contracted for	**29,249**	28,470
	43,152	50,080
The Group expects to finance the above commitments by:		
Social Housing Grant receivable	**10,305**	7,469
Loan facilities, shared ownership staircasing sales and other trading cash flows	**32,847**	42,611
	43,152	50,080

30. Commitments under operating leases

The future minimum lease payments are as set out below. Leases relate to office accommodation, market rent apartments and motor vehicles.

	2019 £'000	2018 £'000
Not later than one year	**666**	583
Later than one year and not later than five years	**1,629**	1,302
Later than five years	**1,200**	1,500
	3,495	3,385

31. Related parties

Circle Liverpool Limited is a Joint Venture that operates as a waste management company of which Plus Dane Housing Limited is a member. The investment in Circle stood at £56k (2018: £56k) and the loan stood at £45k (2018: £51k). At 31 March 2019 the balance outstanding owing to Circle for waste management services was £1,254 (2018: £ Nil).

During the year the company paid £172,307 in respect of waste disposal (2018: £166,591).

The group participates in the following funded multi-employer defined benefit schemes; the Merseyside Pension Fund (MPF) and the Cheshire Pension Fund

Notes to the financial statements

(CPF), both Local Government Pension Schemes and the Social Housing Pension Scheme (SHPS), administered by The Pension's Trust. Transactions between the group and the pension schemes are contained within Note 6.

32. Post Balance Sheet Events

The members voluntary liquidation of Include Neighbourhood Regeneration Limited and Three60 Investors Property Limited was expected to be completed before 31 December 2018. This will be finalised once the final tax computations are cleared.