

BROMFORD HOUSING ASSOCIATION LIMITED

Financial Statements

for

the year ended 31 March 2019

Co-operative and Community Benefit Society

Registration Number 7106

Regulator of Social Housing

Registration Number 4819

Bromford.

Bromford Housing Association Limited

Financial Statements

For the year ended 31 March 2019

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Bromford Housing Association Limited

Financial Statements

For the year ended 31 March 2019

Board Members as at 31 March 2019:

The Board members who served from 1 April 2018 up to the date of approval of these financial statements were as follows:

	Position	Appointment/Retirement Date	Meetings Attended 2018/19
Jonathan Simpson-Dent	Chair	Appointed 7 April 2015	9 out of 9
Oke Eleazu	Vice Chair and Senior Independent Director	Appointed 1 April 2015	8 out of 9
Nick Cummins	Executive Director of Operations	Appointed 1 April 2015 Retired 2 July 2018	1 out of 1
Philippa Jones	Chief Executive	Retired 31 December 2018	6 out of 6
Christine Baldwin	Independent Non-Executive Director	Appointed 1 April 2015 Retired 2 July 2018	1 out of 1
Stephen Dando	Independent Non-Executive Director	Appointed 24 November 2015	8 out of 9
Sally Higham	Independent Non-Executive Director	Appointed 1 April 2016 Retired 2 July 2018	1 out of 1
Balvinder Heran	Independent Non-Executive Director	Appointed 1 April 2016	8 out of 9
Lee Gibson	Executive Director of Finance	Appointed 1 August 2016	9 out of 9
Robert Nettleton	Chief Executive Designate Chief Executive	Appointed 2 July 2018 Appointed 31 December 2018	8 out of 8
Vivienne Horton	Independent Non-Executive Director	Appointed 2 July 2018	8 out of 8
Richard Bird	Independent Non-Executive Director	Appointed 2 July 2018	8 out of 8
Richard Penska	Independent Non-Executive Director	Appointed 2 July 2018	7 out of 8
Neil Rimmer	Independent Non-Executive Director	Appointed 2 July 2018	8 out of 8
Helen Adlard	Independent Non-Executive Director	Appointed 2 January 2019	3 out of 3

Meetings attended reflects the number of Board meetings that were attended by each Board member out of the total number of Board meetings they were eligible to attend.

Company Secretary	Appointment/Retirement Date
John Wade	Retired 1 August 2018
Sarah Beal	Appointed 1 August 2018

Bromford Housing Association Limited

General Information

For the year ended 31 March 2019

Advisors:

External Auditors:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Business Assurance Provider:

Mazars LLP
45 Church Street
Birmingham B3 2RT

PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol BS2 0FR

Banker:

Barclays Bank plc
15 Colmore Row
Birmingham B3 2BH

Taxation Advisor:

Beever & Struthers LLP
St George's House
215-219 Chester Road
Manchester M15 4JE

Registered office:

Exchange Court
Brabourne Avenue
Wolverhampton Business Park
Wolverhampton WV10 6AU

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2019

The Board of Bromford Housing Association Limited ('BHA') is pleased to present its annual report and financial statements for the year ended 31 March 2019.

Who are we and what do we do?

BHA is a subsidiary of Bromford Housing Group Limited ('BHG'). It is a Registered Provider of Social Housing and a Registered Society under the Co-operative and Community Benefit Societies Act 2014. Together, BHG and its subsidiaries are known as 'Bromford'.

Bromford exists to provide affordable homes for people who can't access market housing. We believe in providing safe, secure and warm homes, but we're ultimately a people business. Not only do we care about what happens to people that live in a Bromford home, we want people to thrive.

That's why our purpose is simple and honest. *We invest in homes and relationships so people can thrive.*

Bromford is a housing group – one that owns 43,000 homes; has individual relationships with more than 100,000 customers; has a very strong balance sheet; and plans to build a further 14,000 new homes over the next decade. All this is only possible because of the 1,800 people who work for the organisation.

BHA's principal activities are to develop and manage affordable homes for sale, rent or shared ownership and also to provide a range of services that help customers to develop resilience and take control of their lives.

Our Board – who are they and what do they do?

BHG is the parent company of BHA. Under Bromford's Governance Framework, BHA delegates matters of governance and financial authority to the BHG Board (The Board).

The BHG Board's role is to **set and uphold Bromford's strategy and values** and to make sure that **effective leadership** and **sufficient resources** are in place for Bromford to achieve its strategic aims and objectives. The Board monitors and tests **performance** in relation to approved plans and budgets and is also responsible for determining risk appetite, to make sure good governance and decision-making is taking place. It promotes and supports our probity and values and ensures there are succession plans for Board members and the senior team. Bromford's day-to-day leadership is delegated to the Chief Executive.

Bromford's statement of strategy (published on our website) describes our 'DNA' **Fig. 1**. Our DNA is what we stand for and the behaviours, qualities and values that represent what it means to **Be Bromford**.

Board and Strategic Report
For the year ended 31 March 2019



Fig 1. Bromford DNA

Board composition, meetings, decisions and delegations

The BHA Board operates as a unitary board.

Up to the 1 July 2018, our Board had nine members - three Executive Directors (our Chief Executive, Executive Director of Operations and Executive Director of Finance) and six Non-Executive Directors (NEDs).

From the 2 July 2018, our Board comprised 11 members – three Executive Directors (our Chief Executive, Chief Executive Designate and Executive Director of Finance) and eight NEDs. On 31 December 2018 the number of Executive Directors reduced to two as the Chief Executive retired and the Chief Executive Designate assumed the role. On 2 January following the transfer of engagements of Severn Vale into Bromford, an additional NED was appointed, bringing the total board members to 12.

NEDs are recruited for their skills and experience and are appointed for an initial term of three years. Reappointment following the initial term is not automatic and NEDs are required to satisfy continuing independence and performance-related criteria before they are appointed for a second, three-year term. Any term beyond six years is subject to rigorous annual review which takes into account the need to progressively refresh the Board.

NEDs are offered ongoing training, support and access to independent professional advice to enhance their decision-making and help them discharge their duties effectively.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2019

The time commitment required from NEDs is currently between 12 and 15 days per annum. The other significant commitments of the Chair, Jonathan Simpson-Dent, and NEDs were disclosed to the BHG Board before appointment and are summarised in the BHG Annual Report and Accounts.

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Board meetings and attendance

Each BHA Board meeting has a planned agenda which allows enough time to discuss key areas of importance. Input from professional experts and/or external advisors is also sought by the Board when necessary. NEDs also participate in 'experience it' days that enable them to stay connected to frontline services and our customers.

The **General Information** section on page 1 sets out each current Board member's attendance at Board and committee meetings during the financial year.

Board and Committee Decision-making

Strategy, financial viability and risk management are important factors in the management and performance of the organisation. Our Governance and Delegations Framework helps us to achieve this by making sure that decisions are made by the right people or groups by specifying which matters are reserved for the Board, its committees and senior management. For reports from our committees refer to Report of the Board Committees within the Group financial statements.

Statement of compliance with the regulatory standards

Our regulator, the Regulator of Social Housing (RSH), publishes a Regulatory Framework and Regulatory Standards. The Regulatory Standards comprise of the Economic Standards (namely the Governance and Financial Viability, Value for Money and Rent Standards) and the Consumer Standards (namely the Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community Standards).

One of the core Economic Standards is Governance and Financial Viability. This requires Registered Providers (RPs) to have effective governance arrangements in place that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. It also requires RPs to manage their resources effectively, to make sure their viability is maintained whilst ensuring that social housing assets are not put at undue risk.

As part of being regulated by the RSH, Bromford has been given a rating for governance, as assessed against the Governance and Financial Viability Standard. Bromford maintains a G1 governance and V1 financial viability rating, the highest ratings on the scale throughout the financial year ended 31 March 2019.

The Board is committed to ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015. Bromford's Modern Slavery statement is available on the website.

Each year the RSH requires RPs to assess their compliance with the Governance and Financial Viability Standard and provide assurance to customers and stakeholders that the RSH specific expectations are being complied with.

Following our annual review of compliance, the BHA Board are pleased to confirm that during the year ended 31 March 2019 we consider that BHA has complied with all applicable outcomes and specific expectations of the

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2019

Governance and Financial Viability Standard and its accompanying Code of Practice and with the outcomes and requirements of all the other economic and consumer standards.

Statement of compliance with our code of governance

We have adopted the UK Corporate Governance Code (the 'UK Code'). The UK Code reflects our commercial outlook, focus on achieving the highest possible standards of accountability and transparency, and our desire to position ourselves alongside other high-achieving organisations, regardless of sector.

As we do not have shareholders in a conventional sense; some aspects of the UK Code (such as Section E) don't apply to us. However, we strongly support the objectives that this section aims to achieve and this is reflected in the open and transparent way we deal with our partners and stakeholders.

The UK Corporate Governance Code 2018 will apply for our financial year 2019/20. The Board has been planning for its introduction and although the Code will see significant changes in the reporting requirements we have identified, through gap analysis, that many of the requirements are already reflected in our working practices. Where there were gaps we have developed new arrangements and have adopted a new Governance Framework from 1 April 2019, to support our compliance reporting in our next accounts.

Each year the Board reviews compliance with the UK Code and during the financial year ended 31st March 2019 we consider that Bromford has complied with all relevant principles and provisions of the UK Code.

Statement of compliance with the general data protection regulation (GDPR)

GDPR became enforceable on 25 May 2018 and, using a planned approach, we have taken appropriate steps to ensure that Bromford is GDPR ready. On 2 July 2018, we appointed Chris Down as our data protection officer.

Governance effectiveness review

Each year the Board carries out a formal evaluation of Board, committee and individual director performance. Every three years, as recommended by the UK Code, this evaluation is facilitated by an external advisor to provide an independent perspective.

During the period November to February 2018 Altair, an external advisor, carried out an independent review of Governance Effectiveness and prepared a report which was used to support development of the new Board. The Chair carried out in internal review in January 2019, and it has been agreed that as a result of the significant amount of change that there be a further external review during 2019/20.

Mergers

The Board has considered the NHF voluntary Code of Practice on mergers and partnerships (the Code) and believes that some aspects of the detail set out in the Code are too prescriptive to be applied in practice to the very wide variety of ways in which mergers and partnerships between housing associations can be initiated. We adhere to the good governance principles and provisions set out in the UK Code.

Openness and transparency

Bromford has always been a strong advocate for openness and transparency because we recognise the key role it plays in stakeholders getting the information they need to make informed decisions about how we operate and use our resources.

With that in mind, we have set up a brand new investor relations page on our website with the latest news and stats around our financial performance and have redoubled our commitment to transparency by being quicker on our financial reporting and now produce six-monthly updates on this. As in previous years, the 'Get to know us' section of the website also contains copies of our key policies and procedures, alongside copies of our statement of strategy, Governance Framework and Probity Policy.

We also recognise how important being open and transparent is for delivering fair and effective customer service as

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Board and Strategic Report For the year ended 31 March 2019

well as maintaining the strong culture between colleagues that has long-existed in all three legacy organisations. Over summer 2018 we held over 30 workshops across our new operating area with nearly 600 colleagues attending and giving us their views on why Bromford is special for them, what makes us stand out from the crowd, and how we should operate in the future. From this our new values, referred to as DNA, were born and these are outlined in **Fig 1** and now guide how every colleague behaves and acts both with others and each other.

A key aspect of being open and transparent is interacting with our customers, partners and stakeholders in ways which are practical and productive. We want customers to be able to contact us easily and conveniently whenever and wherever they need to and we work hard to remove any barriers to doing this. Alongside traditional contact methods such as phone and email, we also have a growing presence online with active social media accounts across Facebook, Instagram, LinkedIn and Twitter. Customers tell us they like the flexibility this offers and the ability to proactively manage their relationship with us in different ways, depending on their situation. This approach is meaning customers are increasingly feeling able to give us their feedback and views on how things should operate – with 9,566 customers giving us their feedback in 2018/19 – a rise of 20% from the previous year.

Our restructured customer involvement programme, with a new Customer & Communities Involvement Network (CCIN) and Locality Influence Networks (LINs) working far closer with the Bromford Board, is devolving more decision-making to the people who live in our homes and increasing transparency for all.

Risk management and internal control

Risk overview

Effective risk management is at the heart of our business and has an important part to play in delivering our purpose. We have well-established risk management processes, and control frameworks, which guide and support how our colleagues work, behave and the decisions they make.

How we manage our risks?

Our Board defines clear statements and tolerances that set out the type and amount of risk we are prepared to assume as we deliver our strategy, plans and run our day-to-day operations. This informs our strategy for managing risks and determines the controls we put in place to mitigate them. This provides clarity to colleagues and key stakeholders on the way we do business; enabling informed individual decision making and empowerment, and a clear framework for considering risk and capacity when formulating strategic and tactical business decisions. Our financial risk capacity (the amount of risk we can assume considering capital, liquidity, borrowing and regulatory requirements) is embedded within the financial framework and golden rules. We also have regard for non-financial elements; people, customers, capability and operational systems, and the cumulative impacts of these factors. For further detail on our enterprise risk management framework see the section on page 10.

Our principal risks

Bromford is exposed to the principal risks as set out below. Key risks are determined by the Board, and appetite and tolerances set. Business risks are monitored with escalation through executive forums, Audit & Risk Committee and then to Board.

Legal & Regulatory Risk
The risk that Bromford fails to design and implement operational arrangements, systems and controls such that it can maintain current and future legal, regulatory and safety requirements.
Board Risk Appetite
Bromford recognise that legal, regulatory and safety requirements exist to ensure the safety of our people and our business and we take these responsibilities seriously. Bromford will ensure both compliance and people safety, identifying all applicable regulation, legislation and codes through internal and external sources and will maintain assurance of compliance across all the three lines of defence to maintain the

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2019

highest Governance rating for RP's. Our risk appetite is minimal, as we will do everything that is reasonably practicable to ensure compliance and is averse with respect to landlord asset compliance and health and safety risks.	
Key Risks	Mitigations
Death, injury or harm caused to colleagues, customers, contractors or members of the public.	Maintaining external accreditation, and practices validated by independent bodies. Rigorous testing of processes and reconciliation of data through 1 st , 2 nd and 3 rd line activity and technical experts for legal asset compliance. Mandatory training programme to ensure all colleagues competencies are up to date and fit for purpose.
Responding to the customer voice (customers in control)	Customer and Communities Influence models at Group level and localities connect us with customer and a strong tie back to Board. Continuous engagement through the neighbourhood coaching model, customer feedback and complaints and analysis.

Strategic Risk	
The risk that Bromford is unable to deliver against its business plan, either through poor strategic business decisions and/or failing to properly implement those plans.	
Risk Appetite	
Our strategy sets the direction of our business and informs all business activity. Bromford will maintain robust change protocols and rigorously prepare and track implementation against our strategy. As an innovative business our appetite is open as we have set ambitious plans and have multiple channels for delivery to achieve the targets set.	
Key Risks	Mitigations
Macro-economic and political uncertainty	Identifying and monitoring potential risks to the business through dedicated horizon scanning, government policy review and monthly Board briefing. Stress testing scenarios and resilience plans account for a variety of economic and non-economic scenarios and reflect Brexit impact and mitigations.

Development/Commercial Risk	
The risk that Bromford has insufficient income, capacity and/or opportunity to deliver its development ambitions.	
Board Risk Appetite	
Bromford have the financial strength and capability to enable even more customers to thrive. Bromford will take a balanced view on short and longer-term risk and identify opportunities and strategic partners to deliver new homes at scale. We will remain nimble and pursue different types of opportunities as long as they enable us to build more affordable homes. Our appetite is open as we seek to remain competitive in the market place whilst proactively seeking new opportunities for sustainable growth both in the short and longer term. We aspire to deliver a balanced programme which will enable us to deliver significant growth and ensure we build homes and communities our customers aspire to live in.	
Key Risks	Mitigations
Delivery of new homes aspirations	Rigorous monitoring of the external market and review of business risks that may impact on our programme. A dedicated forum considers opportunities against strategy and monitors and track progress against plan with monthly reporting to Board. There are financial limits in place on items that require review and approval by the board, and these and exceptions to existing parameters, and their value for money impacts are considered by the Board.
Housing market sales	Approvals on all schemes include testing and exit strategies ahead of commitment. Performance data is tracked through a dedicated Forum to ensure we are delivering the sales programme and income assumed in appraisals. Specific golden rules and limits on sales % of overall homes programme to support new strategy and considering operating environment.

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**Board and Strategic Report
For the year ended 31 March 2019**

Operational Risk	
The risk that Bromford is unable to maintain business continuity through inadequate or failed internal process, technology, people or impacts from external events. This may include power outages, theft or people shortage.	
Risk Appetite	
Our core business is the main reason for which we exist and we, along with our customers, depend on our ability to maintain core functions. Bromford will maintain a skilled workforce, with processes and technology which are tried and tested to withstand a range of severe but plausible incident scenarios. Our appetite is balanced as whilst we will explore new options for providing our services, we remain focused on operating our business to ensure a minimal level of disruption to our customers, brand and reputation.	
Key risks	Mitigations
Major transformation outcomes and benefits	Rigorous programme governance and oversight on major transformation, with internal Board and executive oversight of performance, risks and benefits cases realisation, supported by periodic independent external assurance.
Retain, recruit and motivate engaged colleagues to deliver our strategy and purpose.	A clear strategy with values-based recruitment and embedding of our DNA ensures we retain and attract colleagues aligned to our purpose. Enterprise surveys and monthly monitoring of key performance and risk indicators inform specific actions.
Data Governance	Data use, quality, interpretation and reporting is a critical area. A dedicated data governance group meet to assess business practice, monitor risks and improvement plans and provide reporting to Audit & Risk Committee and Board. Data dashboards and audits validate accuracy, completeness and intended outcomes for key data sets. As part of business transformation data governance is a sub-topic of all 3 rd line assurance exercises across our 2019/20 Internal Audit Plan.
Business operational resilience	Cyber security: Maintaining enterprise grade perimeter and internal security services to protect against attacks. Regular penetration and scenario testing and embedding an integrated information security framework, policy and toolkit. Business continuity and major incident planning: Framework and assessments in place, with regular testing and reporting. This year we have taken the opportunity to review existing practices and move to new integrated approach for our organisation post mergers.

Financial Risk	
The risk of Bromford having inadequate income, cash flow or liquidity to meet current or future requirements and expectations. It includes loss of earnings capacity or liquidity arising from mismatches between Bromford’s assets, funding and other commitments and which may be exposed to changes to market rates or conditions.	
Board Risk Appetite	
Financial strength is critical to delivering our vision and our core business effectively. Therefore, we need to maintain financial discipline, strong balance sheets, cash generation capability and allocation of capital. Bromford will operate in line with agreed Golden Rules, which ensure we hold sufficient liquidity resources, with secure counterparties, supported by sustainable earnings, low risk, diverse sources of funding and minimal exposure to market and off-balance sheet risk, to ensure there is no significant risk that our liabilities cannot be met as they fall due. Our appetite is balanced, as we will not accept risks which threaten our financial viability, but we will be open to diverse investment options.	

Board and Strategic Report
For the year ended 31 March 2019

Key Risks	Mitigations
Financial planning and / or insufficient liquidity	Parameters and decision framework, with rigorous monitoring of key financial ratios and liquidity against future spend. Stress testing and mitigation plans reviewed and monitored.
Borrowing new money and access capital markets	Prudent treasury strategy and policies enable access to diverse, low risk funding options; Maintaining strong dual credit rating. Board and Treasury Committee monitoring of available security, excess charge, our market position and bond trading levels support funding strategy and day to day management.
Welfare Reform	Robust Welfare Reform Action plan is in place. Data insight is performed on Universal Credit cases to track and inform future plans to support customers. Stress tests consider reform impacts.

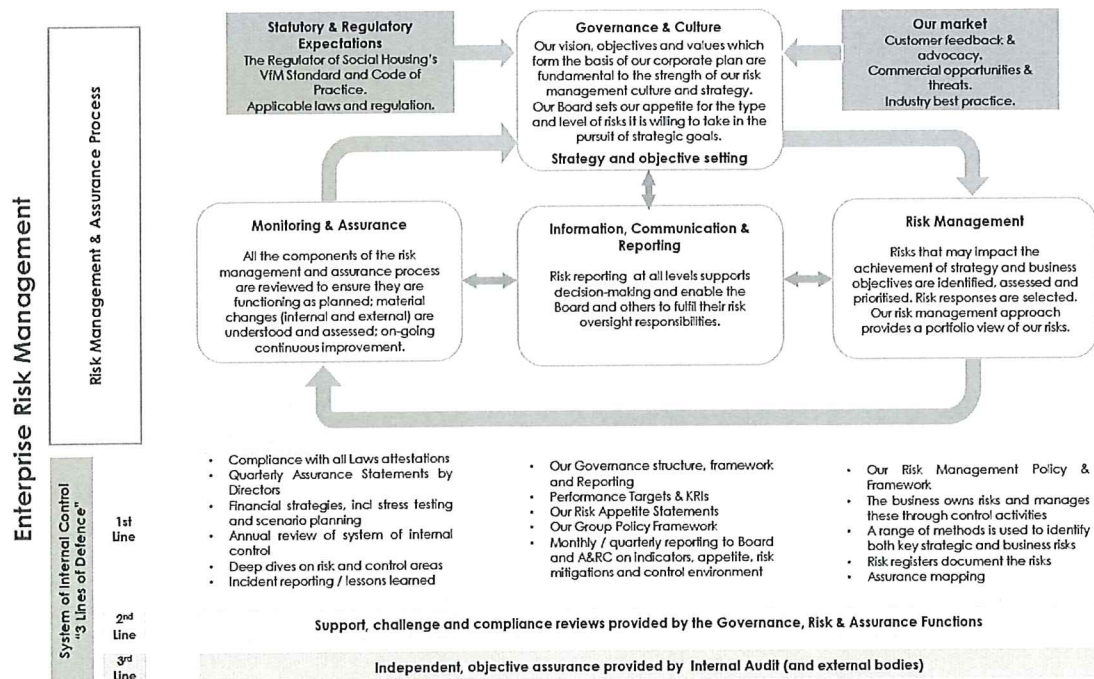
Risk Management at Bromford
Enterprise Risk Management Framework (ERMF)

We manage our risks through an Enterprise Risk Management Framework, which sets out the minimum standards, and associated processes, for successful risk management to support strategic decision making.

The ERMF supports risk management through robust and consistent processes, supported by appropriate tools and guidance, enabling business decisions for delivery of Bromford’s strategy.

Bromford operates a three lines of defence model, ensuring clear separation between risk and control ownership (first line), oversight, support and challenge (second line), and audit assurance (third line). The diagram below sets out our framework;

Risk Management Framework.



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Board and Strategic Report For the year ended 31 March 2019

One of the Board's key responsibilities is to make sure that Bromford has a system of internal controls in place that robustly manages the operational and strategic risks that threaten our business model, future performance, solvency and liquidity.

Internal control

The Audit and Risk Committee monitors and reviews the effectiveness of the internal control system, conducts an annual effectiveness review and reports the findings to the Board. The system of internal control is designed to manage rather than eliminate risk, to prevent and/or detect fraud and to provide reasonable, but not absolute, assurance against material misstatement or loss.

As part of its annual review process the Audit and Risk Committee considers:

- The Executive Board's annual review of the effectiveness of the internal control system;
- The Risk Register;
- External auditor reports;
- Reports from our Business Assurance provider;
- Internal monitoring reports and key performance indicators;
- Reviews of statutory and regulatory compliance – including safety compliance;
- Financial accounts, budgets, forecast and financial controls.

Some key elements of our internal control framework include:

- Our Governance Framework and Group Delegation Framework, including committee terms of reference, approved by the Board;
- Financial Standing Orders;
- Strong treasury management, supported by external advisors and experts where necessary;
- A clear risk management process and policy;
- Robust strategic and business planning processes;
- A bespoke business assurance programme;
- Up-to-date and innovative recruitment, training and development programmes for colleagues;
- Regular and formal reporting to Board on performance and progress on strategic priorities, targets and outcomes;
- Confidential Reporting and Probity policies;
- Anti-money laundering and fraud policies and registers.

All policies and 'How-to' guides are simple and easy to understand. The latest versions of all policies and 'How-to' guides are accessible to all colleagues on our colleague intranet.

Business Assurance and External Audit is an important way the Audit and Risk Committee obtains assurance that internal controls are in place and working. At the start of each financial year, our Business Assurance provider and external auditor work with us to put a work plan in place to review and test the controls in our biggest risk areas, or in areas of strategic importance.

During the year, no significant failings or weaknesses were identified by either our Business Assurance provider or external auditor.

The Board confirms it has an approved fraud policy that covers the prevention, detection and reporting of fraud. Details of identified frauds are maintained in the fraud register, which is reviewed annually by the Audit and Risk Committee on behalf of the Board.

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The Group has also appointed a Money Laundering Reporting Officer as part of its compliance with anti-money laundering legislation.

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31st March 2019, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

Significant issues considered by the Audit and Risk Committee for the year ended 31 March 2019

Significant issues were discussed with management and the external auditor in January 2019 when the Audit and Risk Committee reviewed the *Audit Plan and Strategy for the year*, and at the conclusion of the audit, when the financial statements were reviewed in August 2019.

The committee also considered all relevant reports and findings presented by the external auditor, and also the adequacy of management's response. In addition, the committee reviewed the external auditor's independence, objectivity and effectiveness of the audit. The *Audit Plan and Strategy for the year* identified several key audit matters which are considered below.

The impact of uncertainties due to the UK exiting the European Union	<p>The committee has considered the potential impacts of Brexit on the Association. This includes effects treasury and finances, the new homes development programme, service delivery, procurement and asset management, and also customers. Key considerations include the monitoring of supply chain management, review of inventory and stockholding measures and development exposures and uncertainty. This includes recognising the impact on repairs materials from a legal and customer obligation perspective. This is also considered by the Group Board on a regular basis.</p> <p>The assumptions underpinning the business plan forecasts are also well understood, with appropriate stress testing undertaken in respect of likely Brexit conditions. This is informed by the Bank of England assumptions and stress tests, and evolving political commentary. In addition, Brexit uncertainty has been considered in the context of judgements and estimates relating to the financial statements.</p>
Bromford Pension Scheme and LGPS valuation	<p>The Association partakes in a defined benefit pension scheme. As at March 2019 the valuation of the schemes rely on a number of actuarial assumptions which can differ depending on the actuarial firm involved in the valuation, and the membership profile of the schemes.</p> <p>Management gave assurances to the Committee that the actuaries used appropriate assumptions which were based on the most recent valuation and are derived on a consistent basis, year on year. This included the impact of the landmark judgements on the equalisation of the Guaranteed Minimum Pensions (GMP) between men and women during the course of the audit. The external auditor presented the audit testing of the pension liabilities. The committee was satisfied that the appropriate assumptions and disclosures have been applied to the pension liabilities presented in the financial statements.</p>

Bromford Housing Association Limited

**Board and Strategic Report
For the year ended 31 March 2019**

Development assumptions and judgements	<p>The Association's significant development programme continued into this financial year, which was expanded by the approval of the latest new homes business plan. The accounting for these development schemes contains several assumptions and judgements relating to the recovery of work in progress, capitalised costs and the contractual relationships with third party contractors and partners. Consideration was also given to the risk of impairment on significant developments due to time delays, increases in contractor costs and /or budget overruns. The committee considered the risk that appropriate valuation and accounting treatment is not applied to these significant development transactions.</p> <p>Assurances were provided by management to the committee that appropriate assumptions and judgements had been used in the accounting for development schemes, in addition to the external auditor's audit testing and key focus as part of their audit methodology. The committee considered these assumptions and judgements to be applied and appropriately reflected in the financial statements.</p>
Recoverability of inventory	<p>The Association holds stock comprising of properties for sale in relation to shared ownership. This involves the Association to apply estimates in assessing the net realisable value of unsold units and the recoverability of this stock.</p> <p>Management gave assurances to the committee that appropriate assumptions and judgements had been used in arriving at the net realisable value of the units, in addition to the supporting work of the Investment Forum who appraises and monitors the developments of these units. The committee was satisfied from the assurances received, and from the assessments undertaken in the monitoring of these units.</p>

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Board and Strategic Report For the year ended 31 March 2019

Financial review (5 year summary)

Income and Expenditure £'m	2015	2016	2017	2018	2019
Turnover	160	165	162	169	192
Operating costs and cost of sales	(97)	(100)	(99)	(114)	(137)
Surplus on disposal of assets	3	5	6	9	4
Change in valuation of investment properties	1	-	1	-	-
Operating surplus	67	70	70	64	59
Net interest charge and other finance costs	(32)	(26)	(26)	(20)	(34)
Financing cost of new group structure	-	-	-	-	(30)
Gift aid received	6	5	6	6	1
Surplus/ (loss) for the year	41	49	50	50	(4)

Statement of Financial Position £'m	2015	2016	2017	2018	2019
Housing properties at cost less depreciation	1,367	1,405	1,459	1,536	1,619
Other tangible fixed assets, intangible fixed assets and investments	17	24	25	26	34
Debtors due after more than one year	26	21	20	19	23
Net current assets	11	44	9	31	27
Total assets less current liabilities	1,421	1,494	1,513	1,612	1,703
Loans due after one year	(546)	(570)	(547)	(590)	(721)
Unamortised grant	(430)	(425)	(419)	(416)	(413)
Other long-term liabilities and provisions	(62)	(62)	(61)	(82)	(51)
Total net assets	383	437	486	524	518
Total reserves	383	437	486	524	518

Our key financial objective has been to maintain and improve our financial strength whilst protecting our liquidity – enabling us to meet our objectives as a business with a social purpose and be in a position to respond to emerging opportunities as they arise.

We continue to focus on two main areas; cost control within a value for money framework and strong cash generation from core activities, allowing us to invest in our existing and new homes and in our services to customers. Our principle financial ratios show exceptional performance in both areas. Social housing letting operating margin, our lead financial efficiency measure, was 36% (17/18 41%) and overall operating margin reduced to 31%, reflecting the low margins on sales activities and the costs of integrating a new group. If we exclude the costs relating to business combinations the overall operating margin on underlying business activities was 32% (2018; 38%).

Liquidity remains a key focus and, at March 2019 we have:

- Cash and cash equivalents of £33.5m
- £60.5m in undrawn loan facilities (Revolving Credit Facilities)
- £494m of security from uncharged properties

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2019

Income and expenditure

The underlying surplus of £28.4m is a solid financial performance for BHA (17/18: £49.6m).

The vast majority of our income is derived from rents and service charges and we are not dependent upon income from asset disposals. After the cost of refinancing the group of £30,374k and other business combination costs of £1,835k the surplus becomes a loss of (£3,843k) for the year.

Rental income

We aim to maximise rental income within a customer affordability framework. Performance on bad debts and arrears remains strong despite the difficult economic conditions.

Gross arrears rose slightly in the year, but at 12.1 days rent arrears are still only 3.32% (17/18: 3.65%). Net arrears (taking prepaid rent into account) also decreased to only 0.06% (17/18: 0.76%), due to more customers paying rent in advance.

Shared Ownership

Total Shared ownership sales income for the year was £43m (17/18: £22m). We sold 347 shared ownership homes at an average 100% sales value of £240k (17/18: 216 homes, 100% value: £227k). The average first tranche share sold was 45.1% (17/18: 45.7%). We also sold 37 retirement living homes under shared ownership, average 100% sales values were £203k and average share sold was 73.1%.

Costs

Cost control is a core deliverable across the business. The Regulator of Social Housing's analysis of costs across the sector has validated that our costs are comparatively low using 2017/18 as the benchmark. Success in controlling costs drives our strong social housing letting operating margin which is 36% (17/18: 41%). Our focus on cost is a central part of our Value for Money framework, evidencing not just the cost of what we do but its effectiveness and the outcomes we achieve for our customers.

Over the last year we have seen an increase of 4.8% in our total operating costs per the Statement of Comprehensive Income from £103m in 2017/18 to £98m in 2018/19. This was due to several factors, including growth in new homes and sales activity, investment in localities and preparing for transformation and integration, and other changes such as pension provision for colleagues. The business case for these changes was approved by the Board and included a detailed benefit analysis, with future efficiency and cost reduction built into our business plans. Excluding the costs of business combination, this increase in operating costs falls to 2.9% in line with inflation.

Disposals

Disposals are not a material feature in our financial results and we expect them to vary over time as we proactively manage our homes to deliver a strong return on assets.

Disposal profits in the year were £3.5m (17/18: £9.2m).

Corporation tax

We continue the policy of gift aiding taxable surpluses from non-charitable Group Members to charitable Group Members. BHA received £0.6m in gift aid payments from other group members (17/18: £5.7m).

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2019

Balance sheet

Fixed assets

Details of the movements in fixed assets during the year are set out in notes 11 to 17 to the financial statements.

Sales exposure

Exposure to unsold Shared Ownership stock is not a material issue for us, neither is potential impairment of property values.

Investment in our homes

In 18/19 we invested c. £27.7m in major repair and refurbishment programmes (17/18: £24.6m) and c. £93.5m in new homes (17/18: £86m).

Effects of material estimates and judgments within these financial statements

- On an annual basis we review for potential **Impairment of non-financial assets**; following the review no impairment was deemed to be required.
- We have accounted for depreciation of assets on a straight-line basis; the depreciation basis is reviewed regularly for each class of asset, and no changes were required.
- The majority of our **debt financial instruments** are classified as basic; we do however have some standalone interest rate swaps which have been categorised as non-basic and these have been measured at fair value within these financial statements.

Further details of key estimations can be found within our accounting policies on page 31.

Treasury

The following table highlights our position on key measures:

Borrowing	£734m
Undrawn facilities	£60.5m
Cash and cash equivalents	£33.6m
Fixed rate borrowing	90%
Cost of borrowing	4.57%
Interest cover covenant	3.4 times*
Asset gearing covenant (66.67% max)*	39%*

*These are based on Group results

Cash and liquidity

Rigorous control of cash is a key focus for us. Operating cash flow was again strong at £108m, (17/18: £77m) and represents 193% of operating surplus, an excellent cash conversion performance. Cash balances were strong at £33.5m, with a further £27.2m held as investments.

Facilities and funding

Loans of £734m (17/18: £609m) increased by a net £125m during the year. A further £124.8m was drawn during the year on RCFs and on-lending from BHG from the debut bond issue. £46m of loan repayments were made in the year. The remaining movement is due to the change to effective interest rate which increased loans by £51m.

Undrawn facilities are RCFs which provide flexibility and assist in mitigating the cost of carry on excess funds.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2019

Interest rate management and mark to market position

We use fixed rate borrowings to manage our exposure to increases in interest rates and 90% of our borrowings are at fixed rates (17/18: 84%). This strikes a balance allowing us to benefit from low short term rates. No further interest rate hedging was undertaken during the year.

The average cost of borrowing was 4.57% (17/18: 4.23%). The slight fall came from scheduled repayment of variable rate loans, RCF repayments and fixed loans maturing to variable.

We have a portfolio of cancellable interest rate swaps for periods up to 2031. The swaps are with banks with whom we already have a borrowing relationship. We manage our mark to market (MtM) position carefully, using the MtM thresholds built into our International Swaps and Derivatives Association agreements and are able to use property as security.

The full MtM value of the cancellable swaps at year-end was £25.7m which was slightly higher than last year's level of £25.4m, the movement in fair value of these financial instruments of £0.3m has been debited to the Statement of Comprehensive Income. Other movements in the MtM value was due to increases in the yield curve and long term rates. At year end the MtM call amount over our contracted threshold levels decreased to £5.7m (2017/18: £5.4m) mainly as a result of movement in the yield curve.

Security

We have a healthy level of available uncharged security. Our £60.5m of undrawn facilities are all fully secured. In addition we have £22m pre-charged security ring-fenced to cover any further movements in our MtM exposure over and above our substantial contractual thresholds.

Further security charging is at various stages of completion. £130m is held by our Security Trustee and is available subject to renewing searches, together with our as yet uncharged security, these pools are being managed in line with future funding plans, funder security covenant requirements and market changes to the extent they effect security valuations.

Covenants

We have been moving to a situation where the majority of covenants are based on Group numbers and are broadly consistent in their composition. We have considerable capacity on both our interest cover and asset gearing covenants and they do not limit our activities.

Operating performance

Operational performance against targets is monitored at Group level and a summary is included within the Annual Report and Accounts of BHG – which are available on the Bromford website www.bromford.co.uk.

Value for money (VfM)

Details of Bromford's VfM performance are summarised in the Annual Report and Accounts of BHG – which are available on the Bromford website www.bromford.co.uk.

The Regulator for Social Housing metrics for BHA as a stand alone entity are shown below.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2019

Sector metrics

Ref	Metric Name	2015	2016	2017	2018	2019
1	Reinvestment %	3.93%	3.95%	4.94%	6.18%	6.18%
2A	New supply delivered (Social housing units) %	1.93%	1.76%	1.69%	3.01%	3.15%
2B	New supply delivered (Non-social housing units) %	0.00%	0.00%	0.00%	0.00%	0.00%
3	Gearing %	39.55%	32.57%	32.44%	32.80%	36.42%
4	EBITDA MRI	236%	248%	236%	197%	151%
5	Headline Social housing cost per unit (£000s)	3.03	2.84	2.90	3.02	3.27
6A	Operating Margin (social housing lettings only) %	45.05%	47.23%	43.89%	40.56%	36.00%
6B	Operating Margin (overall) %	39.30%	39.58%	39.54%	32.32%	28.95%
7	ROCE	4.61%	4.70%	4.63%	3.97%	3.48%

The metrics show a steady decrease in both social housing operating margin and overall operating margin due to the rent cuts, inflation and the higher volume of shared ownership and market sales activity which has a lower margin than social housing lettings. We continue to increase the amount of new supply delivered and our cost per unit has increased as we invest more in major repairs for our existing stock. This also impacts on EBITDA MRI.

Similarly, ROCE has decreased due to the increase in capital employed linked to the increase in assets. At the same time, gearing has increased to 36% as we took on additional loans to fund future New Homes plans.

Social value

Details of Bromford's social value delivery are summarised in the Annual Report and Financial Accounts of BHG – which are available on the Bromford website www.bromford.co.uk.

Welfare reform

We continue to closely monitor the effect of welfare reform on our arrears performance. We aim to maximise rental income within a customer affordability framework. Performance on bad debts and arrears has been maintained at similar levels as in previous years, despite the further rollout of welfare reform and in particular universal credit in some of our operating areas.

Supporting People contracts

Continued pressure on Local Authority funding has led to further reductions in services and funding and we continue to review our position on a contract by contract basis. Over the next year we expect our Supporting People activity to continue to reduce.

Voluntary Right to Buy

We are participating in the National Housing Federation (NHF) Voluntary Right to Buy pilot for the West Midlands. No sales completed during 2018/19.

Board compliance statements

Public benefit Entity

As a public benefit Entity, Bromford Group has applied public benefit entity 'PBE' prefixed paragraphs of FRS102.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2019

Statement of Compliance with the 2015 Statement of Recommended Practice (SORP)

The Board confirms that the Strategic report contained within this Board report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

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

The Board are responsible for preparing the Annual Report and the Association 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 association and of the income and expenditure of 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 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 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.

The directors have decided to prepare voluntarily a Corporate Governance Statement as if the company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Under applicable law and regulations, the Board are also responsible for preparing a Strategic Report and a Board Report that complies with that law and those regulations.

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

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the Board to assess the Association's position and performance, business model and strategy.

Information for Auditors

We the members of the Board who held office at the date of approval of these Financial Statements as set out above confirm, so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware; and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2019

Going Concern

In preparing the financial statements, the board members have reviewed the Associations financial plan for 2019/23 and has a reasonable expectation that BHA has adequate resources to continue in operational existence to at least January 2021. Accordingly, the financial statements set out on pages 26 to 71 have been prepared on a going concern basis.

Viability statement

As required by the provisions of the UK Corporate Governance Code, the Board has undertaken an assessment of the future prospects of Bromford taking into account its current position and principal risks. This incorporates the impact of the partnership with Merlin Housing Society Limited and Severn Vale Housing Society during the year.

This assessment was made using the following core business processes:

Thirty year financial plan (the 'plan') – the BHA Board reviews each iteration of the plan during the year as part of its strategic planning process. This process includes detailed stress testing of the plan which involves flexing a number of assumptions underlying the forecast both individually and together under particular scenarios.

Risk management – as set in the risk section of the strategic report, Bromford has a structured approach to the management of risk and the principal risks identified are reviewed regularly by the Board.

Liquidity – based on the output of the plan and regular reforecasting of cashflows the Board reviews the liquidity position of the Association, ensuring funding is secured in accordance with Bromford's treasury policy. On 3 May 2018, the Group issued their debut public bond of £300m, and additional private placement of £100m in February 2019. This additional funding during the year allows the Group to meet its corporate objectives.

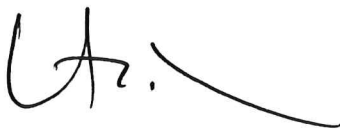
In undertaking this assessment a period of three years has been selected. For the initial year of this of this three year period there is a greater level of certainty because detailed annual budgets are prepared and regularly reforecast. Monthly cashflow forecasts are reviewed by the Board covering a rolling 36 month period, and are used to ensure sufficient facilities are in place. The largest single area of spend is the development programme and the bulk of the committed programme completes within this timeframe. Whilst development spend and required facilities are planned over a longer term than three years, the period chosen ensures that BHA is viable beyond its usual development commitment timeframe.

On the basis of this and other matters considered and reviewed by the BHA Board during the year, the Board has reasonable expectations that the Association will be able to continue in operation and meet its liabilities as they fall due over the three year period used for this assessment.

Appointment of Auditors

KPMG LLP were appointed as BHA's external auditor for a period of up to five years to 2021.

The report of the Board was approved on 22 August 2019 and signed on its behalf by:



Jonathan Simpson-Dent - Chair

22 August 2019

1 Our opinion is unmodified

We have audited the financial statements of Bromford Housing Association Limited ("the Association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows, and the related notes, including the accounting policies in note 1.

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 association as at 31 March 2019 and of the income and expenditure of 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 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.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

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

Refer to page 7 to 10 (principal risks), page 20 (viability statement), and page 12 (Audit Committee Report).

Unprecedented levels of uncertainty

All audits assess and challenge the reasonableness of estimates, in particular as described in *Recoverability of inventory*, and related disclosures and the appropriateness of the going concern basis of preparation of the accounts. All of these depend on assessments of the future economic environment and the Association's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Association's position and performance, business model and strategy.

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.

Our response

We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

Bromford Housing Association Limited

Our Brexit knowledge – We considered the directors' assessment of Brexit-related sources of risk for the Association's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.

Sensitivity analysis – When addressing *Recoverability of inventory* and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.

Assessing transparency – As well as assessing individual disclosures as part of our procedures on *Recoverability of inventory* we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

Bromford Pension Scheme and Local Government Pension Scheme valuation

Value of defined benefit pension obligations: £127.5 million; 2018: £115.7 million

Refer to page 12 (Audit and Risk Committee Report), page 38 to 39 (accounting policy) and page 65 to 71 (financial disclosures)

The risk

Subjective estimate

At 31 March 2019 the Association participated in two defined benefit pension schemes:

- Bromford Defined Benefit Pension Scheme; and
- Local Government Pension Scheme ('LGPS').

Due to the size of the pension fund liabilities there is a risk that a small error in the judgements would have a material impact on the financial statements.

An actuary will calculate the future liabilities of the funds based on a number of judgements.

It is important that any assumptions used reflect the profile of the Association's members. It is also important that assumptions are derived on a consistent basis year to year, or updated to reflect the Association's current position.

Our response

Our procedures included:

Assessing valuer's credentials

Obtaining the qualification credentials of the Scheme actuary to assess that they are one of the small number of experienced, skilled advisors, appointed to undertake the Local Government Pension Scheme valuations, as we place reliance on the Actuary for both the asset and obligation of the overall liability;

Benchmarking assumptions and review of actuarial methodology

Challenging, with the support of our own actuarial specialists, the key assumptions and actuarial methodology applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data.

Recoverability of inventory

Value of stock and work in progress: £12.8 million; 2018: £24.0 million

Refer to page 12 (Audit and Risk Committee Report), page 38 (accounting policy) and page 51 (financial disclosures)

Bromford Housing Association Limited

The risk

Subjective estimate

Property held in stock and work in progress comprises properties which are speculatively developed and are held for sale. In order to assess the net realisable value of property held in stock, site appraisals are prepared which include forecast revenue and costs and provide an indication of the recoverability of property held in inventory. Site appraisals include a number of judgements that could have a significant effect on the net realisable value of the property held in stock and work in progress.

Our response

Our procedures included:

Our sector expertise

Assessing a risk based sample of development sites, selected using criteria including quantum of work in progress and low profit margin, to obtain an understanding of the status of the site focusing on matters relevant to the site valuation, being the status of the development and whether the appraisal reflects any additional unexpected costs.

Benchmarking assumptions

We challenged the forecast revenue included in a sample of site appraisals by reference to market data.

Test of detail

Comparing the value carried in the balance sheet with the sales price achieved for a selection of property sales after the balance sheet date.

Assessing transparency

Critically assessing the adequacy of the Association's disclosures in relation to judgement and estimation in relation to inventory.

Development assumptions and judgements

Value of assets under construction: £102.7 million; 2018: £83.5 million

Refer to page 12 (Audit and Risk Committee Report), page 31 (accounting policy) and page 48 to 50 (financial disclosures)

The risk

Subjective estimate

The Association has a significant development programme, this includes mixed tenure schemes. The Association has now started to schedule land led developments into its programme.

The accounting of these schemes contains assumptions and judgements relating to the capitalised costs (including internal staff and interest costs and other costs) and as a result there is a potential risk of error.

In addition, the allocation of costs between current asset stock and PPE is based on management's judgement and could therefore be subject to manipulation. It is important that the method used is consistent year on year with an appropriate rationale for the allocation basis. Should costs be incorrectly allocated, this could impact the value of certain tenure types creating impairment issues.

Finally impairment is a potential risk on significant developments where the time delays, increases in construction costs, falling land values, and/or budget overruns occur.

Bromford Housing Association Limited

Our response

Our procedures included:

Tests of detail

Assessing a sample of interest capitalised to ensure that it relates to development schemes under construction and assessed the basis of the interest rate used as the weighted average interest rate.

Tests of detail

Assessing the policy for capitalisation of internal development costs against the requirements of FRS 102. For a sample of internal costs capitalised in the period we assessed the appropriateness and correct application of this policy, based on our understanding of the business and status of development projects.

Our sector experience

Reviewed management's impairment assessment and challenged the consideration of impairment triggers on significant developments based on our knowledge of the Association's schemes, comparing these with other source data and results of other inquiries where appropriate.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Association financial statements as a whole was set at £2.0 million (2018: £2.4 million), determined with reference to a benchmark of Association turnover, of which it represents approximately 1.0% (2018: 1.5%). We have reduced our percentage of the benchmark for our audit of the financial statements from 2018. This reflected the reduction in materiality used at the Group level and the aggregation risk of the Association audit.

We consider total turnover to be the most appropriate benchmark as the Association is a not-for-profit organisation, therefore the focus is on revenue and any surplus generated is variable and reinvested.

We reported to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £100,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Association or to cease their operations, and as they have concluded that 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").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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 Association will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Association's business model and analysed how those risks might affect the Association's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Association's available financial resources over this period were:

- A significant downturn in the economy, including a property market crash; or
- Changes in funding streams, political agenda or ability to develop successful partnerships.

As these were risks that could potentially cast significant doubt on the Association's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Association's

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financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit on house prices and future funding, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Association's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability statement that they have carried out a robust assessment of the principal risks facing the Association, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Association, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Association will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Association's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a

Bromford Housing Association Limited

whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Association's position and performance, business model and strategy; or

- the section of the annual report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We have nothing to report in these respects.

6 We have nothing to report on the other 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
- 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.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 19, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing 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 they either intend to liquidate the Association or to cease operations, or have 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.

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

This report is made solely to the Association's members, as a body, 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's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Victoria Sewell
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

20 September 2019

Bromford Housing Association Limited

**Statement of Comprehensive Income
For the year ended 31 March 2019**




		2019	2018
	Notes	Total £000	Total £000
Turnover	2,3	192,437	169,175
Cost of sales	2,3	(34,326)	(16,580)
Operating costs	3	(100,686)	(97,809)
Operating costs - effect of business combination		(1,835)	-
Gain on disposal of property assets	35	3,493	9,247
Increase in valuation of investment properties	13	118	(108)
Operating surplus/(deficit)	5	59,201	63,925
Interest receivable	6	976	648
Interest and financing costs	7	(34,110)	(25,835)
Movement in fair value of financial instruments		(267)	5,250
Movement in fair value of investments		153	(73)
Financing cost of new group structure		(30,374)	-
Gift Aid		578	5,698
Surplus/(deficit) before tax		(3,843)	49,613
Taxation	10	(7)	-
Surplus/(deficit) for the year after tax		(3,850)	49,613
Actuarial gain relating to pension scheme	37	(2,595)	1,288
Closure of multi-employer defined benefit pension scheme (SHPS)		-	11,513
Defined benefit pension scheme (TPT)		-	(24,478)
Total comprehensive income for the year		(6,445)	37,936

The association's results relate wholly to continuing activities.

The notes on pages 31 to 71 form an integral part of these financial statements

There were no recognised gains and losses other than those included in the Statement of Comprehensive Income.

The financial statements on pages 27 to 71 were approved and authorised for issue by the Board on 22 August 2019 and were signed on its behalf by:

 Jonathan Simpson - Dent - Chair
 Robert Nettleton - Chief Executive
 Sarah Beal - Company Secretary


Bromford Housing Association Limited

Statement of Financial Position As at 31 March 2019

	Notes	2019 £000	2018 £000
Fixed Assets			
Tangible fixed assets - housing properties	11	1,619,303	1,535,523
Investment properties	13	6,612	7,258
Tangible fixed assets - other	14	10,606	11,041
Intangible Fixed Assets	15	12,409	2,913
Investments - other	16	4,220	4,220
Homebuy loans receivable	17	496	571
		<u>1,653,646</u>	<u>1,561,526</u>
Assets: amounts receivable in more than one year			
Debtors	19	23,151	19,151
Current Assets			
Stocks	18	13,549	24,664
Trade and other debtors : receivable within one year	19	18,751	21,880
Investments	20	27,169	14,537
Cash and cash equivalents	21	33,516	34,305
		<u>92,985</u>	<u>95,386</u>
Creditors: amounts falling due within one year	22	<u>(66,428)</u>	<u>(64,807)</u>
Net current assets		<u>26,557</u>	<u>30,579</u>
Total assets less current liabilities		<u>1,703,354</u>	<u>1,611,256</u>
Creditors - Amounts falling due after more than one year			
Loans	23	(672,995)	(589,444)
Interest rate swaps	23	(22,574)	(22,308)
Deferred Capital Grant	23,24	(412,721)	(415,913)
Other Creditors	23	(57,076)	(32,472)
		<u>(1,165,366)</u>	<u>(1,060,137)</u>
Provisions for liabilities			
Pension liability	26,37	(20,074)	(26,760)
Total net assets		<u>517,914</u>	<u>524,359</u>
Reserves			
Called up share capital	27	-	-
Income and Expenditure Reserve		435,968	441,578
Revaluation Reserve		81,946	82,781
Total reserves		<u>517,914</u>	<u>524,359</u>

The notes on pages 31 to 71 form an integral part of these financial statements

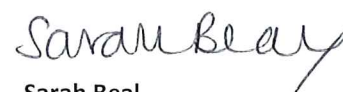
The financial statements on pages 27 to 71 were approved and authorised for issue by the Board on 22 August 2019 and were signed on its behalf by:



Jonathan Simpson - Dent
Chair



Robert Nettleton
Chief Executive



Sarah Beal
Company Secretary

Bromford Housing Association Limited

**Statement of Movement in Reserves
As at 31 March 2019**

	Revaluation Reserve	Income and Expenditure Reserve	Total
	£000	£000	£000
Balance at 1 April 2017	84,068	402,355	486,423
Surplus from Statement of Comprehensive Income	-	37,936	37,936
Transfer in respect of depreciation	(1,252)	1,252	-
Transfer in respect of disposal	(35)	35	-
Balance at 31 March 2018	<u>82,781</u>	<u>441,578</u>	<u>524,359</u>
Deficit from Statement of Comprehensive Income	-	(6,445)	(6,445)
Transfer in respect of depreciation	(832)	832	-
Transfer in respect of disposal	(3)	3	-
Balance at 31 March 2019	<u><u>81,946</u></u>	<u><u>435,968</u></u>	<u><u>517,914</u></u>

The notes on pages 31 to 71 form an integral part of these financial statements

Bromford Housing Association Limited

Statement of Cash flows

For the year ended 31 March 2019

	2019		2018	
	£000	£000	£000	£000
Net cash generated from operating activities (note 30)		108,302		77,462
Cashflow from investing activities				
Purchase of tangible fixed assets - new housing properties	(114,066)		(86,443)	
Purchase of tangible fixed assets - other	(1,035)		(519)	
Purchase of tangible fixed assets - existing housing properties	(21,031)		(25,727)	
Purchase of intangible fixed assets	(7,139)		(1,843)	
Proceeds from sale of tangible fixed assets	4		-	
Direct costs of disposal of tangible fixed assets	-		(1,130)	
Grants received	(4)		2,306	
Interest received	797		641	
Net cashflow from investing activities		(142,474)		(112,715)
Cashflow from financing activities				
Interest paid	(32,458)		(28,020)	
New secured loans	54,500		55,000	
Revolving loan facility drawn	70,286		47,000	
Repayment of borrowings	(16,684)		(13,696)	
Revolving loan facility paid	(29,714)		(35,000)	
Debt issue costs incurred	(1,413)		(959)	
Bond issue premium receipt	-		20,924	
Bond issue payment to liquidity reserve fund	(10,000)		(2,884)	
Transfer (to)/from current asset investment	(5)		3,910	
Payment to debt service reserve	(1,706)		(53)	
Gift aid received	578		5,698	
Tax paid	(1)		-	
Net cashflow from financing activities		33,383		51,920
Net change in cash and cash equivalents		(789)		16,667
Cash and cash equivalents at the beginning of the year		34,305		17,638
Cash and cash equivalents at the end of the year		<u>33,516</u>		<u>34,305</u>

The notes on pages 31 to 71 form an integral part of these financial statements

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

Legal Status

Bromford Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 (Registered Society number 31418R) and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing (registration number L4449). The registered office is Exchange Court, Brabourne Avenue, Wolverhampton, WV10 6AU.

1. PRINCIPAL ACCOUNTING POLICIES

The accounting policies across Bromford Group have been aligned for financial reporting and any references to the Group also apply to BHA. The Group's financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investment properties and financial instruments and are presented in sterling £.

The Association's financial statements have been prepared in compliance with FRS102. The Association meets the definition of a public benefit entity (PBE).

Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Association regularly carries out a reassessment of the Association's business plan as well as an assessment of the likelihood of any imminent or future breach of borrowing covenants. The reassessment did not give rise to any significant concerns and the Board consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- **Development expenditure** - The Group capitalises development expenditure in accordance with the accounting policy described on page 36. Initial capitalisation of costs is based on management's judgement that the development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identified as abortive are charged in the Statement of Comprehensive Income.
- **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. The Group has determined that market rented properties and commercial properties are investment properties.
- **Impairment** - The Group has identified a cash generating unit for impairment assessment purposes during development and construction at a programme level, with subsequent impairment assessment once in management at a property scheme level.

**Notes to the Financial Statements
For the year ended 31 March 2019**

Other key sources of estimation and assumptions:

- **Tangible fixed assets.** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Revaluation of investment properties.** The Association carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Association engaged independent valuation specialists to determine the fair value at the reporting date. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 13.
- **Categorisation of debt.** The Association's loans have been treated as 'basic' in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Association has fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). On 2 June 2016, The Financial Reporting Council (FRC) issued a statement in respect of such loans and gave no prescriptive direction as to whether they should be classified as 'basic' or 'non basic'. The Association believes the recognition of each loan liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, therefore, the Association has retained its 'basic' treatment of its fixed rate loans following the FRC announcement.
- **Interest rate SWAPs**
Uncertainties in the valuation of interest rate SWAPs include future interest rates and counterparty credit risk. The Association uses a debt and derivative advisory company, regulated by the Financial Conduct Authority, to support the valuation of its derivatives, which are valued by the relevant lender.

**Notes to the Financial Statements
For the year ended 31 March 2019**

- **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 37.

For the year up to 31 March 2019 the Group participated in the multi-employer defined benefit Social Housing Pension Scheme (SHPS) operated by The Pensions Trust and participates in the Growth Plan as an additional Voluntary Contribution (AVC) vehicle for members of the SHPS scheme. A change in the information provided by TPT means that for the first time it is now possible to identify the share of the underlying assets and liabilities belonging to individual participating employer on a consistent and reasonable basis and therefore the Group now accounts for the scheme as a defined benefit scheme. Further detail is given in the pension accounting note on page 65.

On the 31 March 2018 the Group, as it existed at the time, transferred its identifiable share of its assets and liabilities out of the SHPS scheme to a new standalone Bromford defined benefit pension scheme administered by the The Pensions Trust.

- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the Group perform impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model.

The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Group as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include any restructuring activities that the Group is not yet committed to nor any significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. Following the assessment of the indicators of impairment no adjustment to impairment was required during the year.

- **Leases**

A review of all leases has been carried out to classify leases as either operating or finance. These decisions depend upon an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

- **Rent arrears and bad debt provisions**

The amount of arrears that will not be collected is estimated on experience of collection of different types of debt. The impact of changes in welfare reform including universal credit and benefit caps have been estimated based on data provided from pilot studies and the Group's experience based on a small population.

Turnover and revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and excludes VAT (where applicable).

Bromford Housing Group generates the following material income streams:

Rental income receivable

Rental income is recognised from the point when properties under development reach practical completion and are formally let. For schemes managed by agents, income is shown as rent receivable and management fees payable to agents are included in operating costs.

Shared ownership first tranche sales

Income from first tranche sales is recognised at the point of legal completion of the sale.

Service charge income

Service charge income and costs are recognised on an accrual 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.

Supporting people

Supporting People contract income received from Administering Authorities is accounted for as income in Turnover as per note two. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note three and matched against the relevant costs.

Properties developed for outright sales

Sales of properties developed for outright sale are included in Turnover and Cost of Sales on legal completion.

Grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. If there are specific performance requirements, the grant is recognised in Turnover when the performance requirements are met.

Where developments have been financed wholly or partly by social housing grant (SHG) and other grants, the income is recognised in Turnover (using the accruals model) over the estimated useful life of the assets excluding land) which it funds.

Other Income

Other income is included at the invoiced value of goods and services provided.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

Loan interest costs

Loan interest costs are calculated using the effective interest rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined based on the carrying amount of the financial liability at initial recognition.

Loan finance issuance costs

Arrangement fees, agency fees and related legal fees payable when entering new loans are capitalised then charged to the statement of comprehensive income over the life of the loan via the effective interest method.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that where a tax change arises as a result of an item recognised as other comprehensive income or recognised directly in equity, that tax charge is also recognised in other comprehensive income or directly in equity as appropriate.

Both the current and deferred income tax charge is calculated based on tax rates and laws that have been enacted or substantively enacted by the reporting date where the Group and its subsidiaries operate and generate taxable income.

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

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

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

Value Added Tax

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group/ Association and is not recoverable. The balance receivable or payable at the year end is within the Current Assets or Current Liabilities.

Tangible fixed assets and depreciation

Housing properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Donated land/assets or assets acquired at below market value from a government source, i.e. local authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

UEls for identified components are as follows:

	Years
• Boilers	15
• Heating systems	30
• Kitchens	20
• Bathroom	30
• Roofs	50 to 65
• Windows and doors	25 to 30
• Structure – houses	100 to 130
• Structure – flats	75 to 100
• Structure – rooms and bedsits	40

The Group depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	Years
• Motor vehicles	3
• Fixtures, fittings, plant and equipment	5
• Computer software (reclassify as intangible)	3
• Computer hardware	3
• Office buildings	50

Low cost home ownership properties

The costs of low-cost home ownership properties are split between current and fixed assets based on the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Capitalisation of intangible fixed assets

Project costs are capitalised once a milestone goes live within the programme. Resourcing costs are capitalised on the % time worked directly on the programme which would add value to the asset.

Intangible fixed assets

Intangible assets are stated at cost, less accumulated amortisation. Amortisation is charged on a straight-line basis over the expected economic useful life of the asset as follows:

	Years
• Architect fees	3
• Computer software	3
• Business Transformation costs (ProgrammeOne)	7

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

Property managed by agents

Where the Group carries the majority of the financial risk on property managed by agents, the total income and costs arising from the property are included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, only the income and costs solely attributable to the Group are included in the Statement of Comprehensive Income.

In both cases, the assets and associated liabilities are included in the Group's Statement of Financial Position.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Investment property

Investment property includes commercial and other properties held by the Group for reasons other than social benefit. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and is derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

HomeBuy

The Group operates this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of Social Housing Grant (SHG).

In the event a property is sold, the Group recovers the equivalent loaned percentage value of the property at the time of sale.

- The grant is recyclable up to the value of the original grant;
- If there has been a fall in value of the property, the shortfall in proceeds can be offset against the grant;
- The Group can keep any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised at the amount payable by the purchaser and reviewed annually for impairment. The associated Homebuy grant from the Regulator of Social Housing is recognised as deferred income until the loan is redeemed.

Equity loans purchased from house builders

These are recorded at the lower of cost and net realisable value. An impairment review takes place at the end of each year to ensure that the amount repayable by the debtor at today's prices is greater than cost.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

Valuation of investments

Investments in subsidiaries are measured at cost less any accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 30 days which cannot be accessed within 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.

Stock and properties held for sale

Stocks of materials are stated at the lower of cost and net realisable value. Work in progress and finished goods include labour and attributable overheads.

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

Short-term debtors and creditors

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

Social Housing and other Government grants

Where developments have been financed wholly or partly by social housing grant (SHG) and other grants, the amount of the grant received has been included in the Statement of Financial Position as deferred income. This income is recognised in Turnover (using the accruals model) over the estimated useful life of the assets excluding land) which it funds. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost incurred to date in respect of those properties, the excess is shown as a current liability.

SHG must be recycled by the Group if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes England. However, SHG may have to be repaid if certain conditions are not met. In that event, the amount repayable is shown in the Statement of Financial Position as a subordinated unsecured repayable debt.

Recycling of Capital Grant

Social Housing Grant which has been recycled is transferred to the Recycled Grant Fund and appears as a creditor until it is either used to fund the acquisition of new properties or is repaid.

Holiday pay accrual

Unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods is recognised as a liability in the Statement of Financial Position. This is measured at the undiscounted salary cost of the accrued future holiday entitlement.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Group has a participating interest.

On the 31 March 2018, the Group ceased membership of SHPS and its liability for deferred repayments ceased. The share of assets and liabilities for the Group defined benefit scheme were transferred to a new Bromford standalone defined benefit scheme administered by The Pensions Trust. From this point the pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method.

The Group participates in the defined benefit Gloucestershire County Council, Avon Pension Fund and Staffordshire County Council pension schemes which are closed to new employees. The amounts charged to operating surplus are the costs arising from the employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to surplus for the year and included within finance costs. Remeasurement of the net assets/defined liability are recognised in other comprehensive income. Defined benefit schemes are funded in separate trustee administered funds.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained triennially and are updated at each reporting date.

Revaluation reserve

The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

Financial instruments

Financial assets and financial liabilities are initially measured at the transaction price adjusted, where the financial asset or liability is not required to be held at fair value, for any directly attributable costs of acquisition.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Group are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method;
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method;
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment;
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- a) The best evidence of fair value is a quoted price in an active market;
- b) When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate;
- c) Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

**Notes to the Financial Statements
For the year ended 31 March 2019**

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

The following financial instruments are assessed individually for impairment:

- a) All equity instruments regardless of significance; and
- b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on instruments measured at cost or amortised cost:

- a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate;
- b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in Statement of Comprehensive Income immediately.

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

	Note	Turnover £000	Cost of sales £000	Operating costs £000	Surplus on disposal £000	Revaluation of investment property £000	Operating surplus/ (deficit) £000
2. Turnover and operating surplus							
Social housing lettings							
Housing accommodation	3	124,138	-	(77,847)	-	-	46,291
Supported housing accommodation	3	13,459	-	(9,578)	-	-	3,881
Shared ownership accommodation	3	6,580	-	(6,216)	-	-	364
		144,177	-	(93,641)	-	-	50,536
Other social housing activities							
First tranche shared ownership sales		43,135	(34,095)	(2,609)	-	-	6,431
Supported people contract income		1,892	-	(2,791)	-	-	(895)
Agency services		1,145	-	(955)	-	-	190
Sales and development		-	-	(2,119)	-	-	(2,119)
Other		909	-	(37)	-	-	872
Gain on disposal of property, plant and equipment		-	-	-	3,493	-	3,493
Non-social housing activities							
Market rents		611	-	(94)	-	-	517
Sewerage services		12	-	(22)	-	-	(10)
Commercial rents		289	-	(235)	-	-	54
Properties developed for outright sale		162	(157)	7	-	-	12
Property development/equity loan sales		105	(74)	(25)	-	-	6
Increase in valuation of investment properties		-	-	-	-	118	118
		192,437	(34,326)	(102,521)	3,493	118	59,201

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

	2018						
2. Turnover and operating surplus	Note	Turnover £000	Cost of sales £000	Operating costs £000	Surplus on disposal £000	Revaluation of investment property £000	Operating surplus/ (deficit) £000
Social housing lettings							
Housing accommodation	3	122,351	-	(67,398)	-	-	54,953
Supported housing accommodation	3	13,528	-	(12,058)	-	-	1,470
Shared ownership accommodation	3	5,106	-	(4,339)	-	-	767
		140,985	-	(83,795)	-	-	57,190
Other social housing activities							
First tranche shared ownership sales		22,319	(16,447)	(1,686)	-	-	4,186
Supported people contract income		2,529	-	(3,154)	-	-	(625)
Social value investment		-	-	(1,146)	-	-	(1,146)
Agency services		1,582	-	(1,463)	-	-	119
Sales and development		6	-	(966)	-	-	(960)
		-	-	469	-	-	469
Defined benefit pension charge - re-measurement and impact of changes in assumptions		866	-	(129)	-	-	737
Other		-	-	-	9,247	-	9,247
Gain on disposal of property, plant and equipment		-	-	-	-	-	-
		-	-	-	-	-	-
Non-social housing activities							
Market rents		358	-	(73)	-	-	285
Sewerage services		18	-	(149)	-	-	(131)
Commercial rents		307	-	10	-	-	317
Properties developed for outright sale		-	-	(472)	-	-	(472)
Property development/equity loan sales		205	(133)	-	-	-	72
Decrease in valuation of investment properties		-	-	-	-	(108)	(108)
Recognition of LGPS cessation debt		-	-	(5,255)	-	-	(5,255)
		169,175	(16,580)	(97,809)	9,247	(108)	63,925

Notes to the Financial Statements
For the year ended 31 March 2019

3. Income and Expenditure from Social Housing Lettings

	Housing accommodation £000	Supported housing for older people and My Place £000	Shared Ownership £000	Total £000	Total £000
Income					
Rent receivable net of identifiable service charge	117,053	8,384	5,043	130,480	127,964
Service charge income	3,350	3,886	1,307	8,543	8,174
Charges for support services	158	255	69	482	66
Amortised government grants	3,463	934	161	4,558	4,626
Revenue grants from other sources	114	-	-	114	155
Turnover from social housing lettings	124,138	13,459	6,580	144,177	140,985
Expenditure					
Management	24,956	2,934	2,689	30,579	23,716
Service charge costs	4,969	3,003	688	8,660	10,705
Care and support costs	-	-	-	-	78
Routine maintenance	16,790	255	223	17,268	19,225
Planned maintenance	5,271	588	482	6,341	2,327
Major repairs expenditure	6,211	303	65	6,579	6,006
Bad debts	499	(4)	81	576	(19)
Depreciation of housing properties	19,151	2,499	1,988	23,638	21,757
Operating expenditure on social housing lettings	77,847	9,578	6,216	93,641	83,795
Operating surplus on social housing lettings	46,291	3,881	364	50,536	57,190
Voids	(803)	(441)	(26)	(1,270)	(1,117)

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

4. Accommodation - owned, managed and in development	2019	2018
	Number	Number
Under management at the end of the year		
General needs housing - social rent	20,881	20,832
General needs housing - intermediate rent	15	-
General needs housing - affordable rent	2,543	2,156
Supported housing	1,914	2,047
Low-cost home ownership	1,982	1,839
Leasehold	845	796
Units to be remodelled	197	144
	28,377	27,814
Under development at the end of the year		
General needs housing - social rent	218	193
General needs housing - affordable rent	358	396
Supported housing	42	30
Low-cost home ownership	550	405
Total social housing units	29,545	28,838
Non-social housing		
Staff accommodation	8	7
Market rent	138	42
Commercial	30	34
Offices and resource	106	105
Retained freehold	583	556
Total non social housing units	865	744
Total units	30,410	29,582
Owned and managed	27,842	27,209
Owned and managed by others	483	488
Managed for others	720	717
Under development	1,168	1,024
Units to be remodelled	197	144
Total Units	30,410	29,582
Garages/parking spaces	1,828	1,781
Garages not lettable (under review)	871	887

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

5. Surplus on ordinary activities

The surplus on ordinary activities is stated after (crediting)/charging	2019 £000	2018 £000
Operating lease rentals		
- office land and buildings	549	972
- vehicles	1,915	1,646
Depreciation of housing properties	23,789	21,761
Depreciation of tangible owned fixed assets	971	1,159
Amortisation of intangible fixed assets	534	321
Current auditor's remuneration		
- Audit of financial statements	50	33
- service charge certification	21	39
- Taxation advisory services	-	5
- Other services	-	7
	<u> </u>	<u> </u>

6. Interest receivable and income from investments

	2019 £000	2018 £000
Interest receivable from cash, deposits and intragroup loans	<u>976</u>	<u>648</u>

7. Interest payable and similar charges

	2019 £000	2018 £000
Interest on loans, overdrafts and other financing		
Repayable wholly within five years	2,284	2,339
Repayable wholly or partly in more than five years	<u>26,079</u>	<u>24,891</u>
	28,363	27,230
On loans from Bromford Housing Group Limited	2,236	164
Other finance charges	5,347	630
Amortised net finance premium	<u>(597)</u>	<u>(383)</u>
	35,349	27,641
Interest payable capitalised on housing properties under construction 4.03% (2018: 4.10%)	<u>(1,821)</u>	<u>(2,055)</u>
	33,528	25,586
Interest on pension scheme liabilities	3,010	1,304
Expected return on employer assets	<u>(2,428)</u>	<u>(1,055)</u>
	<u>34,110</u>	<u>25,835</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

8. Colleague costs	2019	2018
	£000	£000
Wages and salaries	28,343	25,533
Social security costs	2,600	2,340
Other pension costs	1,826	6,263
	32,769	34,136

Other pension costs in 2018 include exceptional costs of £5,255 for the cessation costs of Gloucestershire LGPS.

The average number of full-time equivalent employees (including Executive Directors) employed during the year

	2019	2018
	No.	No.
Asset management	435	412
Central services	100	19
Innovation and new business	5	5
Development, construction and sales	60	51
Housing management and support	438	464
	1,038	951

A full-time equivalent employee is classed as working a 35 hour week.

The details above relate to colleagues directly attributable to Bromford Housing Association. Colleagues in the Group are employed on a joint and several basis by Bromford Housing Group Limited and its members. Details of the number of FTE's whose total remuneration exceeds £60k are disclosed in the Group Accounts.

9. Directors emoluments

The total emoluments of the Directors are paid through BHG and are disclosed in the Group accounts. Directors' emoluments are part of the overheads recharged to the Association, however cannot be separately identified.

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

10. Taxation on surplus on ordinary activities	2019	2018
	£000	£000
Current tax		
UK corporation tax charge on ordinary activities	<u>7</u>	<u>-</u>
Tax on surplus on ordinary activities	<u>7</u>	<u>-</u>
Total tax reconciliation		
Tax on (loss)/surplus on ordinary activities	<u>(3,843)</u>	<u>49,613</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(971)	9,426
Effects of		
Items not allowable for tax purposes	-	-
Fixed asset differences	-	-
Difference due to change in corporation tax rates	-	-
Deferred tax not recognised	-	-
Deferred tax	-	-
Adjustment in respect of prior years	-	-
Loss/ Surplus relating to charitable entities	978	(9,426)
Group relief received	-	-
Revaluation of properties	-	-
	<u>7</u>	<u>-</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

11. Tangible fixed assets - housing properties

	Housing properties held for letting £000	Housing properties under construction £000	Completed shared ownership housing properties £000	Shared ownership properties under construction £000	Total £000
Cost					
As at 1 April 2018	1,559,595	43,064	110,082	40,422	1,753,163
Additions	4,109	58,173	1,227	29,940	93,449
Replacement of components	21,058	-	20	-	21,078
Transferred on completion	57,937	(57,937)	10,925	(10,925)	-
Disposals	(1,522)	-	(3,995)	-	(5,517)
Components disposed	(8,170)	-	(14)	-	(8,184)
Transfers to another association	(1,922)	-	-	-	(1,922)
Transfers from investment property	402	-	-	-	402
As at 31 March 2019	1,631,487	43,300	118,245	59,437	1,852,469
Depreciation					
As at 1 April 2018	213,475	-	4,165	-	217,640
Charge for the year	23,106	-	683	-	23,789
Disposals	(8,045)	-	(218)	-	(8,263)
As at 31 March 2019	228,536	-	4,630	-	233,166
Net book value					
As at 31 March 2019	1,402,951	43,300	113,615	59,437	1,619,303
As at 31 March 2018	1,346,120	43,064	105,917	40,422	1,535,523
				2019	2018
				£000	£000
Housing property net book value in respect of long leaseholds				91,267	91,645
Housing property net book value in respect of freeholds				1,528,036	1,443,878
				1,619,303	1,535,523
Total depreciation charge				23,789	21,759
Component depreciation within the depreciation charge				13,288	12,968
Development administration costs capitalised during the year				2,729	2,069
Aggregate amount of interest and finance cost included within the cost of housing properties				21,552	19,749

Properties held for security

Bromford Housing Association - Registered Social Housing Provider - has property pledged as security value (EUV - SH and MV - STT) of £1,186 (2018: £1,141m). The number of units on which security was pledged amounted to 20,377 (2018: 17,546).

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

12. Expenditure on work to existing properties	2019	2018
	£000	£000
Replacement of components	21,078	18,561
Amounts charged to income and expenditure account	6,579	6,006
	<u>27,657</u>	<u>24,567</u>

13. Investment properties held for letting	2019	2018
	£000	£000
As at 1 April	7,258	7,541
Transfer to tangible fixed assets - housing properties	(404)	(167)
Transfer to current asset investments	(360)	-
Gain/(loss) on transfer of properties	5	(108)
Gain from adjustment in value		
Commercial investment properties	67	-
Market rent investment properties	46	-
Disposals		
Commercial investment properties	-	(8)
As at 31 March	<u>6,612</u>	<u>7,258</u>

Investment properties (commercial and market rent) were valued at 31 March 2019 by professional qualified external valuers.

The valuation of market rent properties was undertaken by Jones Lang Lasalle Limited, whilst the commercial properties were valued by Brunton Knowles. Both valuations were carried out in accordance with the Royal Institute of Chartered Surveyors Valuation Standards. In valuing the properties, the following significant assumptions were applied

Discount rate	8%
Annual inflation rate	1.5%-6.5%
Level of long term rent increase	<u>1%</u>

Bromford Housing Association Limited

Notes to the Financial Statements
For the year ended 31 March 2019

14. Tangible fixed assets - other

	Freehold offices £000	Fixtures, fittings & equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
As at 1 April 2018	12,449	1,189	8,182	319	22,139
Additions	-	56	470	10	536
As at 31 March 2019	12,449	1,245	8,652	329	22,675
Depreciation and impairment					
As at 1 April 2018	2,938	1,085	6,844	231	11,098
Charge for the year	299	66	576	30	971
As at 31 March 2019	3,237	1,151	7,420	261	12,069
Net book value					
As at 31 March 2019	9,212	94	1,232	68	10,606
As at 31 March 2018	9,511	104	1,338	88	11,041

15. Intangible fixed assets	Software £000	Architects' fees £000	Total £000
Cost			
As at 1 April 2018	4,757	131	4,888
Additions	10,312	17	10,329
Disposals	(400)	-	(400)
As at 31 March 2019	14,669	148	14,817
Amortisation			
As at 1 April 2018	1,916	59	1,975
Charge for the year	486	48	534
Disposals	(101)	-	(101)
As at 31 March 2019	2,301	107	2,408
Net book value			
As at 31 March 2019	12,368	41	12,409
As at 31 March 2018	2,841	72	2,913

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

16. Investments - other	2019	2018
	£000	£000
Bromford Assured Homes Limited	4,000	4,000
Igloo Insurance PCC Limited (Cell BR04)	220	220
	<u>4,220</u>	<u>4,220</u>
17. Homebuy loans	2019	2018
	£000	£000
As at 1 April	571	703
Loans redeemed in the year	(75)	(132)
As at 31 March	<u>496</u>	<u>571</u>
18. Stocks and work in progress	2019	2018
	£000	£000
Consumable stock	781	628
Land	168	2,651
Cost of first tranche element of shared ownership properties	12,600	21,385
	<u>13,549</u>	<u>24,664</u>
Completed	4,910	3,030
Under construction	7,690	18,355
	<u>12,600</u>	<u>21,385</u>
19. Trade and other debtors	2019	2018
	£000	£000
Amounts falling due within one year		
Rent arrears	4,629	4,972
Less: provision for bad debts	(1,526)	(1,722)
	<u>3,103</u>	<u>3,250</u>
Trade debtors	110	825
Amounts due from group companies	11,198	13,920
Other debtors	590	1,772
Prepayments and accrued income	3,750	2,113
	<u>18,751</u>	<u>21,880</u>
Amounts falling due after more than one year		
Amounts due from group companies	<u>23,151</u>	<u>19,151</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

20. Current asset investments	2019			2018
	Properties held for resale	Cash equivalents	Total	Total
	£000	£000	£000	£000
Opening fair value at 1 April	-	14,537	14,537	15,570
Additions to investments	-	11,987	11,987	4,005
Transfer from fixed asset investments	360	-	360	-
Other properties for resale	315	-	315	-
Withdrawals from investments	-	(278)	(278)	(5,027)
Interest	-	95	95	62
Gains/Losses on re-measurement to fair value	-	153	153	(73)
Fair value at 31 March	675	26,494	27,169	14,537

Cash equivalents include monies held by lenders in support of bond finance. These monies are placed in accounts charged by the lenders.

	2019	2018
	£000	£000
The analysis of these monies is		
Dexia bond	3,107	3,039
Haven bond	5,268	4,964
Haven cash account	428	706
AHF bond	1,780	5,726
Money held in support of bond finance	10,583	14,435
Other cash equivalents	15,911	102
Total cash equivalents	26,494	14,537

21. Cash and cash equivalents	2019	2018
	£000	£000
Cash at bank	30,880	31,692
Cash equivalents	2,636	2,613
	33,516	34,305

Included in the above are balances totalling £3.0m (2018: £2.9m) which are held in trust for shared ownership leaseholders.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

22. Creditors: amounts falling due within one year	2019	2018
	£000	£000
Prepaid rental income	4,546	3,935
Loans	13,293	19,663
Local Authority RTB share of proceeds	947	-
Interest rate swaps	3,093	3,093
Trade creditors	7,318	3,147
Amounts due to group companies	598	310
Social security and other taxes	1,000	-
Corporation tax	7	-
Balances with supported housing partners	1,108	950
Gloucestershire LGPS cessation debt	-	7,232
Staffordshire LGPS	-	3,526
Funds held on trust	256	257
Deferred capital grant	4,703	4,749
Recycled capital grant fund	1,303	1,603
Other creditors	1,180	478
Payments received on account from subsidiary for property	1,725	1,609
Stock issue premium	-	133
Accruals and deferred income	25,351	14,122
	66,428	64,807

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

23. Creditors: amounts falling due after more than one year	2019	2018
	£000	£000
Loans	672,995	589,444
Amounts due to group companies	48,500	-
Stock issue premium	-	24,169
Interest rate swaps	22,574	22,308
Leaseholder sinking funds	3,256	2,873
Balances with supported housing partners	2,132	2,132
Deferred capital grant	412,721	415,913
Recycled capital grant fund	3,083	3,193
Other creditors	105	105
	<u>1,165,366</u>	<u>1,060,137</u>
Loans repayable by instalments		
Repayable within one year	13,293	11,163
Repayable between one and two	15,256	12,968
Repayable between two and five years	48,167	45,500
Repayable after five years	377,974	329,282
Less: Loan finance costs	(1,522)	(4,426)
	<u>453,168</u>	<u>394,487</u>
Amounts repayable otherwise than by instalments		
Repayable within one year	-	8,500
Repayable between one and two	45,120	-
Repayable between two and five years	2,000	45,120
Repayable after five years	186,000	161,000
	<u>233,120</u>	<u>214,620</u>
	<u>686,288</u>	<u>609,107</u>
	2019	2018
	£000	£000
Loans as stated above	686,288	609,107
Less: Dexia charged cash deposit	(3,107)	(3,039)
Haven debt service reserve	(5,268)	(4,964)
AHF bond liquidity reserve	(1,780)	(5,726)
THFC ISRF	(2,896)	-
Loans net of related cash deposits	<u>673,237</u>	<u>595,378</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

23. Creditors: amounts falling due after more than one year - (continued)

The Association has entered into interest rate swaps with the following institutions

	Period Years	Rate %	Amount £000
Barclays	25	4.31	12,500
Lloyds TSB	15	4.66	20,000
Lloyds TSB	19	4.45	6,000
Lloyds TSB	22	4.50	15,000
Lloyds TSB	25	4.43	12,500
Lloyds TSB	25	4.27	10,000
Lloyds TSB	25	4.18	10,000
			86,000
Interest rate swap creditor profile		2019	2018
		£000	£000
Due within one year		2,591	3,093
Due between one and two		2,989	2,796
Due between two and five years		7,389	7,424
Due after five years		12,698	12,088
		25,667	25,401
The interest risk profile of loan liabilities are as follows		2019	2018
		£000	£000
Floating rate - average 1.31% (2018: 0.99%)		65,409	99,230
Fixed rate - average 4.94% (2018: 5.08%)		622,401	514,303
		687,810	613,533
Undrawn committed borrowing facilities (all secured) at 31 March were		2019	2018
		£000	£000
Expiring within one year		-	46,571
Expiring between one and two		37,745	-
Expiring between two and five years		-	37,745
Expiring after five years		22,749	22,749
		60,494	107,065

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

24. Deferred capital grant	2019	2018
	£000	£000
At 1 April	420,662	424,052
Grants received in year	413	2,081
Transferred from other group association - Bromford Home Ownership Limited	1,573	225
Grants recycled from the Recycled Capital Grant Fund and disposal proceeds fund	1,786	4,825
Grants recycled to the recycled capital grant fund	(3,034)	(1,612)
Transferred to third party association	-	(5,402)
Amortised in year	(4,677)	(4,747)
Amortised grant on disposal	701	1,240
As at 31 March	417,424	420,662
Amount due to be released within one year	4,703	4,749
Amount due to be released in more than one year	412,721	415,913
	417,424	420,662
25. Recycled capital grant fund	2019	2018
	£000	£000
At 1 April	4,796	5,755
Inputs to reserve		
Grants recycled	1,346	1,612
Change of use	-	-
Interest accrued	30	29
Utilised		
New build	(1,786)	(2,600)
	4,386	4,796
Amount three years or older where repayment may be required	73*	913

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes and retirement living.

*Consent has been received from Homes England for these funds to be used during 2019/20.

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

		Defined Pension Benefit
26. Provision for liabilities and charges		£000
As at 1 April 2018		26,760
Charged to income and expenditure account		
Additions		611
Re-measurement		2,595
Contributions paid		(12,797)
Contributions payable		2,905
As at 31 March 2019		20,074
27. Share Capital	2019	2018
	£	£
Issued and fully paid		
At 1 April	7	7
Allotted	5	-
Cancelled	(2)	-
	<u>10</u>	<u>7</u>
28. Reconciliation of net cashflow to movement in net funds	2019	2018
	£000	£000
(Decrease)/increase in cash and cash equivalents per cashflow	(789)	16,667
Increase/(decrease) in investments	11,800	(960)
Revaluation of investments	153	(73)
Amortisation of loan costs	597	383
Increase in creditor for loan payments	-	240
Cash outflow from increase in debt and finance leasing	(77,778)	(53,304)
Change in net debt resulting from cashflows	(66,017)	(37,047)
Actuarial deficit on pension provision	6,686	(16,466)
Loan premium received		(20,924)
Amortisation of premium	24,040	719
Movement in net debt for the year	(35,291)	(73,718)
Net funds as at 1 April 2018	(611,327)	(537,609)
Net funds as at 31 March 2019	(646,618)	(611,327)

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

29. Analysis of changes in net debt	As at 1 April 2018 £000	Cashflows £000	Amortisation of loan costs £000	Revaluation of investment £000	Movement in creditors due within one year £000	As at 31 March 2019 £000
Cash at bank and cash equivalents	34,305	(789)				33,516
Short term investments	14,537	11,800		153		26,490
	48,842	11,011	-	153	-	60,006
Other loans						
Housing loans due within one year	(19,663)	19,663			(13,293)	(13,293)
Housing loans due after more than one year	(589,444)	(97,441)	597		13,293	(672,995)
Change in debt resulting from cashflows	(560,265)	(66,767)	597	153	-	(626,282)

30. Cash flow from operating activities	2019 £000	2018 £000
Surplus for the year	(3,843)	49,613
Adjustments for non-cash items		
Depreciation of tangible fixed assets	24,969	22,920
Amortisation of intangible fixed assets	347	
Amortisation of government grant	(3,976)	(4,747)
Decrease/(increase) in stock	11,415	(8,931)
Decrease/(increase) in trade and other debtors	453	(2,228)
Increase in trade and other creditors	19,957	7,210
Decrease in intergroup balances	(5,433)	(8,935)
Pension costs less contributions payable	(7,268)	(3,080)
Carrying amount of tangible fixed assets disposals	8,684	16,499
Reclassification of assets	-	(5,402)
Adjustments for investing or financing activities		
Proceeds from sale of tangible fixed assets - other	(4)	(10)
Movement on shared equity loans	74	133
Movement in value of swaps	267	(5,250)
Movement in value of current asset investments	(153)	73
Movement in value of investment property	(117)	108
Interest payable	34,110	25,835
Interest receivable	(976)	(648)
Gift aid	(578)	(5,698)
Business Combination - refinancing	30,374	-
Net cash generated from operating activities	108,302	77,462

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

31. Capital commitments	2019	2018
	£000	£000

Capital expenditure contracted for but not provided for in the financial statements	<u>89,672</u>	<u>125,183</u>
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Capital expenditure authorised by not yet contracted for	<u>21,357</u>	<u>28,554</u>
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These commitments are to be financed by the receipt of social housing grant and a mixture of loan finance, reserves and proceeds from the sales of housing properties as follows

Social housing grant	6,315	3,606
Proceeds from the sale of properties	22,913	35,170
Loans and reserves	81,801	114,961
	<u>111,029</u>	<u>153,737</u>

32. Other financial commitments

The minimum lease payments due under operating leases are as follows

	Land and buildings		Vehicles and office equipment		Total leases	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Operating leases which expire						
Within one year	35	-	169	110	204	110
Within two to five years	1,068	1,745	2,535	1,390	3,603	3,135
After more than five years	9	52	18	-	27	52
	<u>1,112</u>	<u>1,797</u>	<u>2,722</u>	<u>1,500</u>	<u>3,834</u>	<u>3,297</u>

33. Grant and financial assistance

The total accumulated government grant and financial assistance received or receivable at 31 March was as follows

	2019	2018
	£000	£000
Held as deferred capital grant	417,424	420,662
Recognised as income in Statement of Comprehensive Income	92,621	88,644
	<u>510,045</u>	<u>509,306</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

34. Financial instruments

The company's financial instruments may be analysed as follows

	2019	2018
	£000	£000
Financial assets		
Financial assets measured at amortised cost		
Rent debtors	3,103	3,250
Other receivables	11,898	35,668
Investments	4,220	4,220
Investments in short term deposits	27,169	14,537
Cash and cash equivalents	33,516	34,305
Financial assets that are debt instruments measured at amortised cost		
Homebuy loans	496	571
Total financial assets	80,402	92,551
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	7,318	3,147
Other creditors	55,586	65,988
Balances with supported housing partners	3,240	3,082
Funds held on trust	256	318
Financial liabilities that are debt instruments measured at amortised cost		
Loans payable - due within one year	13,293	19,663
Loans payable - due after more than one year	672,995	589,444
Financial liabilities measured at fair value through the income and expenditure account		
Derivative financial instruments	25,667	25,401
Total financial liabilities	778,355	707,043

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

35. Sale of properties not developed for outright sale and other fixed assets

	Proceeds of sales	Cost of sales	Surplus	Capital grant recycled
	£000	£000	£000	£000
Further tranches of shared ownership	6,468	(4,091)	2,377	750
Right to buy	1,335	(1,527)	(192)	-
Right to acquire	726	(470)	256	-
Other property disposals	4,649	(3,303)	1,346	2,284
Other fixed asset disposals	4	(298)	(294)	-
Total 2019	<u>13,182</u>	<u>(9,689)</u>	<u>3,493</u>	<u>3,034</u>
Total 2018	<u>25,746</u>	<u>(16,499)</u>	<u>9,247</u>	<u>1,612</u>

36. Related party transactions

Transactions with non-regulated members of the Group

	2019					
	Bromford Developments Limited BDL	Bromford Assured Homes Limited BAH	Street Services Limited SSL	Strand Services Limited STR	Riverside Mews Limited RIV	Igloo Insurance PCC Limited (Cell BR04) IGL
	£000	£000	£000	£000	£000	£000
Income						
Gift Aid	-	-	-	-	-	-
Management recharges	-	-	-	4	2	-
Administration recharges	-	124	-	-	-	-
Interest receivable	369	-	139	-	-	-
Property sales	-	-	-	-	-	-
Dividends	-	-	-	-	-	375
	369	124	139	4	2	375
Expenditure						
Construction services	14,783	-	-	-	-	-
Rental charges	-	-	189	-	-	-
Insurance fees	-	-	-	-	-	807
	14,783	-	189	-	-	807

The administration recharges are calculated on a number of basis dependent upon the type of expenditure being recharged. Salary costs are recharged to BDL on a contract basis; insurance costs are recharged to BDL/BAH on a unit number basis; administration fees are recharged to BDL/BAH on a unit number basis. All other income and expenditure is charged on an actuals basis.

36. Related party transactions (continued)

	2018					
	Bromford Developments Limited BDL £000	Bromford Assured Homes Limited BAH £000	Street Services Limited SSL £000	Strand Services Limited STR £000	Riverside Mews Limited RIV £000	Igloo Insurance PCC Limited (Cell BR04) IGL £000
Income						
Gift Aid	-	481	162	-	-	-
Management recharges	-	-	-	4	2	-
Administration recharges	2,278	149	-	-	-	-
Interest receivable	369	-	134	-	-	-
Property sales	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
	<u>2,647</u>	<u>149</u>	<u>134</u>	<u>4</u>	<u>2</u>	<u>-</u>
Expenditure						
Construction services	10,261	-	-	-	-	-
Rental charges	-	-	183	-	-	-
Insurance fees	-	-	-	-	-	441
	<u>10,261</u>	<u>-</u>	<u>183</u>	<u>-</u>	<u>-</u>	<u>441</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

36. Related party transactions (continued)

The subsidiaries of Bromford Housing Association Limited, which are all non-regulated and incorporated under the Companies Act 1985

Trading companies	Company registration number	Date of incorporation	Intragroup arrangement	Type of transaction
Bromford Assured Homes Limited (100% owned)	2677730	09-Jan-92	BHA provides administrative services to BAH	Administrative recharges
Street Services Limited (100% owned)	3711394	11-Feb-99	Property management company for BHA	Rental income
Riverside Mews Management Company Limited (75% owned)	2953846	29-Jul-94	Management company for leasehold schemes in BHA ownership	Management income
Strand Services Limited (75% owned)	2645753	16-Sep-91	Management company for leasehold schemes in BHA ownership	Management income
Igloo Insurance PCC Limited (Cell BR04)	53462	19-May-11	Insurance company	Insurance services

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

37. Pension obligations

During the year the Association participated in two schemes, the Staffordshire County Council pension scheme (LGPS) and the Bromford pension scheme. The LGPS scheme is a multi-employer defined benefit scheme.

The Association also participates in the Social Housing Pension Scheme's defined contribution scheme to meet its obligations for auto-enrolment which applied from October 2013.

Further details of pension obligations are given under each scheme below.

Summary of pension schemes balances

	2019	2018
	£000	£000
Creditors due less than one year		
Gloucestershire LGPS cessation debt – see below (Note 22)	-	7,232
Staffordshire LGPS (Note 22)	-	3,526
	<u>-</u>	<u>10,758</u>
Provisions for Pensions		
Staffordshire LGPS	3,114	2,282
Bromford Pension scheme	16,960	24,478
	<u>20,074</u>	<u>26,760</u>

Gloucestershire LGPS (closed schemes – cessation liabilities only)

	2018
	£000
Creditors due in less than one year - cessation debt as at 1 April 2018	7,232
Payment of cessation debt	<u>(7,232)</u>
Creditors due in less than one year – cessation debts 31 March 2019	<u>-</u>

During the year the cessation debt due to Gloucestershire LGPS at March 2018 was paid and no further liability remains.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

37. Pension obligations (continued)

Bromford Pension Scheme

From 1 April 2018 the company operated a defined benefit scheme in the UK. This is a separate trustee administered fund set up on 31 March 2018 following the transfer of obligations from the Social Housing Pension Scheme (SHPS). The scheme holds the pension scheme assets to meet long term pension liabilities. Scheme liabilities have been based on data provided for the SHPS actuarial valuation as at 30 September 2017, draft actuarial valuation as at 30 September 2018 and have been updated to 31 March 2019 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The company has agreed an interim schedule of contributions with the Trustee and a full schedule of contributions will come into force following the completion of the first actuarial valuation which is expected to be with an effective date of 30 September 2018. This first actuarial valuation is currently in draft form and is expected to be finalised by Autumn 2019.

Contributions for the year ended 31 March 2019

	£000
Employee	218
Employer	2,797
Employer deficit contribution	<u>10,000</u>
Total	<u>13,015</u>
Agreed contribution rates for future years:	%
Employee	
1/80 th DB section	14.5%
1/120 DB section	4.7%
Employer	<u>10%</u>

Principal actuarial assumptions

The following information is based upon a draft actuarial valuation of the fund at 30 September 2018 updated to 31 March 2019 by a qualified independent actuary.

Mortality assumptions adopted	At 31 March	At 31 March
	2019	2018
Life expectancy at age 65 (Years)		
Male retiring in 2019 (2018)	21.8	22.1
Female retiring in 2019 (2018)	23.5	23.8
Male retiring in 2039 (2038)	23.2	23.5
Female retiring in 2039 (2038)	24.8	25.0
Other Assumptions	% per annum	% per annum
	2019	2018
Discount Rate	2.45%	2.6%
Inflation (RPI)	3.20%	3.15%
Inflation (CPI)	2.20%	2.15%
Salary Growth	3.20%	4.15%

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

37. Pension obligations (continued)

Other Assumptions	% per annum	
	2019	2018
Allowance for pension in payment increases of CPI or 5% p.a. if less	2.25	2.20
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	1.70	1.70
Allowance for pension in payment increases of CPI or 3% p.a. if less	1.90	1.90

A summary of the movement in pension assets and liabilities for the Bromford Pension scheme is shown below:

	31 March 2019	31 March 2018
	£000	£000
Fair value of fund assets	82,004	64,899
Present value of defined benefit obligation	(98,964)	(89,377)
Pension deficit	(16,960)	(24,478)
The fair value of the assets		
	31 March 2019	31 March 2018
	£000	£000
Growth Assets	43,476	38,355
Corporate Bonds	4,531	2,661
LDI Assets	33,291	23,558
Cash	706	325
Total Assets	82,004	64,899

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

Reconciliation of Assets and Liabilities

Reconciliation of assets at 31 March 2019

	£000
Assets at start of period	64,899
Interest income on assets	1,835
Expenses	(168)
Return on assets excluding interest income	3,833
Employer contributions paid	12,797
Employee contributions	218
Benefits paid	(1,410)
Assets at end of period	82,004

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

37. Pension obligations (continued)

Reconciliation of liabilities at 31 March 2019

	£000
Liabilities at start of period	(89,377)
Service cost	(2,737)
Interest cost	(2,308)
Employee contributions	(218)
Past service cost – plan amendments	(39)
Re-measurements:	
Actuarial loss on changes in financial and demographic assumptions	(3,246)
Experience loss on liabilities	(2,449)
Benefits paid	1,410
Liabilities at end of period	<u>(98,964)</u>

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2019

	£000
Employer service cost (net of employee contributions)	(2,737)
Expenses	(168)
Past service cost - plan amendments	(39)
Total operating charge	<u>(2,944)</u>
Analysis of pension finance income / (costs)	
Expected return on pension scheme assets	1,835
Interest on pension liabilities	(2,308)
Amounts charged/credited to financing costs	<u>(473)</u>

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March 2019

	£000
Actuarial gains on pension scheme assets	3,833
Actuarial (losses) on pension scheme liabilities	(2,449)
Loss from changes in assumptions	(3,246)
Actuarial gains/(losses) recognised	<u>(1,862)</u>

Movement in deficit during the year

	£000
(Deficit) in scheme at 1 April 2018	(24,478)
Employer service cost and expenses	(2,905)
Employer contributions paid	12,797
Past service cost – plan amendments	(39)
Net interest/return on assets	(473)
Re-measurements included in other comprehensive income	(1,862)
(Deficit) in pension fund scheme at 31 March 2019	<u>(16,960)</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

37. Pension obligations (continued)

Staffordshire County Council

The scheme is a defined-benefit scheme, with the assets held in separate funds administered by Staffordshire County Council (SCC) and is closed to future accruals.

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 March 2019 by a qualified independent actuary.

	2019	2018
Rate of increase for pensions in payment / inflation	2.5%	2.4%
Rate of increase in salaries	2.5%	2.4%
Discount rate for scheme liabilities	2.4%	2.7%

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI 2013 model. The model assumes that the current rate of improvements has 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:

	Males	Females
Current Pensioners (years)	22.1	24.4
Future Pensioners (years)*	24.1	26.4

*Figures assume members aged 45 as at the last formal valuation date.

A summary of the movement in pension assets and liabilities for the Group's defined benefit pension funds is shown below:

	2019	2018
	£000	£000
Fair value of fund assets	25,452	24,028
Present value of defined benefit obligation	(28,566)	(26,310)
Pension deficit	(3,114)	(2,282)
Reconciliation of assets at 31 March	2019	2018
	£000	£000
Assets at start of period	24,028	19,644
Return on plan assets	593	516
Re-measurements	1,416	(59)
Employer contributions paid	10	895
Employer contributions payable	-	3,526
Employee contributions	-	87
Benefits paid	(595)	(581)
Assets at end of period	25,452	24,028

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2019

37. Pension obligations (continued)

Movement in deficit during the year

	£000
(Deficit) in scheme at 1 April 2018	(2,282)
Employer service cost (net of employee contributions)	(-)
Employer contributions paid	-
Employer contributions payable	-
Past service cost Including curtailments	10
Net interest	(109)
Re measurements Operating Costs	-
Other Comprehensive Income	(733)
(Deficit) in scheme at 31 March 2018	<u>(3,114)</u>

In October 2018 the High Court published its judgement on the case of Lloyds Banking Group and the equalisation of Guaranteed Minimum Pensions ("GMP"). This has consequently been assessed against the Group's defined benefit schemes. The impact of GMP Equalisation in respect of the Bromford Pension Scheme has been recognised in the year.

Local government pension schemes

The Group has reviewed the impact of GMP Equalisation in respect of its one Local Government Pension Scheme and identified that a range of approaches has been adopted by the scheme actuaries for that scheme. These approaches range from a detailed assessment of the impact of the requirements in 2019 through to limited recognition of the impact as the scheme actuaries wait for guidance from the Government on the methodology to be applied in calculating the full liability. No further adjustments have been made to the present value of obligations as the effect is not considered material.

In December 2018 the Court of Appeal ruled that 'transitional arrangements' protection in respect of benefit changes to the Judicial and Fire Fighter Pension scheme amounted to unlawful discrimination ('McCloud case'). Due to similar pension reforms to the LGPS in benefits the judgement is expected to be applicable to the LGPS. Whilst the judgement might be appealed by the Government in the Supreme Court it is generally considered unlikely that this will be successful. [There is no impact from this ruling on the non-LGPS schemes as there were no equivalent changes to pensioner benefits.]

The directors have considered the potential impact of the McCloud case on the group and associations defined benefit liability as at 31 March 2019. No additional liability has been recognised given the profile of the scheme members and assuming a very cautious outcome on the LGPS scheme liability (gross obligation: £29m) the directors are satisfied that when fully accounted in the financial statements the impact will not be material to the Group or Association Financial Statements as at 31 March 2019.

38. Parent Entity

The company's ultimate parent organisation is Bromford Housing Group Limited registered in England and Wales under the Co-operative & Community Benefit Societies Act 2014 (Registered Society Number 29996R).

Copies of Group financial statements for Bromford Housing Group are available from; 1 Exchange Court, Brabourne Avenue, Wolverhampton Business Park, Wolverhampton, WV10 6AU.