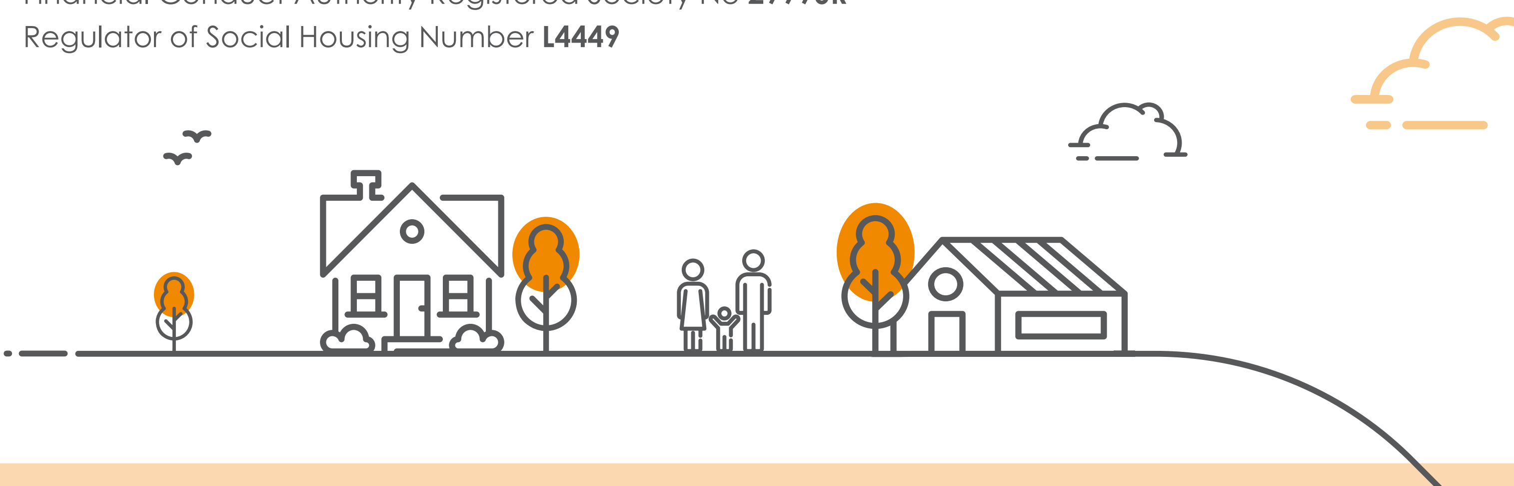
Bromford Housing Group

Annual Report and Financial Statements

for the year ended 31 March 2020

Financial Conduct Authority Registered Society No **29996R**
Regulator of Social Housing Number **L4449**



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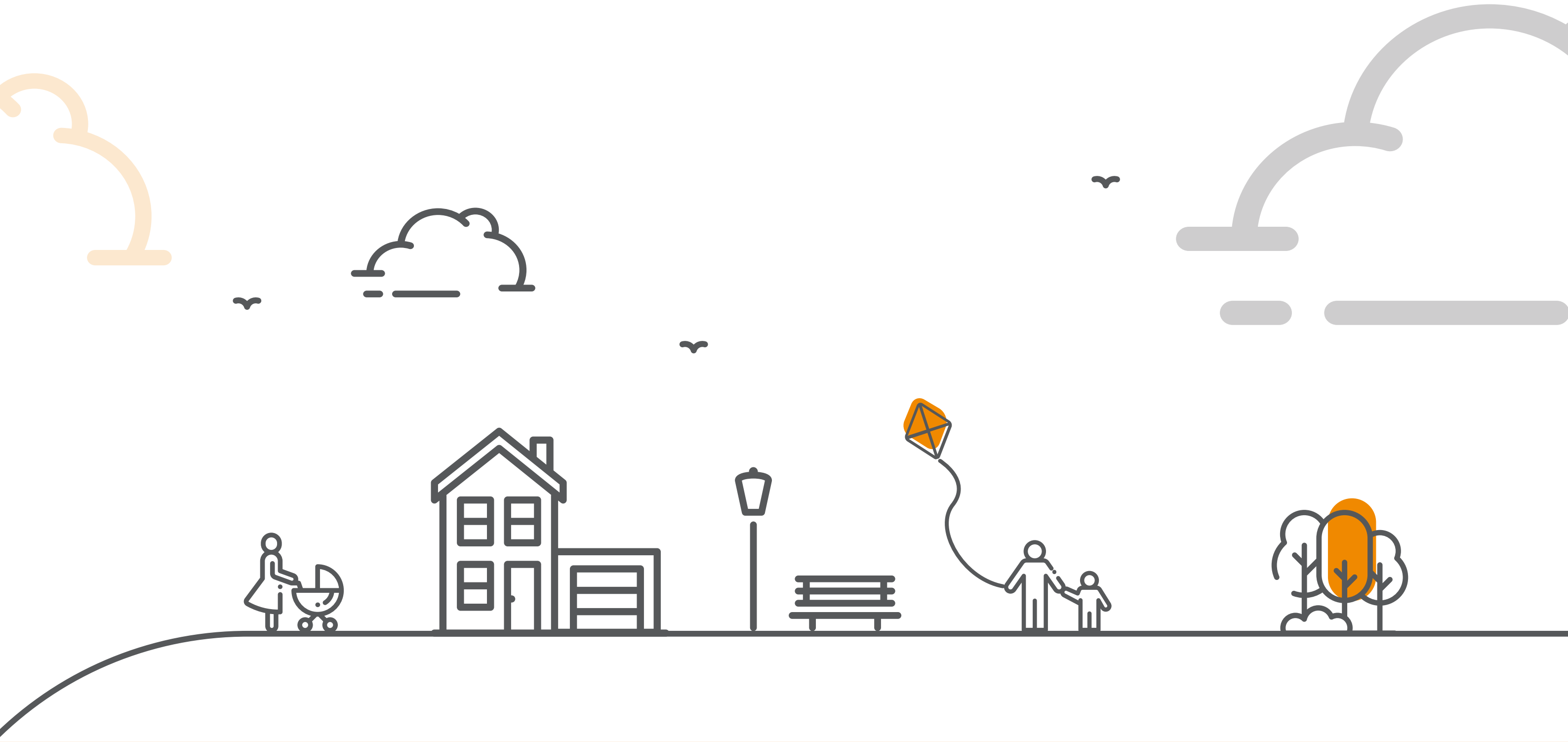


A snapshot of our business.

1,837
colleagues

44,000
homes owned and managed

£271m
annual turnover

1,027
homes completed in 2019 to 2020

3,461
homes improved through upgrades

14,000
planned number of properties to be developed by 2028

around
100,000
customers

Highlights of the year.

This year we have focused efforts on the core areas of our geography, strengthening our relationships with customers and key stakeholders, our reputation for building homes, and putting in motion the tools to create a sustainable Bromford.

Simplifying the business.

Bringing three organisations together has allowed us to generate savings and drive a simplification of the business so that we can invest more in our current and future customers. A clearly defined corporate strategy along with a robust financial platform is helping us to refocus every business decision back to our central purpose: to invest in homes and relationships so people can thrive.

Embedded in our communities.

The expansion of neighbourhood coaching to Tewkesbury marked the completion of the programme rollout across our geography. Our network of 244 coaches are now building relationships with the people living in our homes and local community assets. During the initial stage of the coronavirus pandemic this proactive approach paid dividends, as our coaches made direct contact with 16,000 older and vulnerable customers in the first four weeks of the outbreak. They also provided information on additional local services such as community groups, neighbourhood schemes, and volunteer assistance.

Realising our building potential.

Strategic partnerships with Homes England and our own contractor framework, the Bromford Construction Partnership, have strengthened our capacity to build new homes, completing 1,027 during the year. Just under 1,000 of these were new affordable homes for social rent, affordable rent, and shared ownership. In June 2019, leading sector magazine Inside Housing named us in the top 10 developers of affordable homes in the country demonstrating our growing reputation in this area.

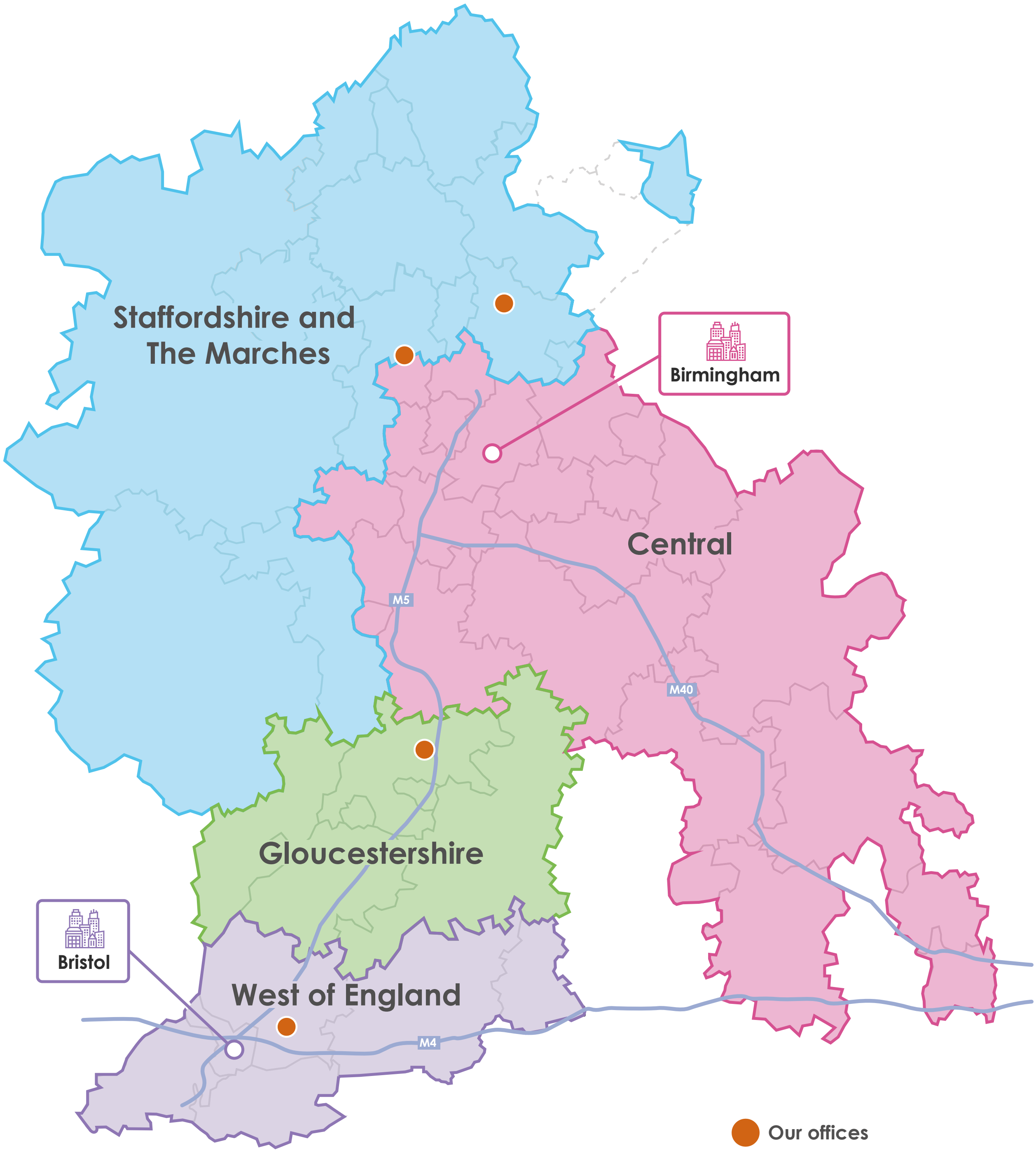
The legacy of lockdown.

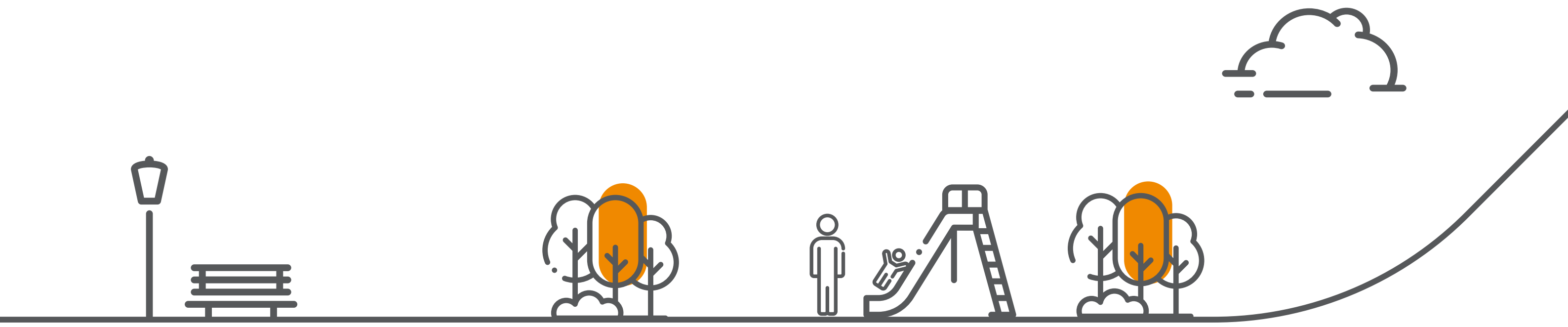
Despite causing uncertainty and hardship for many, we are incredibly proud of how our people reacted to the unfolding global health crisis as more than 1,000 colleagues reverted to working from home overnight. Frontline colleagues reacted equally quickly to service alterations and changes to their day-to-day work, with colleagues often going the extra mile to support vulnerable and at risk customers. An agile corporate strategy allowed us to adapt our new homes model to changing market conditions.

A sustainable Bromford.

We have committed to establishing our baseline carbon emissions, a roadmap to get us to net zero by 2050, and a sustainability strategy and have already identified a partner to help us move forward with this important work. Through our ongoing projects around regenerating existing homes, thermal efficiency, modern methods of construction and colleague workspaces, we are placing ever greater emphasis on demonstrating our green credentials and reducing our carbon footprint.

Operational area.





Report from the chief executive.

Focusing on why we are here

This year has seen Bromford start a new chapter having integrated Bromford, Merlin and Severn Vale to create a single organisation which is stronger and more resilient, and with a relentless focus on enabling our existing and future customers to thrive.

We started the year by launching our Bromford Strategy 2019-2023 to all colleagues and key stakeholders. Following the launch, we completed several initiatives to focus our efforts on our core business of affordable housing and a reduced geography, both to enable us to create even stronger relationships with our customers. This focus has proven particularly pertinent set against the context of the coronavirus pandemic which I will talk about in greater detail below. As part of this refocusing drive, we completed the sale of our entire student accommodation portfolio and sold our homes in two local authority areas to other not for profit housing associations. At the end of the year we had agreed to dispose of our homes in a further six areas again to other not for profit housing associations. Our goal over the coming year is to conclude our rationalisation such that we are operating in 40 areas from an historic high of 51.

Creating a single Bromford has enabled us to deliver planned efficiency savings and expand our neighbourhood coaching approach meaning that we now have a team of 244 coaches working across our 44,000 homes with the principle aim of enabling customers to achieve their goals and aspirations, or put simply to thrive. This again came to the fore during the coronavirus pandemic with coaches directly engaging on the phone with over 16,000 customers in the vulnerable or at risk groups in the first four weeks of the outbreak, as we led from the front in reassuring and working with the people living in our homes.

During the year we invested £180m in developing new homes, completing 1,027, of which 969 were for rent or shared ownership. The completions included 129 delivered by our expanding in house team, Bromford Developments Limited (BDL). We closed all our sites on 23 March because of the coronavirus pandemic and started to reopen them again on 18 May. During the year we strengthened our relationships with a range of partners and were able to boost the team by attracting a range of private sector talent to the business. We launched a new contractor framework, called the Bromford Construction Partnership, to boost our housebuilding potential in the south of our operating area and continued to receive funding from Homes England as one of their strategic partners.

As a result of our strategy, we have materially increased our focus on reducing Bromford's carbon footprint. This comprises of two elements: our homes and operating model. On our homes we invested £39m in existing properties through planned and non-planned maintenance which included the installation of 745 new kitchens, 677 new bathrooms and 2,039 new heating systems to increase their thermal efficiency, thereby reducing the costs for customers. Our workplaces plan, which is part of our operating model review, saw us announce plans to reduce office space by 40%. Our work on being prepared for this meant we were on the front foot in responding to the coronavirus emergency, with more than 1,000 colleagues brilliantly reverting to working from home almost overnight including our customer service centre. Demonstrating our drive in this area, we also announced a sustainability-linked funding facility meaning that for the first time our performance around energy efficiency is linked directly to our funding mechanisms.

We continued investing in colleagues with new systems to simplify our ways of working as well as growing our existing talent through the formation of two leadership academies. We also committed resources to improving our mobile capability particularly for our colleagues who work out in the field.

All of this great work is underpinned by a strong financial framework, including our golden rules and our performance. During 2019 to 2020, we delivered a net surplus of £49m up from £45m (excluding the fair value business acquisition of Severn Vale) on revenue of £271m (£257m in 2018 to 2019) with operating surplus climbing to £97m (£83m in 2018 to 2019). Overall, our operating margin remained at 30% whilst social housing lettings operating margin reduced from 35% to 32%, largely as a result of the final year of rent cuts.

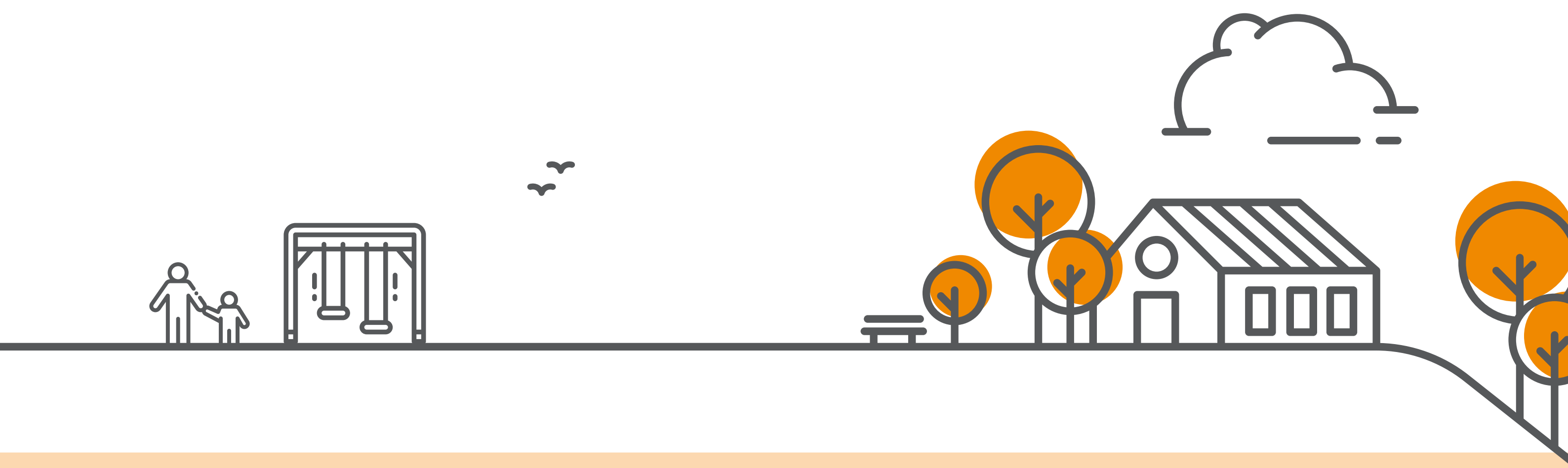
Importantly we retained our A2 and A+ credit ratings, both with stable outlooks, through Moody's and Standard & Poor's demonstrating the attractiveness of Bromford to investors. During the year we went to market several times to secure additional funds therefore further strengthening our liquidity position, which at the end of 2019 to 2020 stood at £604m. This has been reinforced in the early months of 2020 to 2021. During the year, we also received an In-Depth Assessment from the Regulator of Social Housing – the first as an expanded Bromford – and we were very pleased to retain our G1 V1 rating.

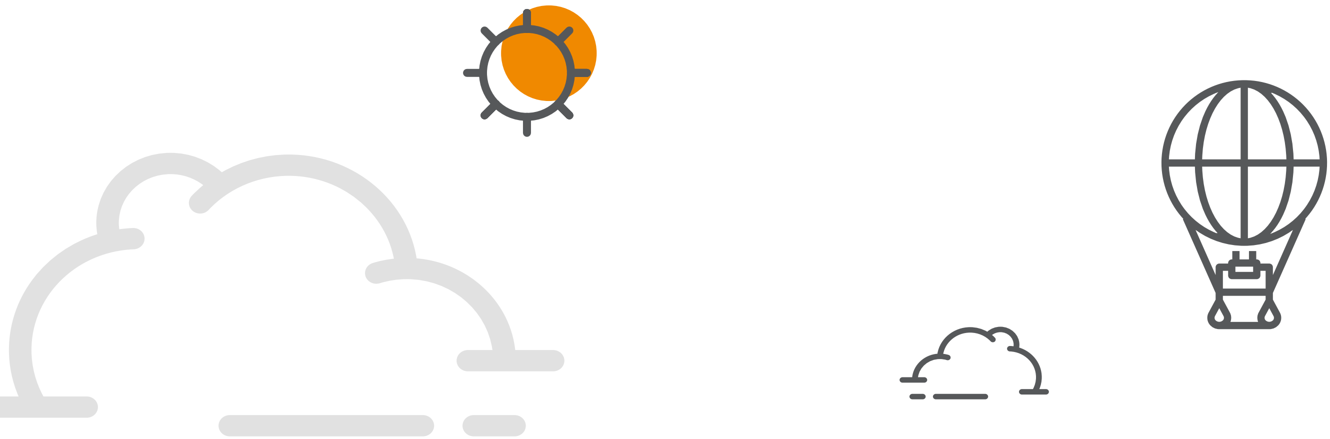
The last weeks of the year and the first quarter of 2020 to 2021 have undoubtedly been dominated by the coronavirus pandemic. As a result of our robust financial position we have been able to focus relentlessly on keeping customers and colleagues safe throughout these undoubtedly difficult times. Through great work by colleagues, we have seen little to no impact on our compliance metrics. We have seen minimal impact on rent arrears from what was a relatively low base of 2% at the start of the financial year. However, we expect this to rise in the short to medium term meaning our income teams and neighbourhood coaches will continue to play a leading role in supporting customers through any challenges or concerns they may have. The temporary closure of construction sites has naturally affected housebuilding targets whilst the lockdown restrictions, and our response to it, also mean we have built up some backlog of non-emergency repairs and planned maintenance.

Overall, we don't expect the pandemic to have a material impact on cashflow in 2020 to 2021. However, we do expect our operating margin and net surplus to be impacted but will remain comfortably above our funder covenants and golden rules.

I would like to finish by thanking everyone connected to Bromford, be it the people living in our homes, the partners in our communities, or the investors backing our approach and business model, for the tremendous support and backing you have shown us at a time of truly unparalleled international crisis. Most of all I would pay tribute to our fantastic colleagues, our key workers, who have reacted admirably to an unbelievably challenging set of circumstances. Every single one of them has really brought Bromford's core purpose – investing in homes and relationships so people can thrive – to life through their dedication to do the right thing for our customers and communities.

Robert Nettleton
Chief executive
28 July 2020

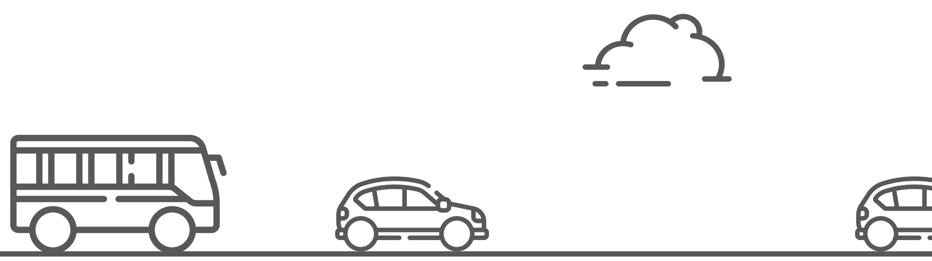




The Bromford Strategy 2019 - 2023.

The Bromford Strategy 2019-2023 is our roadmap to help us achieve the things that matter most to our customers and stakeholders over the next five years. We will deliver the goals in each of our areas of strategic focus, aided by our financial framework, our risk appetite and the DNA which runs through everything we do.

The elements that make up our strategy are underpinned by one common purpose, the 'why we are here'. Having this clarity helps guide colleagues' decision making on a day to day basis, how we respond to meet changing market conditions and energises us to deliver real outcomes for the customers living in our homes.



Our purpose.

We invest in homes and relationships so people can thrive.

We provide 44,000 affordable homes for people who can't access market housing and we believe everybody should have somewhere to live that is safe, secure and warm.

But ultimately, we are a people business and we know that a home is just the start. With the right relationship and someone who believes in your potential, almost anything is possible. It's what motivates us every single morning.

Our corporate strategy.

The Bromford Strategy 2019-2023 is the roadmap to ensure we deliver on our overall purpose and details the individual steps we will take to achieve these aims. It sets out five areas of strategic importance and the outcomes and goals helping us continually monitor and improve our progress.

Our five areas of strategic focus:

Our relationship with customers

Homes that enable customers to thrive

Growing the business to enable even more customers to thrive

Keeping Bromford future ready

Enabling colleagues to thrive to create the best team we can

Our performance.

Now that we are a year into the launch of the new Bromford Strategy, it is essential that we demonstrate the work we are doing and where we are delivering against these objectives as well as highlighting any areas where we need to improve or revise our approach.

Our relationship with customers.

Over the course of the year we completed the rollout of our neighbourhood coaching programme meaning we now have 244 coaches getting to know the customers on their patch and promoting relationships built on trust. Customers generally say our services are easy to use and although our arrears figures are encouragingly low, we know that many more are experiencing financial worries due to the coronavirus pandemic and this is where our coaches and income team will play a pivotal role.

We know our customer-facing services are not always working as one team and the number of customers that would recommend us has dropped as a result. We've been given clear feedback over some of our repairs and maintenance service areas, in terms of how we communicate, service delays, and call waiting times. We are investing more in these areas to improve performance and resolve any issues and at the start of the new financial year we have made encouraging early progress. Another improvement we have made is moving from eight locality areas to four, bringing our operational teams far closer together.

81.7%
of customers would recommend us to a friend
Target: 85%

1.99%
is our overall level of arrears
Target: 3%

Completed
homelessness reduction planning and started implementation

100%
of customers now have a neighbourhood coach
Target: 100%

Homes that enable customers to thrive.

It is so important that customers feel proud to live in a Bromford home as well as being safe, secure, and warm. That is why we have committed to investing £300m in maintaining and upgrading our properties over the course of the strategy.

We have made some great progress in this area; with customers rating our lettings standard very highly and experiencing fewer things go wrong in the first six months after moving in. We also installed 2,039 new heating systems to make our homes warmer and cheaper to run and 98.5% of our homes now have a SAP D energy rating or above. We are always exploring how we can deliver smarter services and during the year we decided to stop leasing our repairs vans and instead buy them outright; delivering savings of £2m over the next five years.

87%
of repairs fixed in one visit
Target: 87%

92.8%
of customers rate our lettings standard
Target: 90%

81%
of homes at SAP C energy rating
Target: 80%

Growing the business to enable more customers to thrive.

With the housing crisis still of paramount importance, Bromford remains well-placed to use our financial strength and growing reputation to invest in quality, affordable and energy efficient homes that make a real difference in our four localities. During the year we responded to market conditions by reducing the proportion of homes built for outright sale; instead growing the focus around our core rented business.

We delivered 1,027 new homes and entered into a new strategic partnership with four trusted construction partners, supercharging our potential for delivering new homes in the south of our operating area. Our land and construction teams are also growing in size and influence and have benefitted from the attraction of senior private sector talent over the course of the year. As part of our ongoing regeneration programme, we replaced older properties with 38 brand new, energy efficient homes and this number will almost double in the next 12 months.

969
affordable homes delivered throughout the year
Target: 960

30%
sales completions within one month
Target: 58%

Keeping Bromford future ready.

We know that as the world changes, Bromford has to evolve in similar fashion to stay at the forefront of new technology and ways of working to deliver the best possible service for customers and colleagues. Our business-wide transformation programme is helping us achieve this, which will see us move most of our current systems on to one integrated D365 platform. During the year we launched a new colleague portal and have continued to work on a number of other areas across our customer experience area. The integrated solution has taken longer than originally planned but we remain ambitious to deliver a sector leading platform.

Our workspaces strategy has been approved and sets out our aim to reduce workspace footprint by over 40,000 sq. ft whilst ensuring all colleagues have a great place to work whether that is their home, a repairs van, a collaborative hub in the community, or a desk at an office. A new Bromford coffee card is being introduced for all our field based colleagues and will bring fairness to this important part of the working day.

£3.8m
achievement of financial benefits from key strategic initiatives
Target: £3.4m

£3.14m
cashable savings through transformation
Target: £3.25m

Completed
the integration phase of the two merger business cases

Completed
workspaces review and commenced implementation

Enabling colleagues to thrive.

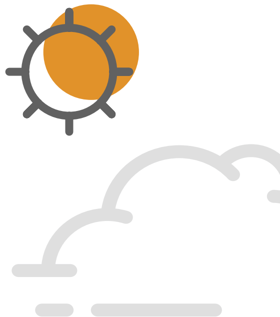
A big focus this year has been on bringing services together into single, joined-up teams and also transitioning colleagues onto an attractive and standardised contract with almost 500 opting in so far. As we begin to embed our new shared values, the Bromford DNA, across the organisation plenty of attention has been given to colleague engagement and recognition which has been boosted through a new annual awards programme.

Voluntary turnover remains well within target and we continue to invest heavily in creating a team of brilliant leaders with the launch of two training programmes, an online learning lounge, coaching courses and a recruitment toolkit to ensure we are attracting the best talent as well as retaining it. In the past two years, 37 apprentices have joined teams right across the business as we look to develop the talent of the future.

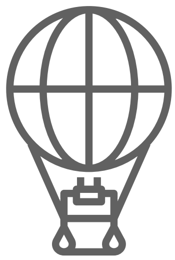
Voluntary turnover of
9.63%
Target: 18%

6.29
average number off days off sick
Target: 7 days

65%
of colleagues agreed that Bromford is a 'Great Place To Work' in annual engagement survey
Target: 70%



DNA running through everything we do.



The Bromford DNA sits at the heart of our business and is the essence of who we are, what we do, why we do it, and the way that we do it. After taking a step back and gaining a deeper understanding of who we are as a business and what attributes bring out the best in our team, we have made real headway in embedding these values, shaped by colleagues for colleagues, right across the organisation in every team and directorate.

We launched a new employer brand enabling us to deliver more powerful and consistent messages to colleagues; and allowing us to recognise and reward those who are already making a difference while giving all of us something to work towards. This clarity is also helping us attract new talent to the business, such as several senior leaders from the commercial sector, by helping them see these qualities in themselves and feel like they belong at Bromford.

New briefing sessions are keeping colleagues and leaders more regularly updated on the things they need to know and have kick started a conversation around an open culture of challenge and reward, where those living the DNA are recognised and anyone who isn't is challenged and coached. A new annual colleague awards programme, called the Brommies, is boosting internal recognition and bringing alive some of the fantastic examples of colleagues living the DNA in their day-to-day work lives. Meanwhile a new Be.Heard colleague engagement forum has representatives from each directorate and discusses, influences, and exchanges ideas linked to the DNA.

These values are also influencing the relationships we have with our customers and being honest with them when we don't get things right. The recent move to four localities, and the bringing of several operational teams closer together, stems from an acknowledgment that we need to do better in this area. The way colleagues responded and adapted with such speed, endeavour and flexibility during the coronavirus pandemic showed colleagues living the DNA at its brilliant best and more will be done in the coming 12 months to instil these shared beliefs yet further as we know we have more work to do.

Be.**Honest**

- We build trusting relationships based on openness, respect and integrity
- We learn from mistakes and are open when things go wrong
- We do what you say you will
- We're open to being challenged and challenging others

Be.**Brilliant**

- We collaborate with others, working smarter not just harder
- We see the best in people and believe we can all achieve more
- We're curious about learning new things

Be.**Bold**

- We do the right thing for our customers and colleagues
- We look for new possibilities and challenge assumptions
- We work with confidence but remain humble
- We empower others to make decisions

Be.**You**

- We dare to be different – using life experience and personality
- We embrace people's differences to build a better community
- We think big, celebrate success and are positive about what we can do
- We are energised, happy and productive

Group financial performance.

This year the business has embraced the full impact of three organisations coming together with total group revenues of £271m, an increase of £14m, driven predominantly by the number of rented homes. Despite political and economic fragility for much of the year, and of course the early impact of the coronavirus pandemic, we are pleased to present another strong set of financial results.

As the new Bromford Strategy comes to fruition, we have driven a simplification of the business to focus on our core business and geographies whilst keeping our purpose of investing in homes and relationships so people can thrive central to everything we do. To this end we have made value for money efficiencies of £3.8m through the two mergers and have generated cash of £12m through the disposal of our student accommodation portfolio.

Our financial track record is underpinned by the retention of our A2 and A+ credit ratings, both stable, through Moody's and Standard & Poor's as well as our ability to raise funding predominately through the capital markets. The compelling story Bromford has to tell is undoubtedly crucial in shaping our exceptional liquidity position and low gearing with debt per unit standing at £24k. Our total debt facility is over £1.6bn of which £436m remains undrawn in addition to cash balances of over £166m; giving the business a robust platform to weather market changes at a regional, national and international level which has proven particularly pertinent since the onset of the coronavirus public health crisis.

This ability to borrow money at market leading rates is enabling Bromford to invest in homes for future customers. Our priority remains to build affordable rented homes although as part of a balanced programme, we are delivering schemes of mixed tenure, including shared ownership and outright sale, to generate a vibrant environment for customers and to meet market demand.

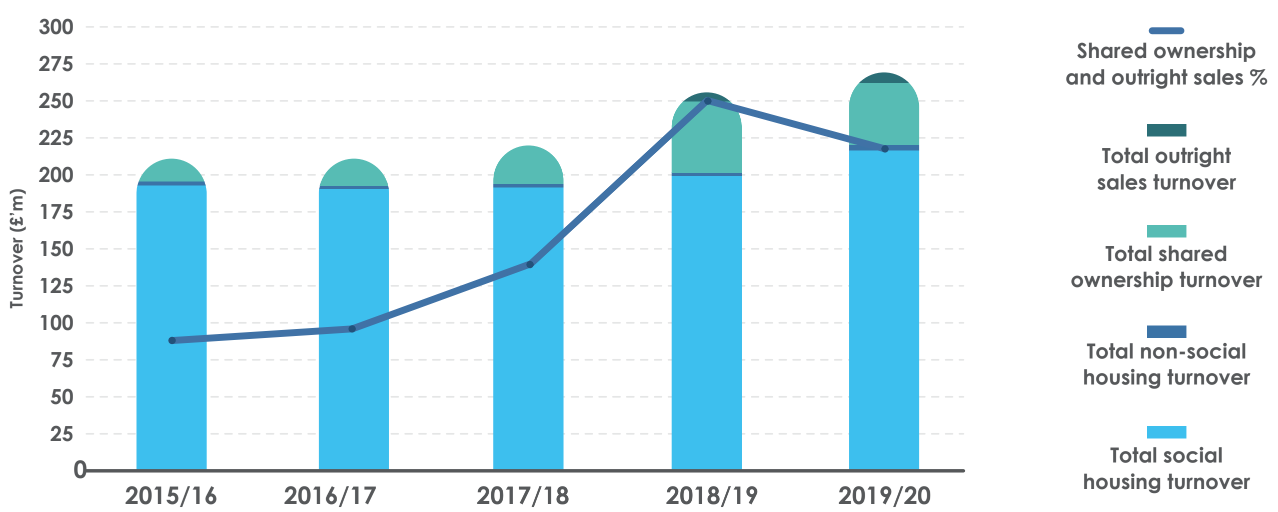
Our investment in existing homes remains strong and is focused on improving energy efficiency across our portfolio. Indeed, through our inaugural ESG-wrapped sustainability loan, this is now a target directly linked to financial performance and testament to growing efforts to reduce our carbon footprint. Investment in our neighbourhood coaching model of housing management and income collection service is allowing us to better the customer experience with arrears remaining low at 1.99% despite the partial rollout of Universal Credit. As our coaches get to know more customers through proactive conversations, we expect this to continue having a material impact on the relationship between tenant and landlord with overall customer satisfaction standing at 81.7% and plans in place to see this rise further. These are areas where we are seeing a demonstrable return on investment and with our business transformation programme well underway, even more effective processes and efficiencies will emerge in the coming 12 months.

Turnover including sales.

Group turnover increased to £271m (2019: £257m). Social housing lettings remain the core of Bromford's business and contributed 78% of turnover during the year (2019: 76%).

Sales revenues remain strong. Shared ownership sales income for the year was £42m (2019: £48m). We sold 401 shared ownership homes, at an equivalent 100% sales value of £251k (2019: 435 homes, 100% value of £236k). The average first tranche share sold reduced to 41% (2019: 47%). The £8m revenue associated with outright sales (2019: £6m) represents Bromford's continued modest entry in the outright sales market to complement our social housing offering.

Group turnover (£m).

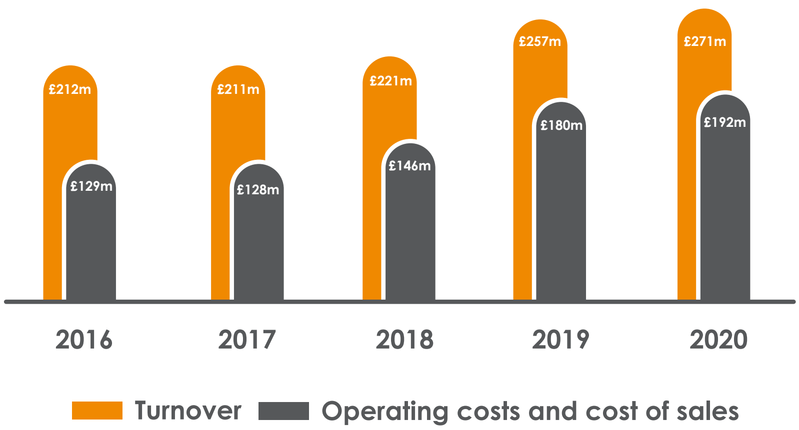


Costs.

Over the last year, we have seen an increase of 12% in our total operating costs, excluding cost of sales, from £138m in 2018 to 2019, to £154m in 2019 to 2020. The main contributor to this increase was the first full year of the Severn Vale merger contributing costs of £8m. In addition, we have rolled out our neighbourhood coaching model to all areas of the new group and continue to deliver our ambitious transformation programme.

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.

Turnover and operating costs including cost of sales (£m).

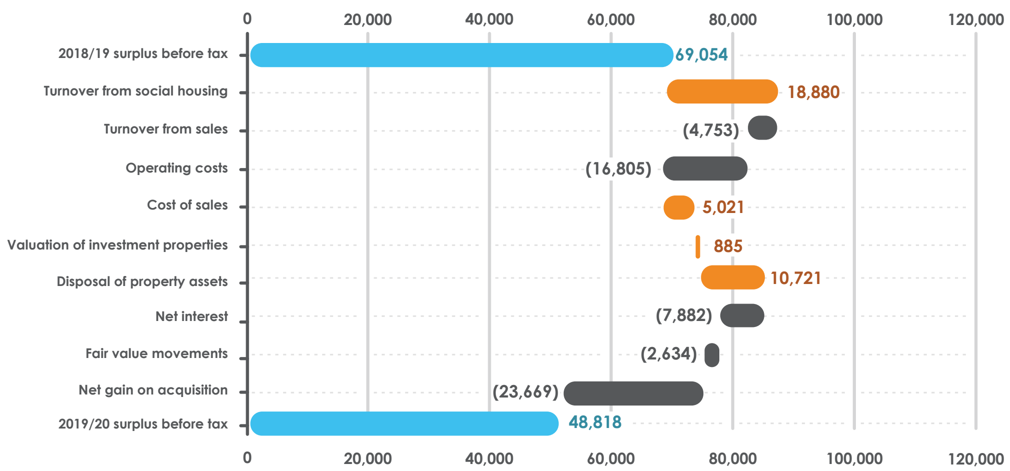


Operating margins and surplus.

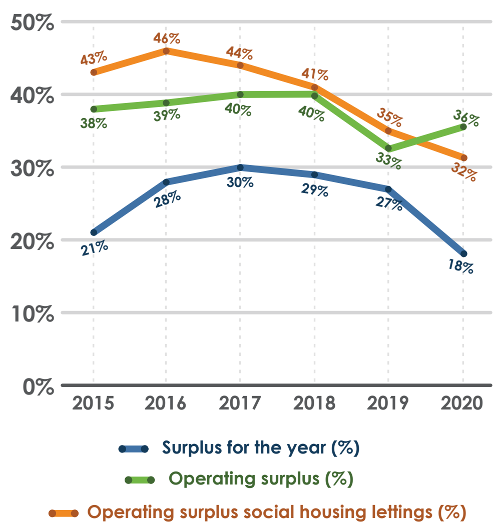
The surplus before taxation of £49m is another strong financial performance for Bromford (2019: £45m excluding the one off gain on acquisition of Severn Vale). Operating surpluses, including sale of fixed assets, were £97m (2019: £83m) with an operating margin including asset sales of 36% (2019: 33%).

The operating margin on social housing lettings was 32% (2019: 35%). The reduction reflects the effect of a further year of rent reductions for the majority of our homes, the cost increase from investment in our localities model across the whole group and our continuing transformation programme in line with our strategy.

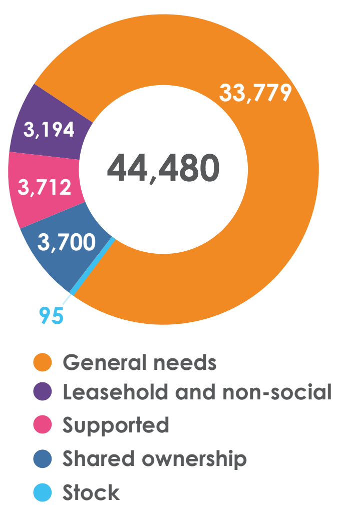
Movement in net surplus ('000s).



Operating and net surplus as a % of turnover.



Assets under management.



The number of assets owned and managed at the year end increased to 44,480 due to property development activity offset by disposals. The table below shows the movement throughout the year.

	31/03/2019	Development	Disposals	Retain FH & LH	Other	31/03/2020
General Needs	33,199	611	-238	0	207	33,779
Supported Housing	3,716	26	-13	0	-17	3,712
Shared ownership	3,449	318	-134	0	122	3,755
Leasehold and non social	3,310	72	-274	50	76	3,234
Total	**43,674**	**1,027**	**-659**	**50**	**388**	**44,480**

Disposals.

Overall profit on disposals increased to £17m (2019: £7m). There were two significant disposal activities during the year as, in line with our strategy, we disposed of our student portfolio and continued to withdraw from non-core geographies. These generated £18m in proceeds and a net profit of £6m (2019: £2m).

In addition, we participated in the voluntary right to buy process that along with other right to buy and right to acquire generated £7m (2019: £0m) of disposal profit. In line with the voluntary right to buy scheme rules £6.5m (2019: £0m) is ringfenced for re-investment into new homes. Staircasing activity generated profits of £4m (2019: £4m) in line with the previous year.

Investment in our homes.

In 2019 to 2020 we invested £39m (2019: £38m) in major repair and refurbishment programmes and £180m (2019: £172m) in new homes. This level of investment continues to reflect our desire to invest in existing and new homes helping our customers to thrive.

Sales exposure.

Exposure to unsold shared ownership stock continues not to be a material issue and we have significantly decreased the number of homes awaiting sales steadily throughout the year. The number of completed unsold shared ownership homes was 55 at March 2020 (2019: 155). The value of the unsold element was £4m.

We had 40 completed homes for outright sale unsold at the year end with a value of £6m.

The detail of stock and work in progress is shown in note 17. Stock and work in progress at the end of March 2020 was £51m (2019: £60m), which represents 61 schemes at various stages of building completion.

An impairment review was carried out which included the initial impact of the coronavirus pandemic and found none of our property assets were impaired.

Pension provisions and liabilities.

During the year, the group participated in three multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS), the Staffordshire County Council pension scheme (LGPS) and the Avon pension fund (LGPS). On the 1 April 2018, we opened the Bromford Defined Benefit pension scheme administered by The Pensions Trust. The scheme offers employees the choice of CARE 80th or CARE 120th with Bromford contributing 10% of the employee's salary regardless of scheme choice (CARE: Career average revalued earnings) with the employee paying the balance. During the year, we transferred the assets and liabilities of the SHPS scheme into the Bromford scheme.

The pension liabilities on the balance sheet reflect the engagement with these schemes as set out in note 36.

Bromford Housing Group also participates in the Social Housing Pension Scheme's Defined Contribution scheme and Royal London Defined Contribution scheme to meet its obligations for auto-enrolment.

Corporation Tax.

We continue the policy of gift aiding taxable surpluses from non-charitable group members to charitable group members. The corporation tax charge for the year is £274k (2019: £7k) as set out in note 10.

Key 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, we reduced the value of our transformation programme intangible asset by £1.8m.
- 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 seven standalone interest rate swaps which have been categorised as non-basic and these have been measured at fair value within these financial statements
- Pension asset/liabilities are based upon third party actuarial valuations.

Further details of key estimations can be found within our accounting policies on pages 73-83.

Treasury.

Following a highly successful 2018 to 2019 in which we established our sector leading dual credit platform and issued our debut public bond, the 2019 to 2020 financial year witnessed further significant and successful treasury activity across the group. In May 2019, we successfully drew funds of £100m on our inaugural private placement in North America, which brought five new investors to Bromford and two new investors to the social housing sector, and closed at a spread impressively inside of the trading levels of our public bond secondaries.

Our proactive approach to the funding markets was demonstrated again in August 2019 as we issued our first long deferred private placement to leverage the prevailing, historically low gilt yield curve whilst matching £50m of new funding and associated interest costs to our cash and liquidity requirements.

We returned to the capital markets in December 2019 to issue a further £90m of new funding to refinance a legacy bank loan with a non-active lender. We benefitted from a substantial sub-par redemption of the loan and once again issued new funding at sector leading levels to generate significant savings in real cash terms. The refinancing also replaced archaic and restrictive covenants with covenant light funding which will better serve our future growth agenda.

Our new funding activity continued in February 2020 as we issued one of the first sustainability linked loans (SLL) in the sector with a new 10 year £50m revolving credit facility with NatWest Markets. We are particularly proud of this facility which will generate interest savings as we meet energy efficiency targets for the homes across our portfolio. It remains the first and only loan in the social housing sector which adopts green principles to track and reward performance.

Whilst we required no immediate new funding at the onset of coronavirus, we observed a number of macro-economic and market developments leading to further deferred funding opportunities at historically low rates. In May 2020 we issued a new £100m private placement deferred for 12 months. This latest capital markets issue was executed at a record low coupon for Bromford.

We concluded the 2019 to 2020 financial year with very healthy levels of liquidity; over £600m in cash and undrawn facilities. Our liquidity and the general health of our key financial metrics position us well to deliver our strategy and new development ambitions whilst effectively absorbing any cash flow pressures which may emerge as a result of the coronavirus pandemic.

We were delighted to maintain our credit ratings at A+ (S&P) and A2 (Moody's), both now with a stable outlook, and our shadow credit rating analysis affirms maintenance of our baseline ratings across a number of new and adverse scenarios associated with the current lockdown.

Capital structure, treasury and cashflow.

The following table highlights our position:

	As at 31 March 2020	As at 31 March 2019
Drawn facilities	£1,180m	£1,118m
Undrawn facilities	£436m	£455m
Cash and cash equivalents	£168m	£195m
Fixed rate borrowing (drawn)	97%	94%
Weighted average cost of borrowing	3.96%	4.04%
Interest cover	3.1 times	3.4 times
Asset gearing	39%	39%

Cash and short-term liquidity.

The group holds significant cash funds after completing several capital market issuances in two years. In line with sector best practice, the majority of these cash proceeds remain invested in multi tenor but short term sovereign treasury bills at terms ranging from four weeks to six months in amounts to meet the near term funding requirements of the business. The investment strategy is defensive, with safety and access to cash driving decision making rather than projected rates of return. Any cash deposits with institutional counter parties must meet minimum counterparty credit ratings and deposit values must not exceed £50m for institutions with credit ratings of at least A1/A+/A+ or £25m for institutions with credit ratings at least A3/A-/A-.

Our short term liquidity treasury management policy requires a minimum of £10m of available funds on a same day access basis, and a further £15m available within two business days (including RCFs) to ensure day-to-day operational cashflow is funded without undertaking undue risk. With the onset of the coronavirus outbreak, and the potential transient impact on the group's cash requirements, same day cash levels of £75m are now maintained. This will be reviewed and adjusted on an ongoing basis as the impact of coronavirus on the group's cashflow and wider economic environment is further assessed.

Long term liquidity and funding.

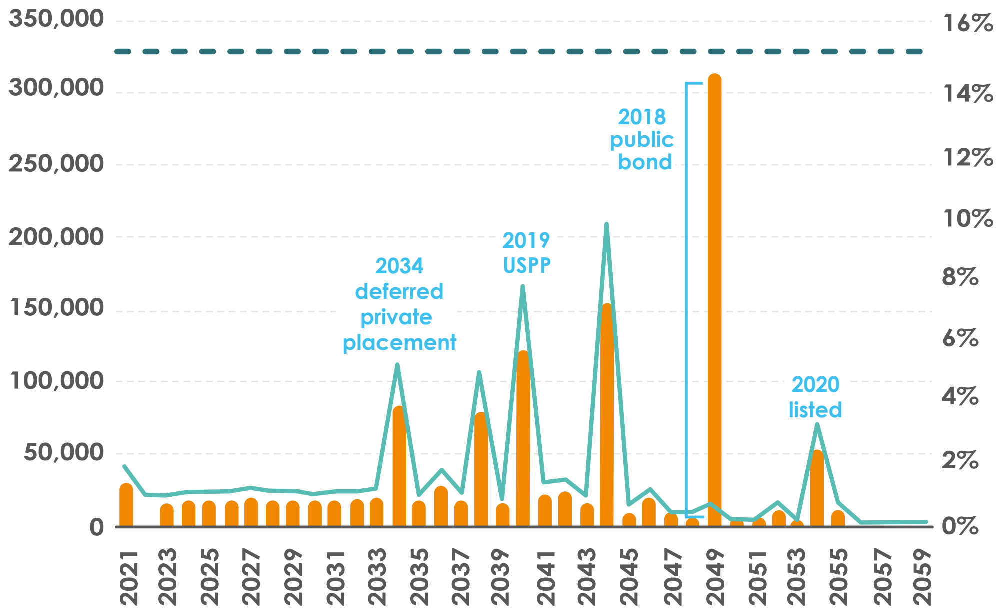
Long term liquidity remains a key focus and our treasury management policies set out a prudent requirement, requiring 18 months of all operational and development cashflows (including uncommitted spend) net of 20% of sales slippage, plus a contingency buffer of £25m.

The total facilities (drawn and undrawn) at the year-end were £1,616m. We ended the year with £168m of cash and £436m of undrawn facilities (all fully secured), generating total available funds of £604m and just under twice the long-term liquidity level required (£322m). This includes RCFs of £386m and deferred funding that is already agreed and set to be drawn in August 2020 (£50m) to protect the group from potential future economic and funding uncertainty that may emerge as a result of coronavirus. Our liquidity is further complemented by a £100m private placement agreed after the year end in May 2020 which will be drawn in May 2021.

Refinancing risk.

We have completed six capital market issuances over the past two years and expect to be a regular, repeat issuer as we continue to seek new long dated funding to fund our growth and development ambitions. In our treasury management policies, we purposefully monitor our repayment curve to ensure that new debt issuances provide a range of tenors to avoid a significant wall of refinancing in any given single year or continuous five-year period. This is demonstrated in the graph below which illustrates the peaks associated with recent new funding staggered across 2034 (£50m 2019 deferred private placement), 2040 (£100m 2019 USPP), 2049 (£300m 2018 public bond) and 2054 (£50m 2020 listed bond).

Total committed facilities - refinancing profile



Interest rate management.

We use fixed rate borrowings to manage our exposure to increases in interest rates and 97% of our drawn borrowings are at fixed rates (2018 to 2019: 94%). In a low interest rate environment, it is clearly advantageous to leverage the prevailing low interest rates offered in the longer term, and our high level of fixed rate debt reflects this. The majority of the fixed debt is established through vanilla embedded fixes. The decrease in the average cost of borrowing reflects the historically low rates achieved on our recent capital market issuances, which have closed at coupons of 2.23% to 3.125%, and the settlement of an expensive legacy loan.

Covenants.

The majority of our covenants are based on group results and are broadly consistent in their composition across our funder base. We have considerable capacity on both our interest cover and asset gearing covenants, and they do not limit our activities.

Ratings.

In June 2019, after 12 months of negative outlook, Moody's regraded the group to A2 (stable) to reflect the additional debt levels required to fund the development programme. This regrading aligned with the shadow credit rating analysis we carried out to identify the likely future projected credit ratings associated with our updated business plan. We communicated the projected rating to our key stakeholders ahead of time through a series of roadshows. Our Moody's rating of A2 (stable) was re-affirmed in November 2019.

Our S&P rating was also reaffirmed as A+ in December 2019, with the outlook improved from negative to stable to reflect our de-risked new homes plan and the agency's revised outlook on the UK sovereign rating.

Our dual credit rating platform remains one of the highest in the sector and investor appetite for investment in Bromford remains buoyant.

Our approach and business model.

Ensuring value for money (VfM) for customers and stakeholders is central to our strategy and the way we work.

Responsibility for delivering VfM starts with the group board which ensures our approach is strategic, comprehensive and appropriate to deliver our objectives. Our financial strategic objectives are set out in our financial golden rules and focus on maximising our financial capacity. Underpinning our financial strategy are detailed budgets, longer term financial plans, alongside cost reduction and income optimisation targets. These are reviewed at least twice annually, and targets are set in conjunction with every area of the business. We aim to optimise the use of resources to deliver our objectives and to balance our obligation to maintain good quality homes with our ambition to invest in building new ones. We take a strategic approach to enhancing our services, supported by a business case approach to change delivery and investment proposals, with clear cost-benefit measures reflected in budgets and service measures.

Our asset management strategy ensures we understand how to enhance future returns in both social and financial terms, considering investment, redevelopment, changing tenure, or disposal if assets are not financially viable for Bromford.

We monitor VFM through a variety of channels. Firstly, the operational management team are assigned annual budgets and formal meetings are held monthly to monitor progress. Secondly, the executive team meet monthly and a standing agenda item is financial performance. Thirdly, the Treasury Committee ensure good financial practice in matters of external financing and ultimately the board receive monthly financial updates and approve all budgets and financial forecasts.

As part of our strategy to drive better value for money, we have a specific focus on four areas:

1. We undertook significant M&A activity during 2018 to 2019 and we are now concentrating on achieving the benefits set out in the business case. This has seen savings of £3.8m generated in 2019 to 2020
2. Our neighbourhood coaching model has now rolled out across all our localities – a key building block that enables targeted support to customers to help them thrive. At the same time, in line with our strategy, we have disposed of our student accommodation portfolio and withdrawn from two local authority areas that are not core to our geography. This enables us to focus our time and resources in areas where we can add most value
3. Our transformation activity has seen us move key elements of our back office operations onto a groupwide Microsoft Dynamics platform. Considerable work has been undertaken during the year in the run up to deployment of further modules including customer services and rents during 2020 to 2021
4. We continue to look for opportunities to reduce day to day spend through alignment of services and focussing on specific spend areas such as our office space, vehicles, and materials supply.

VfM metrics.

We review a suite of metrics at each of our meetings to monitor our performance. In addition to the seven metrics defined by The Regulator of Social Housing (RSH), we also monitor indicators that cover each of our strategic areas of focus.

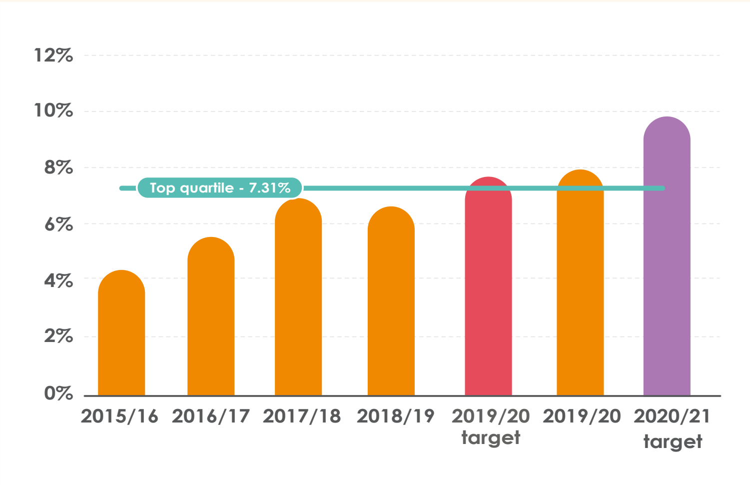
The metrics demonstrate a very positive story for Bromford:

- Financial stability through increasing revenues, strong operating margins, and external credit ratings
- Our continued investment in customers reflected in our neighbourhood coaching model, and customer advocacy scores of 81.7%
- Commitment to reinvest our revenues back into social housing
- Investing in Bromford to keep it future ready.

The direction of travel across the suite of metrics continues to demonstrate the financial strength of the group and is set out below for the last five years. We have compared against 24 housing associations with similar characteristics in terms of size (>30,000 units) using the latest published data from the 2018 to 2019 financial year. In the charts below top quartile refers to performance against the comparator group.

The Regulator of Social Housing Value for Money metrics.

Reinvestment %



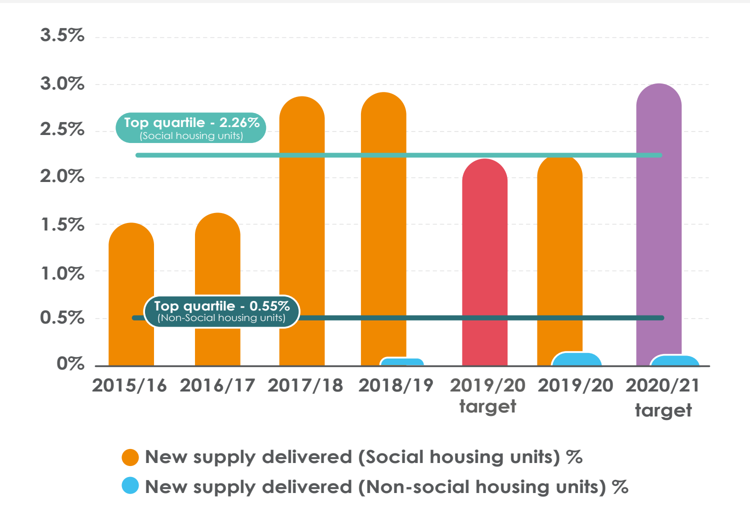
2019 to 2020 target 7.7%

Reinvestment has increased to 7.9% (2019: 6.7%) against an increased asset base as we continue to build new homes and invest in our existing homes. Investment overall increased with new development spend of £180m (2019: £139m) and investment in existing homes of £31m (2019: £29m).

2020 to 2021 target 9.8%

We are committed to achieving top quartile performance on investment in new and existing homes with forecast spend of £250m on new homes and £38m on existing homes. However, this will be impacted by the current lockdown with a revised forecast under consideration.

New supply delivered (social and non-social housing)%



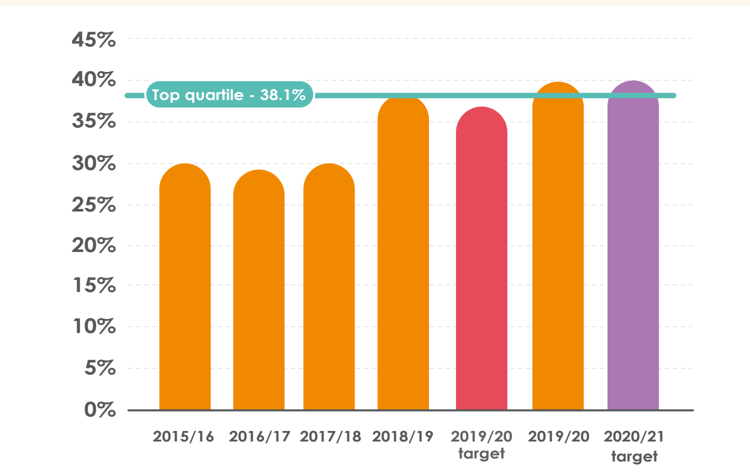
2019 to 2020 target 2.2% - 1,000 new homes

We delivered 1,027 (2.3%) new homes during the year including 58 non-social homes, exceeding target. This is set against an asset base of 43,382 homes owned; 42,165 of which are social homes.

2020 to 2021 target 3% - 1,300 new homes

We have plans to deliver 1,300 new homes next year maintaining our top quartile performance for social homes. This is under review as a result of coronavirus.

Gearing%



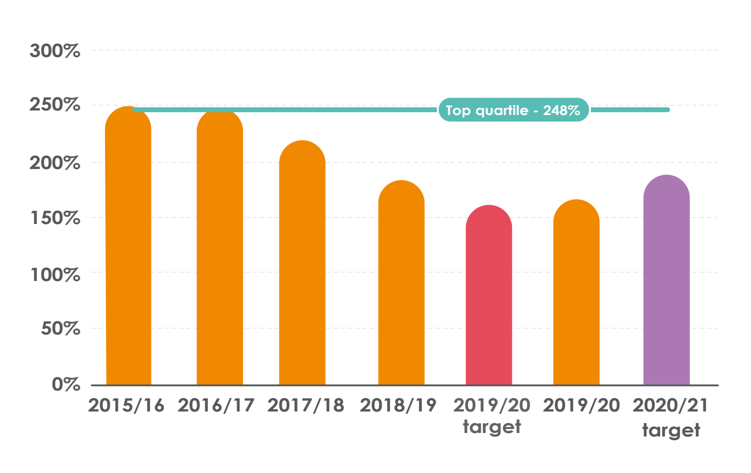
2019 to 2020 target 37%

Gearing has increased to 40% at year-end. Net borrowings have increased by £86m to £1,070m as we invest in new and existing homes. Housing assets at cost have also increased by £156m to £2,678m maintaining our overall gearing near to top quartile figure of 38%.

2020 to 2021 target 40%

We expect gearing to be of a similar level in 2020 to 2021 as we continue to invest in new and existing homes.

EBITDA MRI



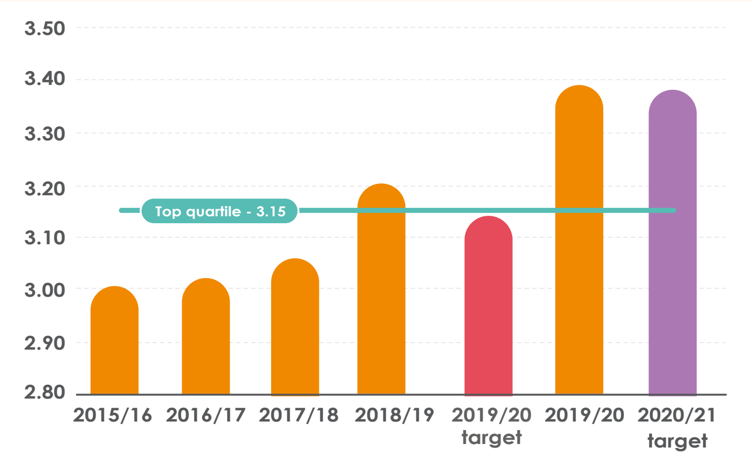
2019 to 2020 target 161%

EBITDA MRI of 163% is marginally above expectation. Interest costs of £49.6m including refinancing costs of £4.3m set against EBITDA MRI of £80.7m. EBITDA MRI would be 178% without the refinancing costs.

2020 to 2021 target 188%

We expect EBITDA MRI to increase in 2020 to 2021 as we bring in additional funding to continue to invest in new and existing homes while at the same time increasing operating performance.

Headline social housing cost per unit (£000s)



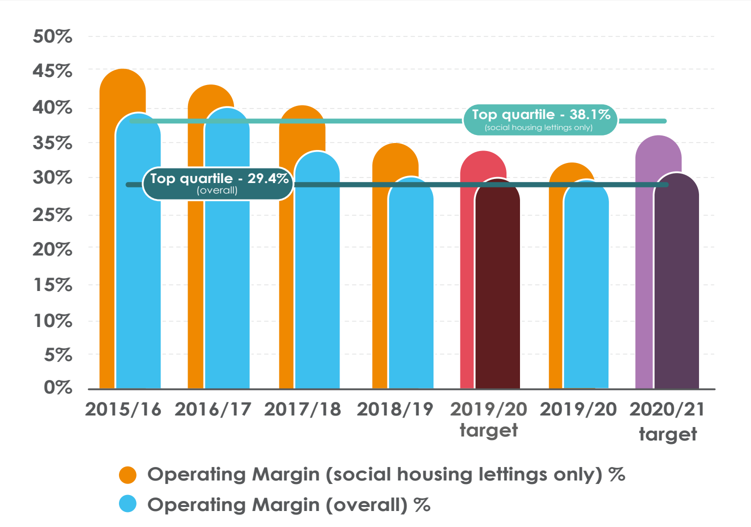
2019 to 2020 target £3.14k per unit

Headline social housing costs of £3.39k per unit are above target as we invest in our localities business model and our transformation programme. Performance remains second quartile compared to peers.

2020 to 2021 target £3.38k per unit

We remain committed to efficient delivery of our core business as we continue to invest in neighbourhood coaching and our transformation project.

Operating margin (overall and social housing lettings) %



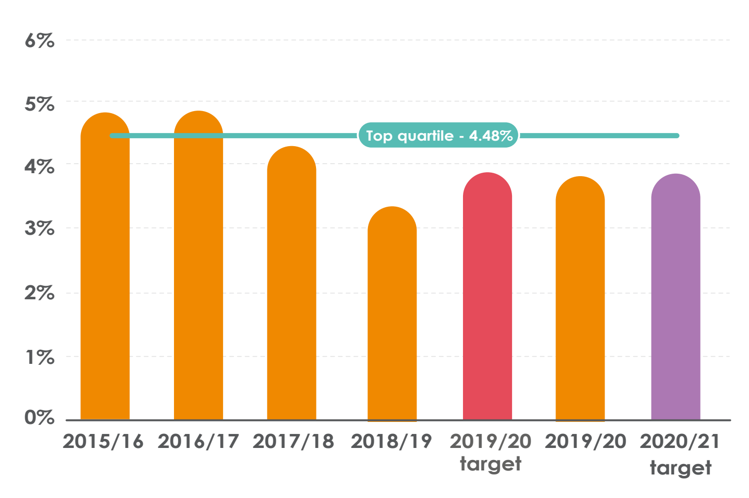
2019 to 2020 target 30% overall; 34% social housing

Overall operating margin remains top quartile at 30% with social housing margin third quartile at 32%. Operating margin is in line with expectation but social housing margin fell as we incur costs associated with our transformation including our neighbourhood coach rollout.

2020 to 2021 target 31% overall; 36% social housing

We expect overall operating margin to remain broadly static and social housing operating margin to increase. We continue our investment programme while benefiting from increased new homes revenue against a stable social operating cost base. This will be kept under review to assess any changes from coronavirus.

Return on Capital Employed



2019 to 2020 target 3.9%

ROCE has increased in line with expectation to 3.9% from 3.4%. Returns have increased to £98m against a slight increased capital employed figure due to additional funding drawn during the year.

2020 to 2021 target 3.9%

ROCE is forecast to rise marginally as we continue to increase returns and utilise cash balances on investment activity.

Bromford's financial framework.

The financial framework is a key part of our strategy and reviewed monthly. In setting out aspirational targets as well as minimum hurdle rates, it gives a focus to what the organisation is seeking to achieve over the coming years. It is this aspiration upon which the organisation is aligned and drives the behaviours across the business to ensure we always provide the best possible service to our customers at the most economically advantageous price.

Description	Aspiration	Golden rule	2018 to 2019 actual	2019 to 2020 target	2019 to 2020 actual	2020 to 2021 target
Operating Margin	> 38.0%	>25.0%	30%	30%	30%	31%
Social Housing Operating Margin	> 45.0%	>30.0%	35%	34%	32%	36%
Interest Cover (EBITDA-MRI/Net Interest)	> 2.4	>1.5	1.8	1.6	1.7	1.9
Asset Gearing	< 45%	<50%	39%	37%	40%	40%
Net Debt Per Unit (£)	<£34k	<£37k	£23k	£22k	£24k	£25k
Headroom above Liquidity Policy	-	>£100m	£296m	**	£223m	>£250m
Level of stock and WIP (Land, SO and ORS)	-	<£150m	£59m	**	£50m	<£90m
Sales	< 30%	<30%	21%	21%	18%	19%

**denotes no target set

We have set out in the proceeding pages Bromford's approach to VfM which whilst embedded throughout the organisation we must acknowledge there are areas which would benefit from greater focus.

As a result of the coronavirus pandemic we have reviewed our financial plans for 2020 to 2021. Whilst as an organisation we continue along our strategic journey we must tweak our near-term plans to reflect the changing environment. We recognise that many of our customers will be placed under additional financial strain this year, so we are augmenting our customer services teams to assist where possible. Whilst customer arrears will almost certainly increase, we are proactively working with customers to offer advice and support to help them manage their finances and ultimately pay their rent. Furthermore, we are monitoring the housing market closely and reviewing the tenure mix on our schemes to ensure we only build homes that are affordable to our customers. We are also reviewing how we are using our offices to ensure that we only retain the office space required to accommodate the new ways of working.

We are pleased to confirm following detailed financial planning allowing for the impacts of the coronavirus pandemic we are able to maintain compliance with all of our bank covenants and financial golden rules for the foreseeable future.

Report of the board of directors.

Our governance

We believe that strong and effective governance is one of the foundations of our success and ensures that we remain fit for the future and, ultimately, able to deliver the Bromford Strategy and more for the growing number of people who live in a Bromford home.

The Regulator of Social Housing requires all registered providers to adopt a code of governance, and all RPs in the group have chosen to voluntarily adopt the UK Corporate Governance Code (the code). A new version of the code was introduced in 2018, and in response we took the opportunity to review our group wide governance arrangements to ensure that they reflected the requirements of the new code; however, as Bromford does not have shareholders in the sense provided for within the code, we do not have arrangements to engage in the dialogue or consultation expected in the code in that respect. In particular this relates to the actions required in provisions 3, 4 and 9 of the code and it should be noted that there are no share options for the executive or non-executive directors.

Provision 5 within the code requires the board to demonstrate how it has taken into account the factors set out in section 172 of the Companies Act 2006. As an organisation governed by the Co-Operative and Community Benefit Societies Act 2014 this requirement does not apply; however, the board does have responsibilities, which amongst other things, require it to act in good faith and in the best interests of Bromford.

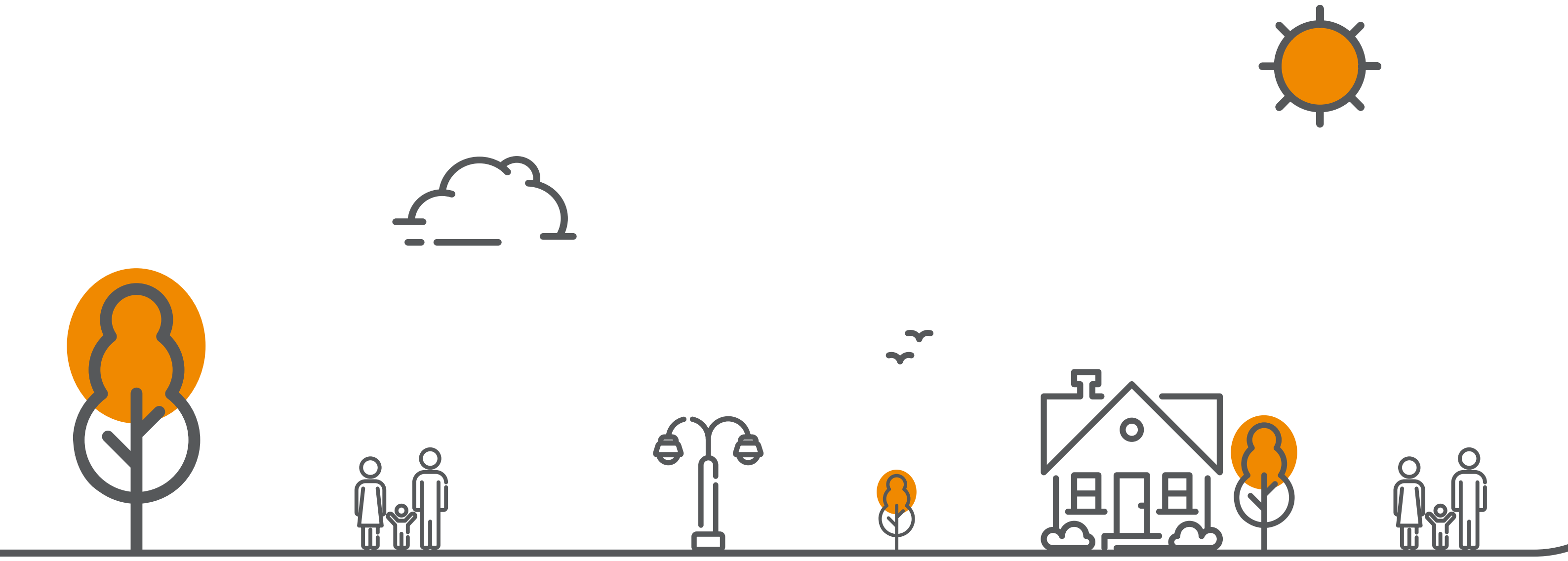
The framework of policies and processes helping to facilitate decision-making at board is set out below.

Our governance framework

**Our constitutional documents - the Bromford Housing Group Rules
Supported by**

Our governance framework and governance and delegations framework which is based on the principles and provisions within the UK Corporate Governance Code

- Matters reserved
- Terms of reference of committees
- Chief executive's delegations
- Probity and bribery policy (Includes conflict of interest)
- NED recruitment and succession planning framework



Our board.

1 Steve Dando
Chair

Steve is currently chief financial officer of Punch Pubs & Co, one of the UK's leading independent pub companies with an estate of 1,300 pubs. His particular areas of expertise include M&A, business restructuring, integration and financing, and multi-site retailing and asset management. Steve led the restructure of Punch as chief executive officer (interim) following the successful sale of the business and assets to Patron Capital and Heineken in 2017.

Prior to joining Punch, Steve held a number of senior finance roles with Courtaulds plc, having started his career at PricewaterhouseCoopers.

Steve is a member of the Institute of Chartered Accountants.

2 Richard Bird
Non-executive director

Richard has been involved in the housing and development industry for over 40 years. During his first decade, his career developed from planner, to project manager, and ultimately to head of production for a PLC home builder. The next four years provided a much wider experience as a director of construction, housing, and development companies within a private limited group.

Returning to the PLC environment in 1991, Richard joined Taylor Woodrow and was appointed to the board of the housing subsidiary a year later. He became regional managing director in 1994, and in 1996 given responsibility for the South West and Wales. The merger of Taylor Woodrow with George Wimpey in 2007 resulted in Richard being appointed divisional managing director, responsible for four business units in the South West and Wales. He held this post until 2013.

3 Jerry Toher
Non-executive director

Jerry is CEO of the consumer division at Royal London Group, the UK's largest mutual life and pensions company. He has significant experience in launching, growing and transforming customer-facing businesses. As well as launching the digital consumer division for Royal London in 2014, he has previously led the launch of MINT.com and egg.com.

Jerry is a strong advocate of improving customer propositions and services through insight and digital innovation and has extensive marketing and leadership experience in retail financial services. Previous roles include marketing director at RBS Group (NatWest) plus marketing director and managing director at egg.com.

4 Helen Adlard
Non-executive director

Helen was an executive director of the Infrastructure Planning Commission (IPC) and was involved in setting up a new consenting regime for major infrastructure during their merger with the Planning Inspectorate. She was subsequently on the board of the Planning Inspectorate as chief planning inspector, playing a key part in developing the inspectorate's strategic plan. She has a deep understanding of central government policy and law-making and regulation.

Her background as a planning lawyer with Eversheds and then as a partner at Charles Russell gives her broad and in-depth knowledge of housing development including affordable housing, legal and commercial issues in relation to land and local government. Prior to this Helen spent several years in business management in Thorn EMI and Hoskyns Group plc.

5 Lee Gibson
Executive director of finance

Lee joined Bromford in May 2016 and was appointed executive director of finance on 1 August 2016. Before joining Bromford, Lee was the finance and commercial director at Serco Group Plc and brings with him a wealth of experience in delivering better services for less.

He is a fellow of the Chartered Institute of Management Accountants and has an Accounting and Business Studies degree plus 20 years' experience working for blue chip organisations such as Hewlett-Packard (HP) and Atos. He is a firm believer that as well as ensuring tight financial controls are in place, the finance function should add value by providing the right financial and commercial support to the wider business. Lee is particularly passionate about ensuring the finance function serves the needs of both internal and external customers.

6 Sarah Simpson
Non-executive director

Sarah is a customer experience expert who has used her infectious passion for creating great experiences to build customer-centric cultures within travel and leisure businesses over the past 16 years. She believes that every company should strive to create a world-class customer experience.

Working within customer service and experience roles, she has helped brands better understand their customers, identified priorities for improvement and implemented change. She's contributed to the success of well-known brands such as National Express, First Group and Jet2.com.

Sarah is currently leading the customer experience team at Sky Betting and Gaming. The work of her teams has been recognised by industry accolades on many occasions from the National Customer Service Awards to Which?

7 Neil Rimmer
Non-executive director

Neil is an experienced entrepreneur and board member with over 25 years' experience with both international and UK based companies.

Neil has a strong technical and business transformation background having owned a mid-sized Microsoft Gold Partnership, and is also experienced in corporate turnaround, restructure, and recovery.

He was latterly a co-founder and commercial director of a retirement village business (developing over 500 homes), and a shareholder and interim managing director of a mid-sized care home group.

Neil also brings extensive board experience from within the leisure, debt recovery and property sectors, and has raised funding for these enterprises from a variety of city and traditional banking sources.

He was responsible for developing an affordable finance product and launching it to market as a direct competitor to pernicious high cost short term lenders. Recognising the true value of community, Neil is chair of his local village hall and an active member of his village's social group, in addition to a number of other local good causes.

8 Robert Nettleton
Chief executive

Robert became chief executive of Bromford in November 2018, after being appointed as chief executive designate in July 2018.

Robert was previously chief executive of Merlin. He joined Merlin in March 2014 and was appointed to the Merlin board in April 2015. At Merlin, Robert led the organisation to double its operating margin, quadruple surpluses and create its first new homes programme; delivering 300 affordable homes per annum whilst increasing customer satisfaction.

Prior to joining Merlin, Robert was chief executive at Cornwall-based Coastline Housing. Under Robert's leadership Coastline achieved Investors in People Gold status and a 92% customer satisfaction rating.

9 Vivienne Horton
Vice chair and senior independent director

Vivienne's professional background is as a solicitor. She was employed in a number of local authorities in senior legal roles before becoming director of resources and then chief executive of Macclesfield Borough Council where her five key roles were strategic management, community engagement including partnership working, service delivery, performance management and organisational development. After that role she held a number of positions including director of risk at Standards for England – a national strategic regulator responsible for councillor conduct and director and head of the public sector team at Kennedy Cater, a legal costs consultancy.

10 Richard Penska
Non-executive director

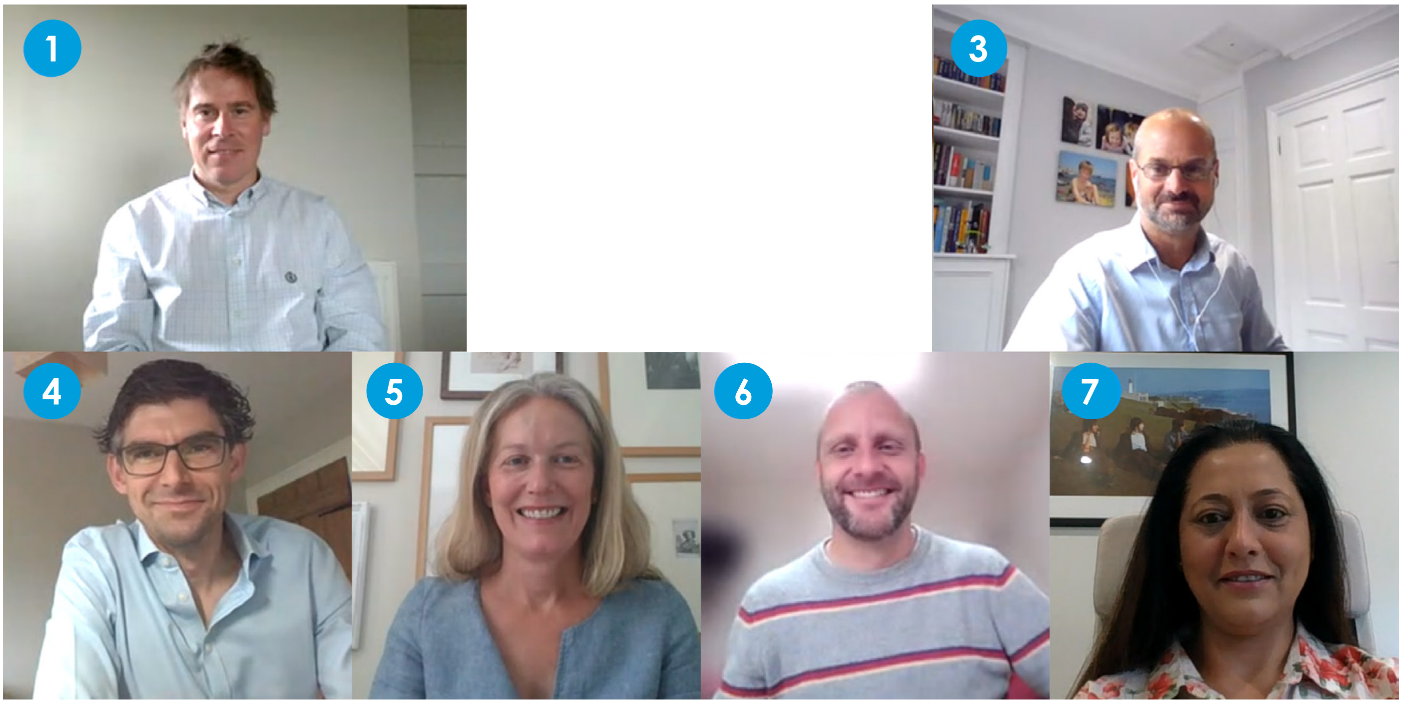
Richard has extensive experience of contract management. He is currently director of finance and property at North Somerset Council.

Before joining North Somerset Council, Richard held a variety of positions within the electricity supply industry and the Department of Health and Social Security.

Richard has operated at strategic management level within a number of functions including ICT, finance, internal audit and risk management, and customer services.

Richard is a fellow of the Chartered Institute of Certified Accountants.

Executive board and leadership team.



1 **Robert Nettleton**
Chief executive

2 Chief people officer

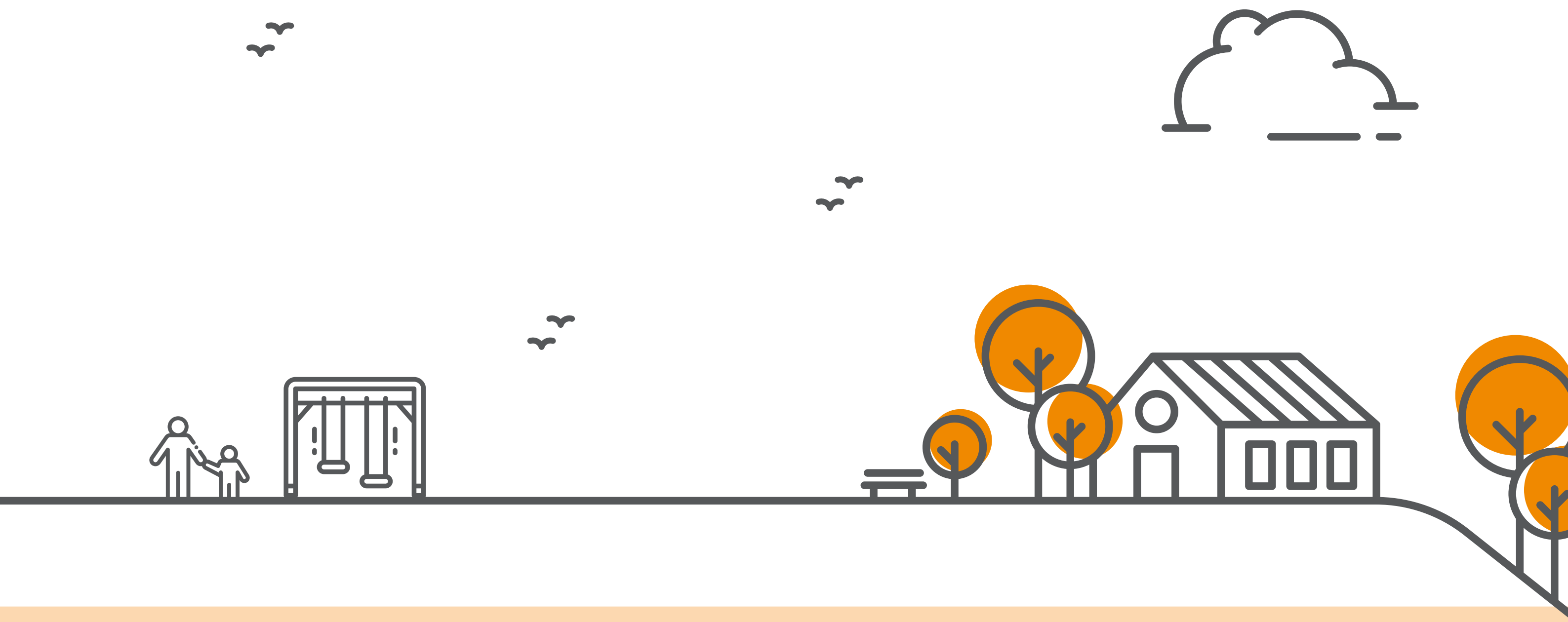
3 **Lee Gibson**
Chief finance officer

4 **Paul Coates**
Executive director of customer experience

5 **Sara Thomson**
Chief risk officer

6 **Martyn Blackman**
Chief investment officer

7 **Rohini Mehra**
Chief customer officer



Board updates.

31 Dec 2019

Resigned
Balvinder Heran
(Non-executive Director)

31 Mar 2020

Resigned
Jonathan Simpson-Dent (Chair)

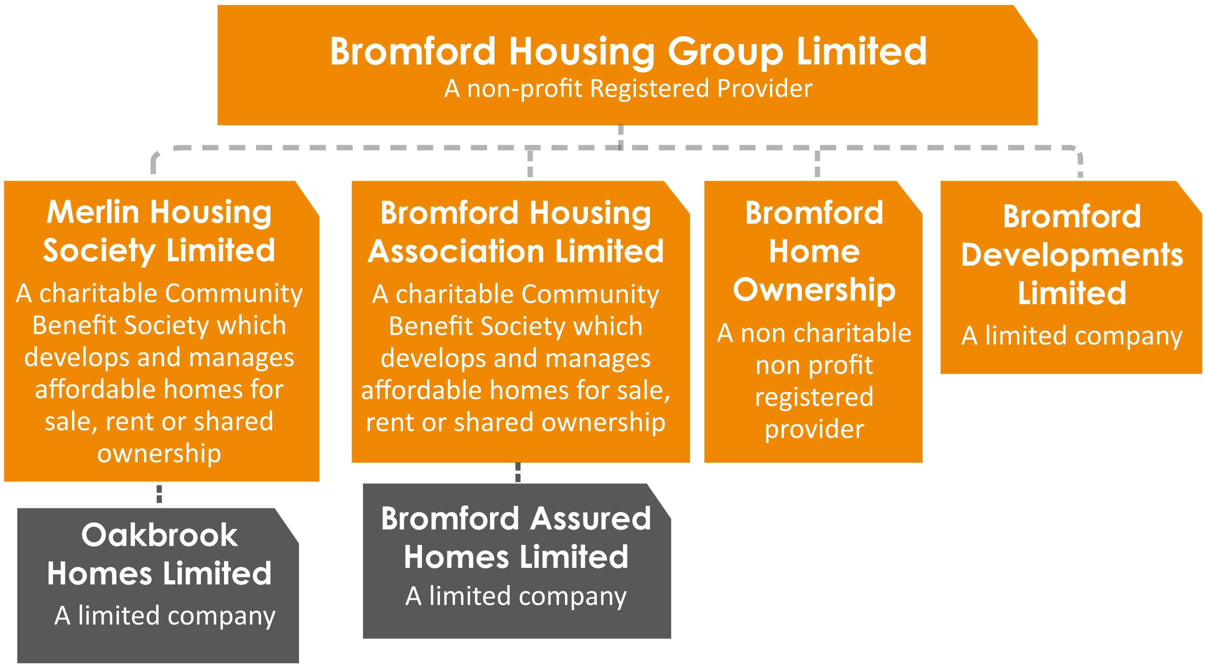
Oke Eleazu (Non-executive director)

1 Apr 2020

Appointed
Steve Dando (existing NED appointed as chair)

Sarah Simpson & Jerry Toher (Non-executive directors)

Board structure.



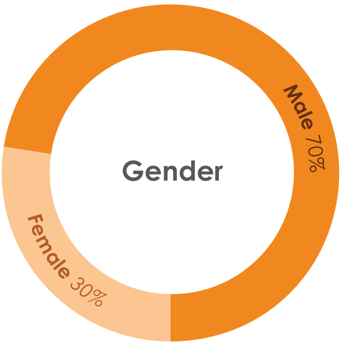
BHG operates a group structure with coterminous boards across the four main entities – the parent – BHG and our main operating subsidiaries Bromford Housing Association, Bromford Home Ownership and Merlin Housing Society. All members of the board, executive and non-executive make decisions by working together and achieving a general consensus.

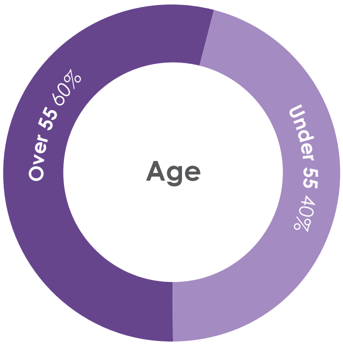
To retain control of key decisions and to provide a clear division of responsibility the board and the other registered providers in the group have identified ‘reserved matters’ that only those boards can approve.

Board composition.

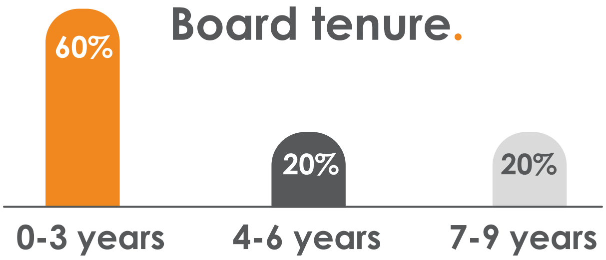
Board members to 31 March 2020	Board members from 1 April 2020
Non-executive directors	**Non-executive directors**
Jonathan Simpson-Dent (Chair) (resigned 31 March 2020)	Steve Dando (Chair)
Vivienne Horton (Vice chair and SID)	Vivienne Horton (Vice chair and SID)
Helen Adlard	Helen Adlard
Richard Bird	Richard Bird
Steve Dando	Richard Penska
Oke Eleazu (resigned 31 March 2020)	Neil Rimmer
Balvinder Heran (resigned 31/12/2019)	Sarah Simpson (appointed 1 April 2020)
Richard Penska	Jerry Toher (appointed 1 April 2020)
Neil Rimmer	
Executive board members	**Executive board members**
Robert Nettleton (chief executive)	Robert Nettleton (chief executive)
Darren Lee Gibson (executive director)	Darren Lee Gibson (chief finance officer)

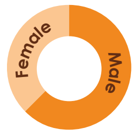
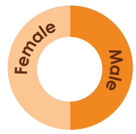
Board analysis at 1 April 2020.





Board tenure.



	Male (number)	Female (number)	Male (percentage)	Female (percentage)	
Employees in other senior leadership positions	10	6	62.5%	37.5%	
Other employees of the group	914	907	50.2%	49.8%	

Note: senior leaders are defined as an employee who has responsibility for planning, directing or controlling the activities of the entity or a strategically significant part of it. For these purposes Bromford has defined senior managers as those colleagues who are operating at functional director level or above.

The role of a NED.

Each of the non-executive directors was independent on appointment.

Each NED makes an annual fit and proper persons declaration and annual declaration of interest. Conflicts of interest are noted at the start of each board meeting and board members abstain from discussions or decision making where an actual or perceived conflict may exist. The Audit and Risk Committee and board receive a copy of the Conflicts of Interest register as part of their end of year compliance activity. All colleagues are also required to make an annual declaration of interest.

There were no occasions during the financial year where the board considered that the chair or a NED's external commitments interfered with or impeded their ability to exercise their duties and responsibilities on behalf of Bromford.

The below diagram shows each board member's attendance at meetings of the board and any committees they are members of during the financial year.

	Board	Audit and Risk	Renumeration and Nominations	Treasury
Jonathan Simpson-Dent	14/14			
Vivienne Horton	14/14		7/7	
Helen Adlard	13/14	2/2		
Richard Bird	14/14	7/7		
Steve Dando	14/14	6/6		6/6
Oke Eleazu	13/14		6/7	
Balvinder Heran	8/9			
Richard Penska	12/14	7/7		
Neil Rimmer	14/14		6/6	6/6
Robert Nettleton	14/14		7/7	
Lee Gibson	14/14			6/6

Board effectiveness

All board members are expected to contribute to a culture of clear and open debate so that informed and prudent decision-making can take place and are expected to keep developing and refreshing their knowledge and skills so they can continue to make informed and positive contributions to board discussions. There have been externally facilitated sessions at board meetings to support members understanding of their compliance obligations around fire, gas, electrical and lift safety. The board is also encouraged to participate in training events and spend time out in the business to understand how it operates and how our teamwork and interact with each other.

Each year the board carries out a formal evaluation of board, committee, and individual director performance. At least every three years, as recommended by the code, this evaluation is facilitated by an external advisor to provide an independent perspective. There was an independent review of governance effectiveness in 2018 and the chair carried out an internal review in 2019. Our senior independent director carried out a review of the chair's performance. It has been agreed that because of the significant amount of change within the board that a further external review will start at the end of 2020 to 2021.
Our activity in 2019 tested and confirmed that the board was clear about its role and was engaged in developing strategy. An action plan was developed following the 2019 review and all actions completed. We have used the findings to continue to inform our board succession plans and skills matrix.

As a result of the findings in this review we have held more pre-board dinners, arranged for all board members to join at least one meeting of the Customer and Community Influence Network (CCIN), held an annual CCIN workshop with the board, appointed a colleague engagement NED and carried out a review of the board skills matrix.

Decision making.

To retain control of key decisions and to provide a clear division of responsibility between the running of the board and the running of the business, the board and the other Registered Providers in the group, have identified 'reserved matters' that only those boards can approve.

Other matters have been delegated to the committees. Any matters outside of these delegations fall within the chief executive's responsibility and authority.

The board and each committee receive sufficient, reliable, and timely information in advance of meetings and are provided with or are given access to all the necessary resources and expertise to enable them to undertake their duties in an effective manner.

The board is scheduled to meet 10 times a year but also meets more frequently if neccessary. For example during the coronavirus pandemic it has continued to meet remotely each month for a formal board meeting, but has also met informally, and remotely, each month in between board meetings to receive an update on the coronavirus response. The board also has an annual strategy setting event.

Each board meeting has a planned agenda, which allows enough time to discuss both strategic and operational matters and includes consideration of performance and risk management.

Each board committee meets as many times as necessary to discharge their duties and responsibilities under their terms of reference. For reports from our committees, refer to pages 41 to 51.

The board and committees can seek advice to support them in their decision making.

Bromford Housing Group Board

Coterminous group board collectively responsible for Bromford's long-term success. Provides leadership and direction. This includes setting the strategy and overseeing its implementation ensuring that only acceptable risks are taken; it establishes organisational culture and values; it has responsibility for ensuring financial performance and corporate governance.

Audit and Risk Committee

Provides assurance to the board on the effectiveness of the group risk and internal control frameworks; financial reporting and accounting issues. Oversees the internal and external audit functions.

Remuneration and Nominations Committee

Reviews and approves executive remuneration policy and determines remuneration of the senior executive; makes recommendations to the board on remuneration for NEDs.

Reviews the structure, size and composition of the board and makes recommendation to the board.

Treasury Committee

Reviews and makes recommendations to the board on treasury policy and treasury strategy and on the adequacy of liquidity and funding arrangements.

Any matters outside of these delegations fall within the chief executive's responsibility and authority.

The role of the board.

The board is responsible for ensuring that Bromford continues to deliver real value and that the business remains on a long-term, sustainable footing. In practice this means discussing, taking decisions on, and measuring performance against the aims laid out in the Bromford Strategy 2019-2023.

Setting out our purpose and strategy over a five year period, the Bromford Strategy is the focal point for the board's activity and discussion as well as a longer-term business plan which is regularly stress tested for a period up to 2050. Revisited on a quarterly basis, the board considers a variety of scenarios in the macroenvironment to provide challenge to specific business assumptions and flexing the strategy where appropriate.

The role of the board is clear and is set out in our group delegations' framework. It is responsible for the following:

Strategy	Set and uphold the Bromford Strategy and approve the strategic objectives
Leadership and resources	Ensure that effective leadership and executive competence are in place to achieve the strategic objectives Ensure sufficient resources are available to achieve the strategic objectives
Risk	Ensure that frameworks are established and monitored for delegation and systems of control, including financial controls and for identifying and managing risks
Performance	Monitor and test execution of strategy and performance in relation to approved plans, budgets, and controls
Accountability	Consider the balance of interests of, and ensure accountability to, key stakeholders.

Strategy setting.

There are significant opportunities provided for board to influence strategy. It holds an annual event to create space for ideas generation where there is an opportunity to consider the future to which futurists and those from outside the sector were invited to attend.

Horizon and scanning provided in CEO report which provides a regular slot of identifying and responding to future challenges. The board engages Altair and other specialist and expert independent advisors to attend meetings to provide sector insight where necessary.

Organisational culture and colleague engagement.

Our organisational culture is described through our DNA and runs through everything we do. It is at the heart of our strategy and is monitored by the board.

When Bromford communicates with colleagues we use a variety of methods. We carry out an annual Great Places to Work survey. The results of this are shared with the board and reviewed in greater detail by the Remuneration and Nominations Committee. The Remuneration and Nominations Committee also aims to understand the broader policy framework around our people activity and has been updated by our chief people officer, on the people strategy and its component parts.

To ensure that we meet our requirements to have in place a formal mechanism for engaging with colleagues, the board has appointed Vivienne Horton, our senior independent director, and chair of the Remuneration and Nominations Committee as our designated colleague engagement NED. We have agreed a role description for this purpose and, as part of her duties, Vivienne has attended meetings of our colleague engagement group, Be.Heard, and has worked with senior colleagues to understand our framework of policies. Our Remuneration and Nominations Committee is responsible for setting the performance related pay targets and payments for senior leaders and ensures that this is consistent with the schemes that are available for all colleagues.

Our board's year.

During the year, the board has focussed its decision making on six key areas. The principle decisions made by the board have been:

Leadership.

- Agreed an approach for the appointment of a new group chair to succeed Jonathan Simpson-Dent
- Launched the aspiring leaders programme
- Supported the chief executive in the establishment of a new executive governance structure
- Launched new colleague terms and conditions (T&C's).

Performance.

- Undertook monthly scrutiny of group performance against key financial budget metrics and performance targets
- Maintained oversight and scrutiny of key strategic business cases.

Strategy development and implementation.

- Our strategy day considered in detail our strategic themes - growing the business to enable even more customers to thrive; ensuring our relationships with our customers are working for them; and, ensuring that we enable colleagues to thrive. We also looked at how we can build on our financial strength so that we can achieve more and also considered the risks and opportunities for the organisation, customer, colleagues and stakeholders on environmental issues and our customers and colleagues; setting out the actions to create the roadmap for what our carbon reduction footprint should be
- Continued to deliver the Bromford Strategy and considered our more detailed plans for homelessness and the strategic asset management
- Received regular updates on fire safety including the government's Fire Safety Bill and agreed an action plan in response
- Revised our investment appraisal assumptions
- Considered and approved an application for Homes England grant funding for the development of new homes
- Considered and approved the investment strategy for the group's pension scheme
- Approved an aligned tenure policy and suite of tenancy and licence agreements to replace legacy arrangements and agreed the rent and service charges to take effect 2020 to 2021
- Considered the customer annual review which was developed with the Customer and Community Influence Network (CCIN). The board met with the CCIN
- Reviewed and endorsed strategic transformation activity
- Put in place plans to respond to the coronavirus pandemic and met between scheduled board meetings in March, April, May and June 2020. The board received weekly updates on our coronavirus response and reset plans.

Finance.

- Considered the 30-year business plan, with stress testing, mitigation, financial golden rules, and VfM metrics
- Approved the sale of the student accommodation
- Considered the group on-lending and entity management including levels of exposure and future charging
- Approved the annual treasury strategy, treasury management policy, and the investment policy.

Risk management and compliance.

- Continued to monitor and manage risk including reviewing risk appetite
- Considered significant and emerging risks and sector risk profile
- Considered strategic and operational responses to Brexit
- Considered and approved the quarterly key strategic risk reports
- Considered the asset and liabilities register
- Received development and insight sessions from specialists on fire, lifts, asbestos and gas safety, supplementing the monthly oversight and monitoring reports received
- Considered and approved the annual health and safety policy.

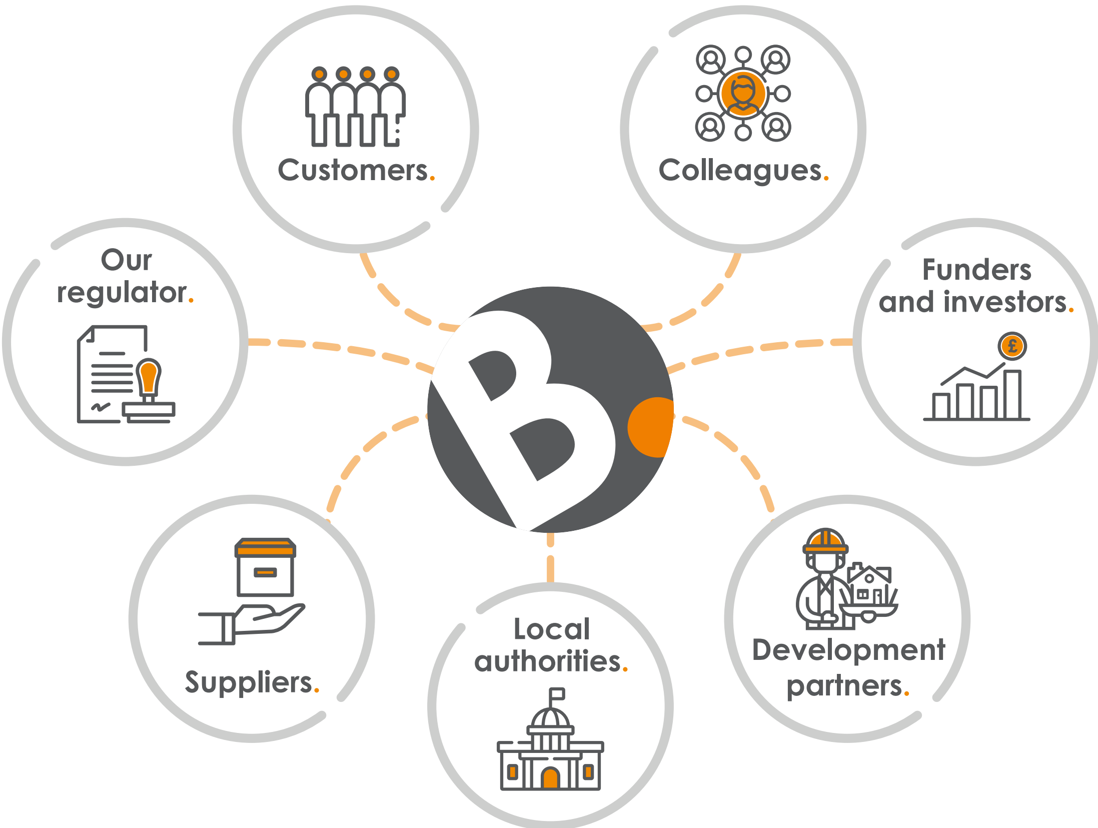
Governance.

- Appointed a new group chair, Steve Dando, from 1 April 2020
- Appointed two new NEDs – Sarah Simpson and Jerry Toher – to start 1 April 2020
- Completed a successful in-depth assessment by the Regulator of Social Housing – retaining our G1 V1 rating
- Continued with discussions to ensure that our group structure remained fit for purpose and fit for the future
- Received regular updates from the committee chairs
- Approved the publication of the modern slavery statement.

Our approach to stakeholder engagement.

Bromford does not have shareholders in the sense contemplated in the UK Code of Corporate Governance, however Merlin Housing Society does have legacy shareholders and holds an AGM to provide an update to them.

Instead we have a network of stakeholders at all levels and Bromford places high value on these relationships in order to meet the strategic aims in our Bromford strategy and ultimately to support existing and future customers to thrive.



Customers.

Customers are the reason we exist and, thanks to our localities approach, we are well on the way to building individual relationships with each of them.

We have also developed a formal engagement mechanism that is made up of the Customer and Community Influence Network (CCIN) which is chaired by our NED, Sarah Simpson, to ensure that there is a direct line of sight between the board and its customers. The CCIN membership is made up of customers from across the Bromford geography. There are four Local Influence Networks that support the work of CCIN and deal with more local issues.

Colleagues.

Our shared drive, culture and DNA are vital to our success and give us the tools to do more for the customers living in our communities.

Our regulator.

An open relationship with the Regulator of Social Housing help us to meet our statutory obligations, supported by our recent G1/V1 rating.

Local authorities.

Working very closely especially with four key local authorities at both an operational and strategic level, we meet regularly to discuss performance and service improvements.

Funders and investors.

The investor community, both at home and overseas, is kept fully informed of our financial planning and funding announcements through regular and timely updates .

Suppliers.

This relationship ensures not only effective services and value for money, but also that we respond quickly and seamlessly when faced with crises like coronavirus.

Development partners.

Working closely with Homes England, development partners, and our supply chain means we can deliver more quality new homes for aspiring customers.


Vivienne Horton (Chair)

Report of the chair of Remuneration and Nominations Committee.

Committee members.

Vivienne Horton (Chair)

Oke Eleazu (up to 31 March 2020)

Neil Rimmer (up to 31 December 2019 and then again from 1 April 2020)

Robert Nettleton

On behalf of the board I am pleased to present the annual report of the Remuneration and Nominations Committee.

This has been an exceptionally busy year for the committee. The impact of changes to the UK Corporate Governance Code 2018 on our work has been significant. To ensure that we were well prepared we asked the board to make changes to our terms of reference so that they reflect the requirements of the code.

At the end of the year we said goodbye and thank you to Oke Eleazu, who came to the end of his term of office as a NED. Oke had a considerable amount of remuneration and nominations experience, having served as chair of the legacy Bromford Nominations and Remuneration Committee.

Remuneration.

Our work on remuneration has seen us reviewing the executive remuneration policy and setting levels of executive remuneration. We have agreed the targets for and payment of executive PRP.

Our decision making is based on the principles within the code and we ensure that:

- Only basic salary should be pensionable
- The pensions for directors are aligned with those available to the workforce and that we consider the pension consequences when we make decisions
- New notice periods are six months or less
- Compensation does not reward poor performance.

The executive remuneration position is to set a total reward package for directors at +/- 7.5% of the median level. This helps us to attract and retain the talent required to achieve high organisational performance. During the year we commissioned Forest HR to carry out an independent market review of executive and functional directors renumeration, and that of the company secretary.

This work helps the committee ensure that there continues to be market relativity and supported the alignment of several terms and conditions to the wider colleague base. Benchmarking data was drawn from a mix of similar housing associations across the Midlands, South, South East and outer London. It compared those who have a comparable new homes pipeline and ambition and also included wider public and private sector intelligence.

The executive remuneration policy directly addresses the factors set out in Provision 40 of the code in that it is clear and simple; it addresses risk; it provides predictability about the expected range; it does not reward poor performance and is aligned to culture. Examples of how we have implemented these factors in year have been:

- To ensure that the PRP gateway targets focus on matters that are at the heart of our strategy – customer advocacy and value for money. Other targets are simple and clear and focus on strategic delivery and are consistent with our DNA. The gateway targets are reflected in our colleague performance schemes
- An award was not made for targets that were not met
- Bonus is limited to a proportionate amount and in year we have agreed changes to the executive terms and conditions that will see the amounts aligned to those of all colleagues. Reflecting our commercial approach, two directors, the director of land and the director of sales and marketing, have the ability to earn more bonus based on additional standalone targets that reflect delivery of the strategy in those areas. These targets are set and monitored by the committee. The policy has operated as intended in terms of company performance. As referenced above, the target levels were an appropriately proportionate part of the total remuneration package and we did not make an award to directors for targets which were not met. However, in November 2019, and following successful integration which was endorsed by the successful outcome of the 2019 In Depth Assessment which was undertaken by the Regulator of Social Housing, the committee did make a recommendation to board that a performance related pay payment not awarded earlier in the year should be made to the executive and functional directors under the executive remuneration policy to reflect their efforts in 2018 to 2019. This was agreed. In making this recommendation we used the discretion contained within the policy to recognise the quantum of activity that had been necessary to bring together three organisations and to retain our G1, V1 regulatory rating.

When making decisions about pay, the committee considers how this aligns to wider company pay. For example, the 2020 pay award for the executive and other colleagues are the same. The PRP levels are based on the same gateway criteria and the executive terms and conditions have been changed in a number of respects to bring them into line with those for wider colleagues, including the payment of sick pay and PRP levels.

I was pleased to be appointed by the board as the colleague engagement NED. In carrying out this role I have met a number of times with the colleague engagement group, Be.Heard, where I have been welcomed and very pleased to hear debate. Unfortunately, coronavirus interrupted the board’s plan for a joint session with colleagues in April 2020; however, we will do this as soon as we are able to do so.

Also, to support our greater understanding of the wider context of our decisions, the committee has received updates on on the outcome of the Great Places to Work survey and our gender pay gap reporting.

Nominations.

In our role as Nominations Committee we have worked closely with the board advisors, Altair, to implement the recommendations adopted by the board in the board skills and succession plan. The plan was commissioned to review the board to ensure that it is fit for purpose in terms of size, composition (skills and experience), values, behaviours and individual contribution. Altair developed a new skills matrix to reflect the requirements of the Bromford Strategy and to ensure that the gaps which would be left by Jonathan Simpson-Dent and Oke Eleazu were appropriately filled.

Through this work we are delighted that, following a robust appointments process, Steve Dando took office as chair on 1 April 2020 and that two new NEDs have been appointed to fill skills gaps in the plan. These two new NEDs - Sarah Simpson and Jerry Toher - also took up office on 1 April 2020. As with all other NEDs, Sarah and Jerry will be subject to an annual renewal process.

The board recognises that board diversity is an essential part of quality decision making. In seeking two new NEDs, Odgers recruitment consultants were used to ensure that a diverse pool of candidates was accessed. Our policy on diversity is set out in the NED recruitment and succession planning framework.

In 2018, ahead of the Bromford/Merlin partnership, both organisations asked Altair to carry out an independent board effectiveness review. In 2019 the chair carried out an internal board effectiveness review and individual effectiveness reviews. I carried out a review of the chair. From this work an action plan was developed, and all actions have been completed. To allow the new board to embed it is planned that there is a further independent review towards the end of the 2020 to 2021 financial year.

The committee also has a prime role in appointing the executive. It is responsible directly for making recommendations to the board on the appointment and dismissal of the chief executive and it agrees the total individual remuneration package of the chief executive, executive directors, and functional directors. During the past year, the chief executive has implemented a new senior management structure. He shared details of this with the committee and he has kept us informed in detail about progress with the recruitment process and, alongside a benchmarking exercise for all the executive, we agreed the remuneration packages for the new posts.

Neil Rimmer (Chair)

Report of the chair of the Treasury Committee.

Committee membership.

Neil Rimmer (Chair)

Steve Dando

Lee Gibson

How the committee works.

The Treasury Committee members are two independent non-executive directors and the chief financial officer. The committee is also served through the appointment of an experienced independent adviser Alex Gipson and benefits from the regular attendance of the chief executive officer and head of treasury.

Across the committee membership, there is a diverse range of experience in finance, development, risk, and strategy with specific in-depth experience of managing debt and raising significant levels of new funding. The committee is therefore appropriately resourced with skill and expertise to scrutinise, challenge, and approve the work of management.

The committee also draws upon the expertise of external firms of legal and treasury advisers who are appointed on specific projects of higher complexity where market benchmarking, strategic input or deal execution is required. Examples in the year include the appointment of advisers to review the group's treasury management policies, approach to refinancing, and the issue of new debt on the capital markets.

The committee provides oversight and advice to the board on the matters listed in its terms of reference and reports to the board on those matters after each meeting, most notably on proposals for new funding or refinancing of legacy debt and investment. The committee reviewed its terms of reference and effectiveness as part of an annual cycle.

Chair's statement.

Having served as a member of the treasury committee before taking post as chair on 1 January 2020, I am delighted to report on another year of successful and sector leading treasury activity.

In May 2019, we successfully drew funds of £100m on our inaugural private placement in North America, which brought five new investors to Bromford and two new investors to the social housing sector. It also closed at a spread impressively inside of the trading levels of our public bond secondaries.

We continued in our proactive approach to new funding in August 2019 as we issued our first £50m private placement with a long-dated deferral. We returned to the capital markets in December 2019 to issue a further £90m of new funding to refinance a legacy bank loan with a non-active lender, having negotiated a substantial sub-par redemption to generate multi-million-pound savings. Our trailblazing new funding activity continued in February 2020 as we issued one of the first sustainability linked loans (SLL) in the sector with a new ten year £50m revolving credit facility with NatWest Markets.

We are pleased to therefore conclude the 2019 to 2020 financial year with exceptional levels of liquidity: over half a billion pounds in cash and undrawn facilities which represents twice the level of long-term liquidity we require. Whilst we required no immediate new funding at the onset of coronavirus, we leveraged our investor relations to issue a new £100m private placement deferred for 12 months to lock in Bromford's record low all-in coupon rate and provide future funding certainty amidst any potential volatile market conditions ahead.

Underpinning our new funding activity, we continue to exercise the effective monitoring, control and governance of our funder covenants, treasury management policies, financial framework, and shadow credit ratings. We continue to enjoy significant headroom against our funder covenants and have maintained our sector leading credit ratings (A+/A2). Our ongoing monitoring of treasury performance will ensure this continues across a number of new and adverse scenarios associated with the current lockdown.

As a result, we remain placed to deliver our strategy and new development ambitions whilst effectively meeting the cash flow challenges and opportunities which may emerge as a result of the coronavirus pandemic.

Report on the year.

New funding

The committee oversaw £290m of new funding issuance in the year, with a further £100m of new funding executed just after year-end in May 2020. The key details and features of these new funding deals is set out below.

Execution date	New funding deal	
May 2019	£100m inaugural USPP	The committee oversaw the successful drawing of its new funding, bringing five new investors to the group and two new investors to the social housing sector in the UK. In a paradigm shift, the issue was executed at a spread inside of the trading levels of Bromford's debut public bond.
Aug 2019	£50m first deferred private placement	The committee reviewed a proposal for the group's first private placement with a long-dated deferral. The deal was recommended to the board and closed at sector leading rates in August 2019 with funding to be drawn in August 2020.
Dec 2019	£90m refinancing of legacy bank loan	The committee assessed a proposal to refinance a legacy bank loan with a non-active lender through two new capital market issuances. The committee oversaw the negotiations leading to a significant sub-par redemption of the loan and the issue of new funding at sector leading levels to generate significant multi-million-pound savings in real cash terms. The committee also considered how the refinancing replaced archaic and restrictive covenants with covenant light funding which will serve Bromford's future growth agenda. The deal was recommended to the board and executed in advance of the uncertainty surrounding the General Election in December 2019, and the anticipated post-Brexit uncertainty.
Feb 2020	£50m first ESG-linked RCF	The committee considered establishing a new revolving credit facility (RCF) to support the group's long-term liquidity requirement. The committee also analysed the facility's proposed ESG-wrapper and its link to Bromford's broader corporate strategy: the facility will generate interest savings as we meet energy efficiency targets for the homes across our portfolio. The committee recommended the final proposal to board, ensuring it diluted existing counter-party exposure and extended the refinancing curve with a tenor of 10 years. The deal was approved by the board and the new facility went live in February 2020 as one of the first sustainability linked loans (SLL) in the sector and the first and only loan in the social housing sector which adopts green principles to track and reward performance.
May 2020	£100m deferred private placement	The committee observed key market updates at the onset of coronavirus, with the gilt yield curve falling to historically low levels and a number of new long dated capital market issuances in the sector closing at record low rates. The committee also considered the future date for new funding which remained at c. 12 months in the business plan and under a range of new modelling scenarios in response to coronavirus. The committee therefore recommended to the board a proposal for a new £100m private placement deferred by 12 months, locking in the prevailing low rates but matching the new funding and its associated interest costs to Bromford's liquidity requirement. The deal was executed in May 2020, securing Bromford's record low coupon.

Risk, policy and governance consideration.

The committee was also responsible for monitoring key treasury risks and ensuring appropriate treasury management policies and other processes were in place to mitigate these risks and address the associated challenges. The key areas of this activity is summarised below.

Compliance with Bromford's funder covenants	The committee consider core treasury performance on a monthly basis. The committee review the out-turn for financial covenants (interest cover and asset gearing) against budget and business plan projections, making appropriate enquiry for any material movements. The committee also assess compliance with the corresponding financial framework and golden rules and monitor the levels of headroom established at each month end. Bromford continues to perform well against its funder covenants and closed the year with over 2.5 times in interest cover and more than 40% headroom in asset gearing.
Maintenance of Bromford's sector leading dual credit rating platform	The committee considered shadow credit rating analysis on each new iteration of the group's business plan, budget and proposed new development and funding proposal. The shadow credit rating analysis demonstrated maintenance of the group's baseline credit assessments across a range of adverse modelling scenarios, setting out appropriate mitigations and the key strategic interventions the group could introduce to maintain ratings if further adverse scenarios were to develop. The committee was also apprised of the engagement with Moody's (A2 rating confirmed November 2019) and S&P (A+ rating confirmed December 2019) and confirmed that both ratings now benefit from a stable outlook given the de-risking of the group's new homes development plan. At the onset of coronavirus, the committee observed the rating action from both agencies on the sovereign and on Bromford, noting no new rating action as both agencies deemed the group to be low risk.
Managing exposure to interest rate risk	The committee is conscious of the prevailing low interest rate environment and the group's ability to leverage low-cost fixed rate funding to reduce exposure to future rate movements. In July 2019, the committee therefore approved a revision to the treasury management policy to lift the ceiling level of fixed rate debt from 95% to 100%. In October 2019, the committee considered a recommendation to blend and extend the fixed rate on £120m of its Lloyd's loan portfolio; leveraging low swap rates to increase both the quantum and period of debt fixed across a number of term loans. The proposal was approved by the board and executed to generate multi-million-pound savings against projected rate movements in the group's business plan over the life of the loans.
Managing counter-party risk	The committee continues to observe a prudent approach to cash deposits with institutional counter parties to ensure safety as a priority. In July 2019, the committee approved a prudent policy to ensure that any cash deposits must not exceed £50m for institutions with credit ratings of at least A1/A+/A+ or £25m for institutions with credit ratings at least A3/A-/A-. Investment in government gilts (T-bills) is without limit. The committee have continued to monitor compliance with these ceiling levels every month without exception. The committee made particularly enquiry to ensure that Bromford were not exposed to any longer dated T-bills at the onset of coronavirus and the volatile market conditions that ensued.
Managing mark-to-market exposure on callable swaps	The committee reviews the group's exposure to market calls on its two ISDA agreements every month to ensure all off market positions are fully collateralised with £15m of headroom. The committee made particular enquiry on adverse movements in market calls after the Bank of England's two emergency rate cuts at the onset of coronavirus and ensured further comfort against additional rate action.

Richard Penska
Chair – Audit and Risk Committee

Report of the Chair of Audit and Risk Committee.

Committee members.

Richard Penska (Chair)

Richard Bird

Helen Adlard (from 1 November 2019)

Steve Dando (until 31 December 2019)

How the committee works.

The Audit and Risk Committee's members are independent non-executive directors. Across the committee membership, there is a diverse range of experience in business, finance, auditing, risk and controls, with particular depth of experience in the housing and public sector. The committee is also able to draw on the expertise of key advisors and control functions, including the internal and external auditors.

The committee provides oversight and advice to the board on the matters listed in its terms of reference and reports to the board on those matters after each meeting. The committee did not require independent advice during the year but did consider the work of corporate advisors as part of risk and audit work. At each meeting, the committee have the opportunity to meet with the internal and external auditors without management present. The committee reviewed its terms of reference and effectiveness.

Chair statement.

I would like to take this opportunity to thank Steve Dando for his excellent dedication and support as a member of the Audit and Risk Committee. I would also like to welcome Helen Adlard to the committee. Helen brings a breadth of experience and in-depth knowledge of housing development from her background as a planning lawyer, and to Bromford as an existing board member.

This has been a significant year for Bromford. Against an internal drive for transformation and simplification we have seen exceptional external challenges with ongoing uncertainty over future UK economic conditions following delays to Brexit, pending revisions to the building regulations and more latterly the early impacts of the coronavirus pandemic, to which we have been proactive in managing the risks and uncertainties that have emerged.

At times such as these the committees work to provide the board with assurance on the effectiveness of the risk management and internal control processes is more important than ever and helps to ensure we can continue to invest in homes and relationships, so people can thrive.

The committee continues to oversee the financial reports prepared by management, and the assurance work of our internal and external auditors, who themselves provide robust challenge and suggest areas of improvement within our internal control framework.

Richard Penska

Chair – Audit and Risk Committee

Preparation of the financial statements and external financial reporting.

In considering the financial statements, the committee discussed and considered in detail management's analyses, the external auditor's work, and conclusions on the main areas of judgement. Internal controls and risk management systems have been in place to provide assurance over the preparation of the annual report and accounts. Information submitted for inclusion in the financial statements is attested by individuals with appropriate knowledge and experience. The annual report and accounts are scrutinised throughout the process by relevant senior stakeholders. Subsequently, the Audit and Risk Committee provides debate and challenge, before requesting board approval. Key controls in the process are subject to regular testing, the results of which are reported to the committee.

The audit plan and strategy for the year identified the key audit matters which are considered below.

Key audit matter	Committee response
Recoverability of stock and work in progress	The group holds stock comprising of properties for sale in relation to shared ownership and outright sales units. This involves the group applying estimates in assessing the net realisable value of unsold units and the recoverability of this stock. 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.
Value of post-retirement benefit obligations	Bromford partakes in two LGPS pension schemes, SHPS (for part year) and the Bromford defined benefit pension scheme. As at March 2020 the valuations 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. 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. The external auditor presented the audit testing of the pension assets and liabilities. The committee was satisfied that the appropriate assumptions and disclosures have been applied to the pension liabilities presented in the financial statements.
The impact of uncertainties due to Britain exiting the European Union on our audit	The committee has considered the potential impacts of Brexit on the group. This includes effects on 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 is also considered by the group board on a regular basis.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.
Recoverability of long term debtor	The association's principle activity following the bond issue is the on-lending of funds to subsidiaries of the group. It has long term liabilities which relate to the bond issued and long term intercompany debtors. Whilst there are small amounts of financial income and financial expense during the loan period, the risk mainly stems from the expectation of the ability of the subsidiaries to repay the loan. The external auditor undertook testing to confirm intercompany balances and the ability of the subsidiaries to meet those balances. The committee was satisfied that these debtor balances can be met.

Key areas/matters considered by the committee during the year as part of its operation:

Area of focus	Committee action
Risk management framework	The committee reviewed the frameworks six months into operation to assess their maturity. The committee were satisfied that the frameworks were operating effectively and on review discussed and made recommendations to board for changes and additions to the key strategic risk register and risk appetite framework.
Strategic risk deep dives	A cycle of reviews were considered for key strategic risks, the key controls and mitigations and forward looking assessments and maturity models, including cyber risk, information security, data and financial reporting.
Appointment of external auditor	The committee considered the process and timetable that would be used to appoint an external auditor across group. The committee agreed the proposals, with around three members of the committee sitting on the interview panel.
Regulatory returns	Further to a report to board in March 2019, the committee sought an assurance update on the process for compiling the statistical data return, and controls in place and operating. The committee were satisfied with the next steps, which were endorsed in July 2019.
Data	The committee recognise the importance of data in assisting Bromford to achieve its purpose and has sought assurance throughout the year, with a deep dive, framework updates and data protection reports received across the year. The committee noted good progress made and have asked for revisions to reporting into 2020 to 2021 to provide increased coverage.
Business continuity	The committee requested and reviewed the roll out plans for integrated Business Continuity Planning (BCP) arrangements and received regular updates on progress through the year.
Procurement	Given business obligations to adhere to the European Union Public Contracts Regulations (2015) the committee requested an update following an internal assessment in July 2019. The report highlighted plans to revise frameworks, which were agreed by the committee, and have been implemented.
Criminal Finances Act	The committee received a report on progress in implementing measures to respond to the Criminal Finance Act 2017, approved a revised policy and recommended a board statement detailing Bromford's approach to complying with the corporate criminal offence of failing to prevent the facilitation of tax evasion.
Internal review plan	Reviewing and approving the schedule of internal review activity being undertaken by the risk and health and safety business assurance function.
Trading updates	Receiving and approving Bromford market trading updates.

Internal audit.

The committee has overseen the conclusion of an internal audit plan. The committee works closely with the internal auditor, who report directly to the chair of the Audit and Risk Committee. Throughout the year, the committee carefully monitored the progress of the internal audit function. The Audit and Risk Committee approves the work of internal audit annually and specifically approving any changes to the audit plan, through regular quarterly updates. The scope of work takes account of the function's own assessment of risks, the input of first and second line management and the Audit and Risk Committee itself.

Risk management.

Effective risk management is at the heart of our business and has an important part to play in delivering our purpose.

Our board has overall responsibility for ensuring the group has appropriate systems for managing risk.

Step 1.
Risk identification
Consider Strategy and Business Plans
Identify Principal and Operational Risks

Step 2.
Risk assessment
Estimate likelihood risks will occur
Consider impact across multiple categories

Step 3.
Risk response
Compare assessment to established risk appetite
Agree to manage, avoid, share or tolerate the risk

Step 4.
Risk assurance
Re-assess risk responses
Determine further responses that may be necessary

Step 5.
Risk reporting
Operational risks to business, forum and committee
Strategic risks to forum, committee and board

We operate a five-step risk management process. These steps are designed to identify and manage, rather than eliminate, the risks that may threaten our ability to achieve our business strategy and objectives, within our risk appetite.

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. This informs our strategy for responding to risks and determines the controls we put in place to manage 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.

The board / Audit and Risk Committee (A&RC)
The board determines the level of risk Bromford is willing to accept in pursuit of its objectives and sets risk appetite.
A&RC oversees and monitors risk management and internal control systems.

Directors and governance structure
Accountable for implementing board policies.

First line of defence
business units

The first line owns and manages our risks.

Business units use the risk management processes to help them understand all their relevant risks and take appropriate steps to respond to these so that each business unit is able to deliver its objectives in line with our risk appetite.

Assurance is provided by the first line through its managerial and supervisory activities.

This includes operating group-wide control frameworks in finance, treasury, HR, ICT.

Second line of defence
governance, risk & assurance (GRA)

The second line sets the policies, processes and procedures to manage risk, and provides guidance and challenge to the first line through a business partnering model and the provision of independent support to A&RC and board.

This is supported by risk and compliance reviews and reporting, which give assurance that risks are being managed in line with our risk appetite.

GRA monitors enterprise risks and with specific focus of non-compliance with regulatory & legal requirements of SHE, data protection, AML & fraud, probity, whistleblowing. frameworks in finance, treasury, HR, ICT.

Third line of defence
internal audit

The third line provides independent, objective assurance to management and the board over the effectiveness of first and second lines and is independent of our executive management.

This includes an agreed programme of reviews undertaken by internal auditors and reported to the Audit and Risk Committee, which highlight any areas where risks are not being managed within our appetite or where we may need to re-calibrate our appetite in the context of internal or external changes.

Additional assurance is provided from external sources, such as external audit, technical specialists and regulatory checks.

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).

Business units use the risk management frameworks to help them manage risks in line with our defined risk appetite. Assurance is provided by the first line through its managerial and supervisory activities.

Our second line functions set the frameworks for managing risk and provide guidance and challenge to the first line through a business partnering model. This is supported by risk and compliance reviews and reporting which gives assurance that risks are being managed in line with our risk appetite.

Internal audits provide independent, objective assurance to management and the board over the effectiveness of first and second lines and is independent of our executive management. This includes an agreed programme of reviews which highlight any areas where risks are not being managed within our appetite or where we may need to re-calibrate our appetite in the context of internal and external changes.

Risk appetite.

Our board have defined clear risk appetite statements and metrics central to the core elements of our strategy. These set out the type and amount of risk we are prepared to take to five key enterprise risk types as we deliver our strategy, plans and run our day-to-day operations. These are integral to our corporate decision making and dialogue.

We identify and assess the risks to our strategy, plans and operations, measure and monitor our exposures with agreed tolerances and forward-looking risk indicators and triggers in place.

We manage our responses to risks and opportunities with a clear understanding of risk appetite and capacity.

	Averse	Minimal	Balanced	Open	Embracing
Legal and regulatory 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.	↔	↔			
Operational 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.			↔		
Financial risk Our appetite is balanced, as we will not accept risks which threaten our financial viability, but we will be open to diverse investment options.			↔		
Development/commercial Our appetite is open as we seek to remain competitive in the marketplace whilst proactively seeking new opportunities for sustainable growth both in the short and longer term.				↔	
Strategic risk 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.				↔	

Our risk appetite and capacity.

- Our board approved risk appetite statements and tolerances remain integral to our corporate decision-making processes and the actions we take in managing our business and overall strategy
- We remain true to our attitude towards management of actual and potential risks arising from serious detriment, the health and wellbeing of our customers and colleagues, legal and regulatory risk and have similarly focussed allocation of resource and investment in areas such as regulatory reporting, information security and business continuity planning
- We have seen our capacity for risk being translated in earnest most recently in how we have responded to the coronavirus pandemic, and how we manage and monitor our risk profile, mitigation and opportunities activity through into the recovery and beyond
- We continue to share our risk appetite position with our global investors and stakeholders.

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. The risks and indicators are monitored on a monthly basis by the board. Business risks are monitored with escalation through executive forums, Audit and Risk Committee and then to board.

Below we set out the profile of risks for Bromford ahead of the coronavirus pandemic.

Emerging risks.

In addition to the principal risks monitored by the board, the business monitors operational risks which are reported through the governance channels to highlight new and growing threats. During the financial year and in response to the external environment the impacts of Brexit highlighted dependencies on third parties and supply chains to deliver our strategic objectives, and we have taken strategic and local actions to address this through diversification of key suppliers and also introducing new strategic partnerships. This has assisted also during the coronavirus pandemic but will remain a key focus area as the UK and world economies emerge from lockdown. In addition, environmental and climate change risk is an area of increased focus for Bromford. The work started in year on our carbon reduction roadmap and environmental strategy considers scenarios and impacts on Bromford's strategic goals. This will also inform appropriate metrics and targets we will set, both as an organisation, but in collaboration with our key stakeholders.

Post coronavirus implications.

Whilst only transpiring in the final month of the financial year, the the impacts of the pandemic have been proactively managed through this turbulent period. The impacts on customers, colleagues and business operations is being proactively managed and monitored and managed weekly through our executive coronavirus response team, and daily through operational response leadership groups.

Below we outline a summary of the principal risks for Bromford during the period, which includes a snapshot update on coronavirus risk management response. The risks continue to change in the short term against the latest internal and external environment, with robust processes in place to quantify and respond to these changes. The longer term implications have been modelled in stress testing on plan, reflected in reforcasts, and this activity will continue to inform our overall strategic response and support reset plans that are in place for all major areas of our business.

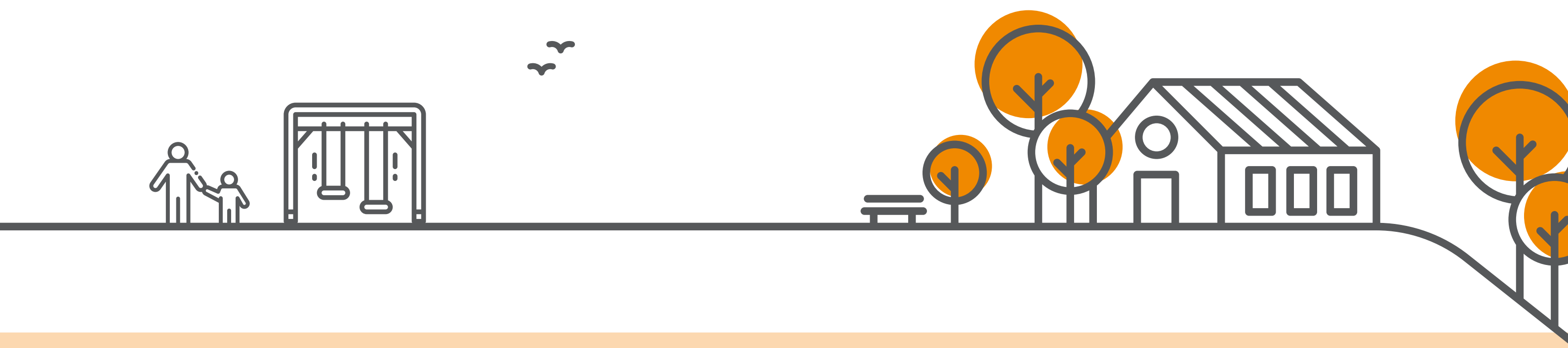
Health and safety	Direction of travel: ••••	Link to strategy: Homes that enable

Risk: Our approach to health and safety lacks robust controls and oversight.
This results in death, injury or harm caused to colleagues, customers, contractors or members of the public.

Mitigation strategies	Changes in year
Mandatory training programme is in place to ensure all colleagues' competencies are up to date and fit for purpose. A robust agenda of asset compliance and health and safety matters, supported by a suite of detailed compliance and performance data is managed and monitored by dedicated forums, committee and board to ensure H&S responsibilities are being met. Rigorous testing of processes and reconciliation of data through first, second, and third line activity, external accreditation and technical experts for legal asset compliance.	An integration plan was agreed to implement one way of working throughout the business for asset compliance. External consultants NHBC were contracted to review health and safety frameworks across construction to further embed best practice. Transition to the new ISO45001 accreditation for South Gloucestershire was achieved, with roll out plans for remainder of group.

Coronavirus impact: The safety of customers and colleagues has been the primary objective , with resources dedicated to this. No-access issues due to customers shielding or self-isolating has created some delay in some asset compliance service programmes, but this is under daily management and is operating effectively well within board agreed trigger limits. Safe working protocols and interim policies and procedures have been embedded, and progress, alongside critical indicators are monitored weekly by the board.

››› Risk improving •••• Risk stable ‹‹‹ Risk worsening



Customer involvement and engagement

Direction of travel: Risk improving

Link to strategy: Our relationship with customers

Risk: Our neighbourhood coaching model relies on the roll out of the localities approach to build those customer relationships. Failure to effectively engage our customers will result in homes and relationships that fail to meet their needs.

Mitigation strategies

Performance and progress against the localities business case is reported monthly (to the business) and six monthly (to board).

Customer and Community Influence Network (CCIN) and Localities Influence Network (LIN) provide a quarterly report to board.

An annual effectiveness report of the customer and communities' model is reported to board.

Neighbourhood coaches are subject to a robust induction programme.

Changes in year

A new customer feedback operating model has been implemented from April 2019.

Neighbourhood coaching model implemented across all geographies.

Following the agreement of a localities business case the structure and models stood up in April 2020.

Coronavirus impact: Static risk with current models supporting customer engagement. Significant coronavirus information has been provided to customers, daily meetings and resource action plans ensure critical services are maintained and customer flagging process monitored.

Financial planning and performance

Direction of travel: Risk stable

Link to strategy: Future ready

Risk: We fail to accurately financially plan, fail to project, maintain, and access sufficient liquidity, fail to access the capital markets, or borrow new money. This results in insufficient liquidity or a breach of covenants, and inability to fund service delivery and development programmes requirements.

Mitigation strategies

Parameters and decision framework, with rigorous monitoring of key financial ratios and liquidity against future spend.

Stress testing and mitigation plans reviewed and monitored.

Prudent treasury strategy and policies enable access to diverse, low risk funding options, maintaining strong dual credit rating.

Board and treasury committee monitoring of our market, available security, excess charge, and secondary trading of our debut bond support funding strategy and day to day management.

Changes in year

Significant work completed on the control framework for cashflow planning.

The business moved to a single finance platform, which created some initial challenges, but a stabilisation project was initiated to ensure project benefits were realised.

Several new bonds were completed in year.

Bromford's VfM V1 rating was retained following an IDA and continue to benefit from sector leading credit ratings with Moody's and S&P (A2/A+).

Coronavirus impact: Impact and likelihood rising, with interest rate cuts, market availability, income reduction and on-going possibility of impairment. Bromford has run additional stress testing scenarios, are monitoring markets and liquidity, and keeping board and investors appraised regularly. We continue to apply shadow credit ratings on reforecast and updated iterations of our business plan and remain A+/A2 stable. Our pro-active approach to investor relations has resulted in publishing our response to coronavirus, our year end trading update and are now preparing for our annual roadshow.

Macro-economic and political

Direction of travel: Risk stable

Link to strategy: Future ready

Risk: Macro-economic and political uncertainty results in uncertainty around funding and income. Material costs can fluctuate providing uncertainty and introducing risk. It can also impact our ability to access skilled labour.

Mitigation strategies

Identifying and monitoring potential risks to the business through dedicated horizon scanning and monthly board briefing.

Robust financial planning, stress testing scenarios and resilience plans account for a variety of economic and non-economic scenarios.

Close monitoring of the housing market in our key operating areas with diligence.

A Brexit risk and action log is updated regularly and remains under scrutiny at board and is included within the chief risk officer's report for board.

Changes in year

The new government launched negotiations with the EU on the terms of exit. Expectations of a long transition period led to the Bank of England MPCs projections stating that some uncertainty is likely to persist while the deal and transition are negotiated.

The coronavirus pandemic has pushed Brexit into the background for now but has brought its own uncertainties for the economy, consumer confidence and the housing market – the full impact of which will only become clear as we emerge from lockdown. The Bank of England has warned that the UK economy is heading towards its sharpest recession on record – with the economy shrinking 14% this financial year (based on the lockdown being relaxed in June).

Coronavirus impact: Impact rising as the pandemic has affected UK markets and interest rates. Bromford has stress tested worst case scenarios, implemented weekly updates with budget holders, incepted additional controls for suppliers and has set out recovery plans for impacted areas.

Risk improving · Risk stable · Risk worsening

People

Direction of travel:	Link to strategy:
Risk improving	Enabling colleagues

Risk: A lack of skilled colleagues who are thriving in their role will impact our ability to achieve our objectives. This may be due to a failure to recruit, retain and/or motivate engaged colleagues.

Mitigation strategies

A clear strategy with values-based recruitment and embedding of our DNA ensures we retain and attract colleagues aligned to our purpose.

Data and insight on recruitment, leavers, movers and elements of our engagement survey used to identify hot spots.

Enterprise surveys and monthly monitoring of key performance and risk indicators inform specific actions.

Changes in year

Workshops held through the year have allowed us to embed Leader-Led people processes.

A new terms and conditions offering was launched to provide the option of consistent terms for colleagues, mandatory for new starters and optional for existing colleagues.

Work has progressed to move onto a single platform for HR, Learning and Payroll processes.

Coronavirus impact: People policies have been revised to support colleagues, new ways of working have been implemented for colleagues to keep people safe and increased wellbeing support is available. Whilst we initially anticipated the likelihood of this risk rising due to a possible rise in sickness levels, numbers have remained fairly stable. We have experienced some difficulties in recruiting due to the inability to meet candidates face to face, but this is against the lowest number of leavers for three years and a good response to recent vacancies as we see more candidates experiencing redundancy. This combined with the additional colleague support detailed sees the risk improving.

Development and market sales

Direction of travel:	Link to strategy:
Risk improving	Growing the business

Risk: We fail to deliver our new homes and market sales aspirations
Rising costs, market downturn, competition in the market and/or a lack of opportunity could impact our ability to deliver against plan.

Mitigation strategies

Board, executive and investment forum delegations provide oversight of programme delivery ensuring the programme is delivered in line with the treasury policy, business plan assumptions and financial frameworks.

A dedicated forum considers opportunities against strategy with individual schemes subject to set parameters and include stress testing and exit strategies.

Rigorous monitoring of the external market and review of business risks that may impact on our programme.

Changes in year

New homes business plan was agreed in May 2019 to align to the new corporate strategy.

A revised structure, leadership team and new ways of working have been embedded to support delivery against plan.

Market monitoring, performance reporting and cash forecasting have evolved in year.

Coronavirus impact: Following a brief hiatus all sites have re-opened following the relaxation of restrictions during lockdown. We are working with our partners to gain clarity on revised programmes for delivery but are expecting a lower level of completions and an associated reduction in capital expenditure. We have experienced lower levels of sales in April and May during the lockdown but reservations have recovered in June to normal levels. We are modelling lower levels of sales for this year in line with an expected downturn in the market in the Autumn. We retain the option of converting homes to rent through our Strategic Partnership with Homes England.

Data governance

Direction of travel:	Link to strategy:
Risk stable	Future ready

Risk: Poor data governance or data architecture leads to inaccuracies in customer, financial, asset or other key data and consequent service/ compliance failures and sub optimal decision making.

Mitigation strategies

Data governance framework developing parameters, scope, process, oversight, insight, and support for data governance.

A dedicated data governance group meet to assess business practice, monitor risks and improvement plans and provide reporting to Audit and Risk Committee and board.

Data dashboards and audits validate accuracy, completeness and intended outcomes for key data sets.

Changes in year

Conducted maturity and control assessments through the year against the data framework to track and report progress to strengthen controls.

Increased Microsoft Power BI (business intelligence) reporting across the organisation is providing increased transparency of data quality.

Coronavirus impact: Stable risk with core internal data-holding systems managed in partnership with external suppliers unaffected and changes in colleague working not having presented any material or notable worsening impact to data quality.

Risk improving • • • • Risk stable Risk worsening

Cyber security

Direction of travel:

Link to strategy: Future ready

Risk: Lack of robust network controls and security protocols.
This results in susceptibility to denial of service attacks, hacking and unauthorised access.

Mitigation strategies

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.

Mandatory training and testing for all colleagues and regular communications to reinforce individual responsibilities and to keep alert of latest trends in attacks.

Changes in year

Aligned group information security policies rolled out, which form part of wider business continuity planning.

Maturity assessment completed through year with focus control areas agreed and actioned demonstrating and improving control framework.

Improved early detection technology, penetration testing and phishing simulations rolled out.

Coronavirus impact: Recognising the potential for increased criminal activity linked to the coronavirus pandemic, we have reinforced guidance on working from home and remotely, undertaken increased phishing simulations, and maintained regular penetration testing exercises.

Business continuity

Direction of travel:

Link to strategy: Future ready

Risk: Failure to have effective business continuity, ICT disaster recovery and major incident plans that are regularly tested.
This may result in adverse and significant operational, financial, reputational and legal and regulatory impacts.

Mitigation strategies

Framework and assessments in place, which follow the guidance within ISO 22301, with regular testing and reporting.

A dedicated business continuity manager to provide independent support, oversight and challenge across business continuity planning and management.

Plans are subject to independent assurance through second and third line testing, with an internal audit due in Q1 of financial year 2020 to 2021.

Changes in year

A dedicated business continuity manager was appointed.

Business continuity planning (BCP) framework and policy revised to provide a single, integrated approach for business continuity and major incident management across the business.

As part of the framework, plan templates were developed and following initial pilots, implemented across the business for teams, schemes and workspaces.

Coronavirus impact: Plans have been effective in ensuring continuance of core services in accordance with government restrictions. Crisis management governance and operation invoked from the start of the crisis has been maintained and ensured a group wide response to strategic and operational responses to coronavirus are in place and operating effectively.

Risk improving Risk stable Risk worsening

Board Compliance 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. Following an In-Depth Assessment carried out by the RSH in 2019, Bromford maintains a G1 governance and V1 financial viability rating, the highest ratings on the scale throughout the financial year ended 31 March 2020.

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.

We have undertaken an annual review of compliance. The board is assured that Bromford is compliant with the regulatory framework including the governance and financial viability standard and its accompanying code of practice.

Statement of compliance with our code of governance.

We have adopted the UK Corporate Governance Code 2018 (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 do not 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. Merlin Housing Society does have legacy shareholders and continues to hold an annual general meeting.

The UK Corporate Governance Code 2018 applies for our financial year 2019 to 2020.

Each year the board reviews compliance with the UK code and during the financial year ended 31 March 2020, we consider that Bromford has complied with all relevant principles and provisions of the UK Corporate Governance Code 2018.

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

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

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

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

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

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

The board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. 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 board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The board, after reviewing the company budgets for 2020/21 and the group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the group and company have adequate resources to continue in business for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements. Accordingly, the financial statements set out on pages 69 to 113 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 current COVID-19 pandemic. This assessment was made using the following core business processes:

Thirty year financial plan (the 'plan') – the 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 out 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 group 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 2020. 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 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. While reducing, the largest single area of spend remains 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 Bromford is viable beyond its usual development commitment timeframe.

On the basis of this and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that Bromford 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

In 2017, KPMG LLP were appointed as Bromford's external auditors for a period of up to five years. Bromford is currently re-tendering for audit services for the 2020 to 21 financial year.

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 group's auditors are unaware. 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.

The board and strategic report was approved on 28 July 2020 and signed on its behalf by:

Steve Dando
Chair
28 July 2020

DRAFT

KPMG

Independent auditor's report

to the members of Bromford Housing Group Limited

1. Our opinion is unmodified

We have audited the financial statements of Bromford Housing Group Limited ("the Association") for the year ended 31 March 2020 which comprise the [list the group and Association primary statements using the titles used by the client], 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 group and the association as at 31 March 2020 and the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit and risk committee.

We were first appointed as auditor by the directors on 1 February 2017. The period of total uninterrupted engagement is for the 4 financial years ended 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£2.7m (2019:£2.47m) 1% (2019: 1%) of Group Turnover	
Coverage	100% (2019:100%) of group turnover	
Key audit matters		**vs 2019**
Recurring risks	The impact of uncertainties due to Britain exiting the European Union on our audit	◄►
	Recoverability of stock and work in progress	◄►
	Valuation of post retirement benefit obligations	◄►
Event driven	**New:** Recoverability of long term debtor (Association only)	▲

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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. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Group and Association **The impact of uncertainties due to the UK exiting the European Union on our audit** *Refer to page [ ] (Audit Committee Report).*	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in *Recoverability of stock and work in progress* and *Valuation of defined benefit pension obligations* below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance. [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 Group'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 consequences, with the full range of possible effects unknown.	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: — **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the group'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 stock and work in progress* and *Valuation of defined benefit pension obligations* 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 stock and work in progress* and *Valuation of defined benefit pension obligations* 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. **Our results** — As reported under *Recoverability of stock and work in progress* and *Valuation of defined benefit pension obligations*, we found the resulting estimates and related disclosures of stock and work in progress and defined benefit pension obligations and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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	The risk	Our response
Group only **Valuation of defined benefit pension obligations** (Value of defined benefit pension obligations: £181.2 million; 2019: £196.6 million). *Refer to page [x](Audit and Risk Committee Report), page [x](accounting policy) and page [x] (financial disclosures)*	**Subjective valuation:** This involves the selection of actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. These rates are assumptions which are subjective, with changes leading to revalue the Group's pension liability which could have a significant effect on the position of the Group. The Group will complete a transfer out of the legacy Severn Vale Social Housing Pension Scheme liability. This represents a significant unusual transaction The effect of these matters is that we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Group in completing the valuation of the pension deficit and the movements.	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. **Our results** — We found the estimate of the defined benefit pension obligations to be acceptable (2019:acceptable).
Group only **Recoverability of stock and work in progress** (Value of stock and work in progress: £49.9 million; 2019:£58.6 million) *Refer to page [x](Audit and Risk Committee Report), page [x] (accounting policy) and page [x] (financial disclosures)*	**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 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 Group's disclosures in relation to judgement and estimation in relation to inventory. **Our results** — We found the estimated recoverability of inventory to be acceptable (2019:acceptable).

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	The risk	Our response
Association only **Recoverability of Long Term Debtors** Long Term Debtors (amounts falling due in more than one year) £422.6m (2019: £149.3m) *Refer to page [x](Audit and Risk Committee Report), page [x](accounting policy) and page [x] (financial disclosures)*	**Low risk high value:** The Association's principle activity following the bond issue is the on-lending of funds to subsidiaries of the Group. It has long term liabilities which relate to the bond issued and long term intercompany debtors. The carrying amount of the long term intercompany debtor balance represents 50% of the Association's total assets. Due to their materiality in the context of the Association financial statements, recoverability is considered to be the area that had the greatest effect on our overall Association audit. Whilst there are small amounts of financial income and financial expense during the loan period, the risk mainly stems from the expectation of the ability of the subsidiaries to repay the loan.	Our procedures included: — **Tests of detail:** Assessing 100% of intercompany long term debtors owed by the subsidiaries (2019: 100%) to identify, with reference to the Parent's financial draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed. — **Assessment of Parent:** Assessing the work performed by the component audit team, and considering the results of that work, on those net assets. This included assessment of the fair value headroom available on those net assets, and therefore the ability of the subsidiaries to fund repayment of the receivable. We critically assessed the directors' going concern assessment, including the reasonableness of the key assumptions used by the subsidiaries in their cash flow forecasts and the level of downside sensitivities applied using our knowledge of Covid-19 scenarios being applied by other entities. **Our results** — We found the Association's assessment of the recoverability of the long term debtor balance to be acceptable (2019 result: acceptable).

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

Materiality for the group financial statements as a whole was set at £2.7m (2019: £2.47m), determined with reference to a benchmark of Group Turnover (of which it represents 1% (2019: 1%)). We consider group turnover to be the most appropriate benchmark than a profit-based benchmark as the Group is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested in the Group.

Materiality for the parent association financial statements as a whole was set at £2.1m (2019: £2.2m), determined with reference to a benchmark of Gross Assets (2019: Gross Assets).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.135m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

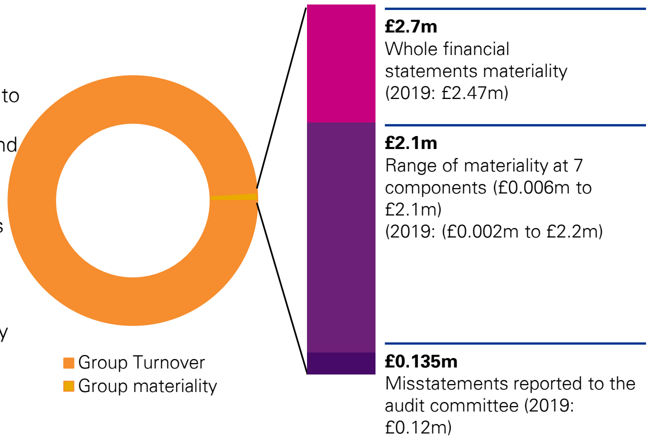
Of the group's 7 (2019: 7) reporting components, we subjected 7 (2019: 7) to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

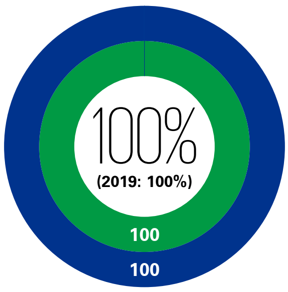
The work on all components (2019: all components), including the audit of the parent Association, was performed by the Group team.

Group Turnover
£271m (2019: £257m)

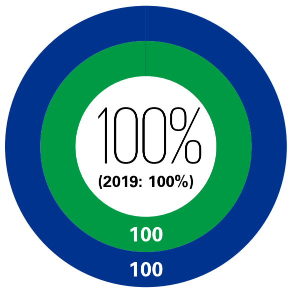
Group Materiality
£2.7m (2019: £2.47m)



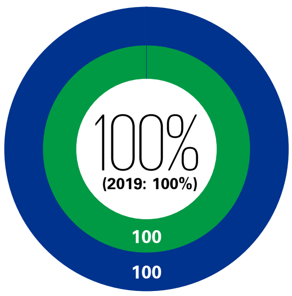
Group turnover



Group surplus before tax



Group total assets



Full scope for group audit purposes 2019

Full scope for group audit purposes 2018

Residual components

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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 the Group or to cease their operations, and as they have concluded that the Association's and the Group'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 group or the Association will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Association's business model and analysed how those risks might affect the Group's and 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 Group's and 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 Group's and the Association's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's 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 concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

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 Report of the Chair of Audit and Risk Committee (page [x]) that they have carried out a robust assessment of the principal risks facing the Group, 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 principal accounting policies of how they have assessed the prospects of the Group, 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 Group 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 Group's and Company's longer-term viability.

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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 whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group'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 require 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 [x], 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 Group and parent 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 Group or the parent 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 other irregularities (see below), 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, other irregularities 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.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related legislation for registered providers of social housing), and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's licence to operate. We identified the following areas as those most likely to have such an effect: laws related to the construction and provision of social housing recognising the nature of the Group's activities and the regulated nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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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.

Harry Mears

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

Statement of Comprehensive Income – Group and Association
For the Year Ended 31 March 2020

		Group		Association	
		2020	2019	**2020**	2019
		Total	Total	**Total**	Total
	Notes	**£'000**	£'000	**£'000**	£'000
Turnover	**2,3**	**270,820**	256,693	**25,811**	18,796
Cost of sales	**2**	**(37,274)**	(42,295)	**-**	-
Operating costs	**2,3**	**(154,435)**	(137,630)	**(25,179)**	(18,780)
Gain on disposal of property assets	**34**	**17,311**	6,590	**-**	-
Increase in valuation of investment properties	**13**	**1,024**	139	**-**	-
Operating surplus	**5**	**97,446**	83,497	**632**	16
Interest receivable	**6**	**1,360**	1,685	**7,982**	4,282
Interest and financing costs	**7**	**(42,964)**	(39,683)	**(7,982)**	(4,236)
Loan break costs	**7**	**(4,276)**	-	**-**	-
Gift aid donation		**-**	-	**(284)**	-
Movement in fair value of financial instruments		**(2,748)**	(267)	**-**	-
Movement in fair value of investments		**-**	153	**-**	-
Surplus before business combinations		**48,818**	45,385	**348**	62
Financing cost of new group structure		**-**	(37,000)	**-**	-
Fair value on business acquisition		**-**	60,669	**-**	-
Surplus before tax		**48,818**	69,054	**348**	62
Taxation	**10**	**(420)**	(7)	**(60)**	-
Surplus for the year after tax		**48,398**	69,047	**288**	62
Actuarial gain/(loss) relating to pension scheme	**36**	**14,993**	(5,285)	**-**	-
Total comprehensive income for the year		**63,391**	63,762	**288**	62

Statement of Financial Position – Group and Association
For the Year Ended 31 March 2020

Statement of financial position – Group and Association

	Notes	Group		Association	
		2020	2019	**2020**	2019
		£'000	£'000	**£'000**	£'000
Fixed assets					
Tangible fixed assets - housing properties	**11**	**2,354,169**	2,221,363	**-**	-
Investment properties	**13**	**21,710**	21,185	**-**	-
Tangible fixed assets - other	**14**	**15,217**	15,924	**-**	-
Intangible Fixed Assets	**15**	**19,106**	12,787	**-**	-
HomeBuy loans receivable	**16**	**735**	932	**-**	-
		2,410,937	2,272,191	**-**	-
Assets: amounts receivable after more than one year					
Pension asset	**36**	**12,471**	-	**-**	-
Debtors	**18**	**96**	15,300	**422,589**	149,350
		12,567	15,300	**422,589**	149,350
Current assets					
Stocks	**17**	**51,139**	59,656	**-**	-
Trade and other debtors	**18**	**16,085**	20,097	**13,870**	7,888
Investments	**19**	**26,877**	36,892	**-**	-
Cash and cash equivalents	**20**	**168,175**	195,224	**71,632**	143,513
		262,276	311,869	**85,502**	151,401
Creditors: amounts falling due within one year	**21**	**(96,094)**	(99,917)	**(24,697)**	(6,505)
Net current assets		**166,182**	211,952	**60,805**	144,896
Total assets less current liabilities		**2,589,686**	2,499,443	**483,394**	294,246
Creditors: amounts falling due after more than one year					
Loans	**22**	**(1,208,660)**	(1,155,290)	**(482,992)**	(294,132)
Interest rate swaps	**22**	**(25,070)**	(23,076)	**-**	-
Deferred Capital Grant	**23**	**(442,956)**	(436,621)	**-**	-
Other creditors	**22**	**(12,626)**	(10,408)	**-**	-
		(1,689,312)	(1,625,395)	**(482,992)**	(294,132)
Provisions for liabilities					
Pension liability	**36**	**(13,513)**	(35,622)	**-**	-
Other provisions	**26**	**(895)**	(15,851)	**-**	-
Total net assets		**885,966**	822,575	**402**	114
Reserves					
Called up share capital	**27**	**-**	-	**-**	-
Income and expenditure reserve		**803,778**	738,653	**402**	114
Revaluation reserve		**80,212**	81,946	**-**	-
Restricted reserve		**1,976**	1,976	**-**	-
Total reserves		**885,966**	822,575	**402**	114

The financial statements on pages 69 to 113 were approved and authorised for issue by the board on 28 July 2020 and were signed on its behalf by:

Steve Dando
Chair

Robert Nettleton
Chief executive

Sarah Beal
Company secretary

Changes in Reserves – Group and Association

For the Year Ended 31 March 2020

Changes in reserves – Group and Association

	Revaluation reserve	Income and expenditure reserve	Restricted reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2018	82,781	674,524	1,508	758,813
Surplus from statement of comprehensive income	-	69,047	-	69,047
Other comprehensive income:				
Actuarial losses	-	(5,285)	-	**(5,285)**
Total comprehensive income for the year	-	63,762	-	**63,762**
Reserve transfers:				
Transfer in respect of depreciation	(832)	832	-	-
Transfer in respect of disposal	(3)	3	-	-
Transfer to restricted reserve	-	(468)	468	-
Balance at 31 March 2019	81,946	738,653	1,976	**822,575**
Surplus from statement of comprehensive income	-	48,398	-	**48,398**
Other comprehensive income:				
Actuarial gains	-	14,993	-	14,993
Total comprehensive income for the year	-	63,391	-	63,391
Reserve transfers:				
Transfer in respect of depreciation	(1,457)	1,457	-	-
Transfer in respect of disposal	(277)	277	-	-
Balance at 31 March 2020	80,212	803,778	1,976	**885,966**

	Association Income and expenditure reserve	Total
	£'000	£'000
Balance at 1 April 2018	52	**52**
Surplus from statement of comprehensive income	62	**62**
Balance at 31 March 2019	114	**114**
Surplus from statement of comprehensive income	288	**288**
Balance at 31 March 2020	402	**402**

Statement of Cashflows

For the Year Ended 31 March 2020

Statement of cashflows

	2020		2019	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities		**124,841**		128,046
Cashflow from investing activities				
Cash from business acquisition	-		6,280	
Purchase of tangible fixed assets - new housing properties	**(152,308)**		(172,172)	
Purchase of tangible fixed assets - other	**(1,256)**		(1,090)	
Purchase of tangible fixed assets - existing housing properties	**(30,119)**		(22,777)	
Purchase of intangible fixed assets	**(7,352)**		(7,622)	
Proceeds from sale of tangible fixed assets	-		4	
Purchase of tangible investment	**(5)**		-	
Proceeds from sale of investments	**13,698**		-	
Grants received	**12,346**		2,468	
Interest received	**3,113**		959	
Net cashflow from investing activities		(161,883)		(193,950)
Cashflow from financing activities				
Interest paid	**(50,177)**		(41,592)	
New secured loans	**218,539**		307,263	
Revolving loan facility drawn	-		123,286	
Repayment of borrowings	**(158,369)**		(130,451)	
Revolving loan facility paid	-		(74,714)	
Debt issue costs incurred	-		(1,200)	
Bond issue payment to liquidity reserve fund	-		(10,000)	
Transfer from/(to) current asset investment	-		(11)	
Payment to debt service reserve	-		(1,706)	
Finance lease payments	-		(4)	
Tax paid	-		(2)	
Net cashflow from financing activities		**9,993**		**170,869**
Net change in cash and cash equivalents		(27,049)		104,965
Cash and cash equivalents at the beginning of the year		195,224		90,259
Cash and cash equivalents at the end of the year		168,175		195,224

Notes to the financial statements.

Legal status

Bromford Housing Group Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (RSH) as a Private Registered Provider of Social Housing.

The group comprises the following entities:

Name	Incorporation	Registered/ Non-registered
Bromford Housing Group Limited (29996R)	Co-operative and Community Benefit Societies Act 2014	Registered (L4449)
Bromford Housing Association Limited (7106)	Co-operative and Community Benefit Societies Act 2014	Registered
Bromford Home Ownership Limited (29991R)	Co-operative and Community Benefit Societies Act 2014	Registered
Merlin Housing Society Limited (30012R)	Co-operative and Community Benefit Societies Act 2014	Registered (L4485)
Bromford Assured Homes Ltd (BAH) (Reg No. 02677730)	Companies Act 2006	Non-registered
Bromford Developments Limited (BDL) (Reg. No. 06507824)	Companies Act 2006	Non-registered
Street Services Limited (SSL) (Reg. No. 3711394)	Companies Act 2006	Non-registered
Igloo Insurance PCC Limited	Incorporated in Guernsey	Non-registered
Riverside Mews Management Company Limited (Reg. No. 02953846)	Companies Act 2006	Non-registered
Strand Services (Whitchurch) Limited (Reg. No. 02645753)	Companies Act 2006	Non-registered
Queen Street Management Company (Lichfield) Limited (Reg. No. 017643790)	Companies Act 2006	Non-registered
Oakbrook Homes Limited	Companies Act 2006	Non-registered

1. Principal accounting policies

These financial statements are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed later in the judgements and key sources of estimation uncertainty section.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment property.

Parent company disclosure exemptions

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

- No cash flow statement has been presented for the parent company.
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Basis of consolidation

The consolidated financial statements incorporate the results of Bromford Housing Group Limited and its subsidiary undertakings as at 31 March 2020. Intercompany transactions and balances between group companies are eliminated in full on consolidation. The list of the subsidiary undertakings appears in the Legal Status section preceding this.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in March 2020 by the board. As well as considering the impact of a number of scenarios on the business plan the board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of coronavirus the group has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment and these were presented to board in April and June 2020.

The board, after reviewing the group and company budgets for 2020 to 2021 and the group's medium term financial position as detailed in the 30-year business plan including changes arising from the coronavirus pandemic, is of the opinion that, taking account of severe but plausible downsides, the group and company have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the board have considered:

- the property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales and reductions in sales values;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities of over £600m which gives significant headroom for committed spend and other forecast cash flows that arise;

The group's ability to withstand other adverse scenarios such as higher interest rates and other adverse movements.

The board believe the group and company has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the directors are confident that the group and association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared 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 80. 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.

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 group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The group 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 group's loans have been treated as 'basic' in accordance with paragraphs 11.8 and 11.9 of FRS 102. The group 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 group believes the recognition of each loan liability at cost provides a more transparent and understandable position of the group's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, therefore, the group 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 group 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.
- **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 36.

- **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, it was viewed that the coronavirus pandemic was a trigger for impairment in relation to housing stock and WIP. Following a detailed review, no adjustment to carrying values was required.

  Following the assessment of the indicators of impairment, the value of our transformation programme intangible asset was reduced by £1.8m.

- **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.

- **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.

- **Property investments** of £24.8m in the group are based on an open market value from independent valuers (£21.7m of investment properties and £3.1m of pension assets). In light of the negative impact of coronavirus the independent valuers have included a material uncertainty clause in respect of the valuations. The directors still consider these to be the best estimate of the property investment values. A 10% increase/(decrease) in the valuation would increase/(reduce) the group asset valuation by £2.5m.

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.

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.

UELs for identified components are as follows:

Component	Years
Boilers	15
Heating systems	30
Kitchens	20
Bathrooms	30

Component	Years
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	3-6
Fixtures, fittings, plant and equipment	5
Computer software (reclassify as intangible)	3

	Years
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.

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	7

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.

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.

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.

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 Bromford Defined Benefit Pension Scheme and in the defined benefit local government pension schemes of 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 to FRS102 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.

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.

Segmental reporting

The Group's reportable segments are based on its operational divisions which offer distinguishable services, are managed separately and are regularly assessed by the chief operating decision makers, the group's executive board. Operating division results include items directly attributable to the segment, together with apportioned centralised costs. Central costs are allocated based on a number of factors including number of homes and staff costs within each of the respective operations. The presentation of these financial statements and accompanied notes reflect the Group's management and internal reporting. The information reviewed within the management accounts to assess performance and make strategic decisions are consistent with and closely aligned to these financial statements.

The material operating segments are disclosed in notes 2 and 3 where information about income and expenditure attributable to the material operating segments are presented on the basis of tenure type. This is appropriate based on the similarity of the services provided, the nature of the risks associated, and the nature of the regulatory environment in which the group operates.

Assets and liabilities are not reported by operating segment or tenure, other than housing properties which are split by tenure type and are shown in note 11.

2. Turnover and operating surplus - Group

2020

	Notes	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Surplus on disposal £'000	Revaluation on investment property £'000	Operating Surplus / (Deficit) £'000
Social Housing Lettings							
Housing accommodation	3	174,955	-	(117,636)	-	-	57,319
Supported housing accommodation	3	23,835	-	(17,950)	-	-	5,885
Shared ownership accommodation	3	13,606	-	(9,515)	-	-	4,091
		212,396	-	(145,101)	-	-	67,295
Other Social Housing Activities							
First tranche shared ownership sales		41,570	(30,551)	-	-	-	11,019
Supporting people contract income		2,382	-	(3,438)	-	-	(1,056)
Social value investment		-	-	-	-	-	-
Agency services		1,611	-	(908)	-	-	703
Sales and development		128	(92)	(3,095)	-	-	(3,059)
Other		905	(165)	(572)	-	-	168
Gain on disposal of property, plant and equipment		-	-	-	17,311	-	17,311
Non-social housing activities							
Market rents		1,791	-	(149)	-	-	1,642
Sewerage services		23	-	(132)	-	-	(109)
Commercial rents		1,989	-	(436)	-	-	1,553
Properties developed for outright sale		7,655	(6,254)	(604)	-	-	797
Property development/equity loan sales		370	(212)	-	-	-	158
Increase in valuation of investment properties		-	-	-	-	1,024	1,024
		270,820	(37,274)	(154,435)	17,311	1,024	97,446

2019

	Notes	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Surplus on disposal £'000	Revaluation on investment property £'000	Operating Surplus / (Deficit) £'000
Social housing lettings							
Housing accommodation	3	162,421	-	(104,108)	-	-	58,313
Supported housing accommodation	3	22,079	-	(14,861)	-	-	7,218
Shared ownership accommodation	3	11,200	-	(8,618)	-	-	2,582
		195,700	-	(127,587)	-	-	68,113
Other social housing activities							
First tranche shared ownership sales		48,148	(37,380)	(183)	-	-	10,585
Supported people contract income		2,404	-	(3,348)	-	-	(944)
Social value investment		-	-	-	-	-	-
Agency services		1,145	-	(955)	-	-	190
Sales and development		24	-	(4,351)	-	-	(4,327)
Other		1,017	-	(362)	-	-	655
Gain on disposal of property, plant and equipment		-	-	-	6,590	-	6,590
Non-social housing activities							
Market rents		867	-	(230)	-	-	637
Sewerage services		12	-	(132)	-	-	(120)
Commercial rents		1,292	-	(340)	-	-	952
Properties developed for outright sale		5,830	(4,755)	(117)	-	-	958
Property development/equity loan sales		254	(160)	(25)	-	-	69
Increase in valuation of investment properties		-	-	-	-	139	139
		256,693	(42,295)	(137,630)	6,590	139	83,497

No breakdown of turnover and operating costs is provided for the association. These all relate to administrative recharges and central service costs.

3. Turnover and operating surplus - Group

	2020				2019
	Housing Accommodation £'000	Supported Housing for Older People and MyPlace £'000	Shared Ownership £'000	Total £'000	Total £'000
Income					
Rent receivable net of identifiable service charge	**166,052**	**15,717**	**10,486**	**192,255**	177,447
Service charge income	**5,002**	**6,786**	**2,586**	**14,374**	12,590
Charges for support services	**317**	**314**	**248**	**879**	754
Amortised government grants	**3,584**	**977**	**286**	**4,847**	4,795
Revenue grants from other sources	**-**	**41**	**-**	**41**	114
Turnover from social housing lettings	**174,955**	**23,835**	**13,606**	**212,396**	195,700
Operating Expenditure					
Management	**31,383**	**4,700**	**4,314**	**40,397**	38,751
Service charge costs	**9,958**	**5,205**	**1,087**	**16,250**	12,128
Routine maintenance	**28,909**	**2,365**	**714**	**31,988**	27,120
Planned maintenance	**11,733**	**1,086**	**718**	**13,537**	9,074
Major repairs expenditure	**7,382**	**600**	**181**	**8,163**	9,316
Bad debts	**830**	**193**	**(64)**	**959**	550
Depreciation of housing properties	**27,441**	**3,801**	**2,565**	**33,807**	30,648
Operating expenditure on social housing lettings	**117,636**	**17,950**	**9,515**	**145,101**	127,587
Operating surplus on social housing lettings	**57,319**	**5,885**	**4,091**	**67,295**	68,113
Voids	**(1,591)**	**(638)**	**(20)**	**(2,249)**	(1,637)

The Association does not have any housing stock for letting.

4. Accommodation - owned, managed and in development

	Group	
	2020 Number	2019 Number
Under management at the end of the year		
General needs housing - social rent	**30,477**	30,282
General needs housing - affordable/intermediate rent	**3,302**	2,917
Supported housing	**3,712**	3,716
Leasehold	**1,785**	1,707
Low-cost home ownership	**3,795**	3,449
Units to be remodelled	**192**	197
Total social housing units	**43,263**	42,268
Non-social housing		
Staff accommodation	**15**	19
Market rent	**247**	235
Commercial	**113**	109
Offices and resource	**112**	108
Student accommodation	**-**	282
Retained freehold	**730**	653
Total non social housing units	**1,217**	1,406
Total units	**44,480**	43,674
Owned and managed	**42,687**	42,162
Owned and managed by others	**503**	528
Managed for others	**1098**	787
Units to be remodelled	**192**	197
Total Units	**44,480**	43,674
Under development at the end of the year		
General needs housing - social rent	**679**	451
General needs housing - affordable rent	**653**	463
Supported housing	**15**	58
Low-cost home ownership	**546**	679
Outright sale	**50**	76
Total under development	**1,943**	1,727
Garages/parking spaces	**4,543**	4,528
Garages not lettable (under review)	**909**	870
Total garages	**5,452**	5,398

5. Surplus on ordinary activities

The surplus on ordinary activities is stated after charging	Group		Association	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Operating lease rentals				
- office land and buildings	**571**	685	**-**	-
- other	**2,410**	2,112	**-**	-
Current auditors' remuneration				
- Audit of financial statements	**40**	19	**40**	7
- Audit of subsidiaries	**153**	128	**-**	-
- service charge certification	**21**	21	**-**	-
- Other services	**22**	42	**-**	10

6. Interest receivable and income from investments

	Group		Association	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Interest receivable from cash, deposits and intragroup loans	**1,360**	1,685	**7,982**	4,282

7. Interest payable and similar charges

Interest on loans, overdrafts and other financing	Group		Association	
	2020 £’000	2019 £'000	**2020 £'000**	2019 £’000
Repayable wholly within five years	**4,437**	2,357	**164**	-
Repayable wholly or partly in more than five years	**39,570**	39,725	**12,427**	8,757
	44,007	42,082	**12,591**	8,757
Payable to subsidiary companies	**-**	-	**-**	231
Other finance charges	**677**	5,606	**78**	-
Amortised net finance costs/(premium)	**680**	(5,306)	**(4,687)**	(4,752)
	45,364	42,382	**7,982**	4,236
Interest payable capitalised on housing properties under construction 3.96% (2019: 4.03%)	**(2,999)**	(3,546)	**-**	-
	42,365	38,836	**7,982**	4,236
Interest on pension scheme liabilities	**4,771**	4,484	**-**	-
Expected return on employer assets	**(4,172)**	(3,637)	**-**	-
	42,964	39,683	**7,982**	4,236

During the year, the Group completed the early repayment of a legacy bank loan with a non-active lender. This early repayment incurred break costs of £4,276k. The loan was refinanced through new capital market issuances and the transaction generated significant net savings in cash terms over the life of the loan.

8. Colleague costs

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Wages and salaries	**54,652**	50,907	**11,820**	8,891
Social security costs	**5,143**	4,790	**1,155**	934
Other pension costs	**5,330**	4,954	**1,211**	860
	65,125	60,651	**14,186**	10,685

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

	2020	2019	**2020**	2019
	No.	No.	**No.**	No.
Asset management	**690**	635	**2**	3
Central services	**340**	354	**206**	184
Development, construction and sales	**108**	107	**2**	1
Housing management and support	**633**	599	**2**	1
Innovation and new business	**5**	6	**1**	1
	1,776	1,701	**213**	190

In 2019 a full time equivalent employee was classed as working a 35 hour week, and following new terms and conditions introduced in late 2019, in 2020 a full time equivalent is now classed as working a 37.5 hour week.
2019 group figures have been amended to align reporting categories year on year.

The number of full-time employees (including Executive Directors) whose remuneration exceed £60,000 in the period was as follows

	Group	
	2020	2019
	No.	No.
£60,001-£70,000	**37**	31
£70,001-£80,000	**28**	16
£80,001-£90,000	**13**	22
£90,001-£100,000	**9**	11
£100,001-£110,000	**1**	2
£110,001-£120,000	**2**	1
£120,001-£130,000	**7**	3
£130,001-£140,000	**2**	3
£140,001-£150,000	**1**	2
£150,001-£160,000	**3**	-
£160,001-£170,000	**1**	1
£170,001-£180,000	**-**	2
£180,001-£190,000	**1**	-
£190,001-£200,000	**1**	1
£200,001-£210,000	**1**	1
£210,001-£220,000	**-**	1
£220,001-£230,001	**1**	1
£230,001-£240,000	**1**	-
£260,001-£270,000	**1**	-
£340,001-£350,000	**-**	1
£420,001-£430,000	**-**	1
	110	100

The 2020 emoluments include a total provision of £479k (2019:£785k) for redundancy and compensation for loss of office.

9. Directors' emoluments - Group

Directors (key management personnel) are defined as the members of the board, the Chief Executive and other Chief Officer's and Executive Directors.

The highest paid director was Robert Nettleton (2019: Philippa Jones), the Chief Executive.

Robert Nettleton was an ordinary member of the Bromford pension scheme which is a final salary scheme funded by annual contributions from the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements.

Emoluments (excluding pension contributions) payable to the highest paid Director

	2020 £'000	2019 £'000
Robert Nettleton	**244**	-
Philippa Jones	**-**	223

The total emoluments of the Directors of Bromford Housing Group comprise:-

2020	Salaries £000	Taxable benefits £000	Pension £000	Total £000
Robert Nettleton	**244**	1	**24**	269
Other Chief Officer's and Executive Directors	**715**	35	**68**	818
Non-Executive Board Directors	**115**	-	**-**	115
Total Executive and Non-Executive Directors	**1,074**	36	**92**	1,202

2019	Salaries £000	Taxable benefits £000	Pension £000	Total £000
Philippa Jones (Chief Executive up to 10 November 2018)*	213	10	21	244
Robert Nettleton (Chief Executive from 10 November 2018)*	207	-	19	226
Other Executive Directors	650	20	61	731
Non-Executive Board Directors	114	-	-	114
Total Executive and Non-Executive Directors	1,184	30	101	1,315

*Note these are total emoluments for the year, not for the period as Chief Executive.

The aggregate amount of any consideration payable to Directors for loss of office was £0 (2019: £337k).

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

10. Taxation on surplus on ordinary activities

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Current tax				
UK corporation tax charge/(credit) on ordinary activities	**169**	7	**74**	-
Under provision in previous years	**105**	-	**-**	-
Total current tax	**274**	7	**74**	-
Deferred tax				
Origination and reversal of timing differences	**146**	-	(14)	-
Tax on surplus on ordinary activities	**420**	7	**60**	-
Total tax reconciliation				
Surplus on ordinary activities	**48,818**	69,054	**348**	**62**
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	**9,275**	13,120	**66**	12
Effects of				
Items not allowable for tax purposes	**72**	39	**3**	22
Fixed asset differences	**-**	(1)	**-**	-
Timing differences	**20**	-	**-**	-
Tax rate changes	**(9)**	-	**(4)**	-
Chargeable gains	**-**	(70)	**-**	-
Current tax charged directly to equity	**-**	(90)	**-**	-
Income not taxable	**(213)**	-	**(5)**	-
Deferred tax	**(12)**	-	**-**	-
Capital allowances less than depreciation	**-**	(6)	**-**	-
Adjustment in respect of prior years	**(45)**	-	**-**	-
Increase in losses	**-**	370	**-**	-
Surplus relating to charitable entities	**(8,687)**	(13,459)	**-**	(34)
Group relief received	**19**	107	**-**	-
Revaluation of properties	**-**	(3)	**-**	-
	420	7	**60**	-

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 March 2020 has been calculated at 19% (2019: 17%).

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 or valuation					
As at 1 April 2019	2,199,075	79,113	173,078	70,516	2,521,782
Additions	17	114,992	(2)	36,810	151,817
Replacement of components	31,205	-	-	-	31,205
Transferred on completion	88,481	(88,481)	65,944	(65,944)	-
Disposals	(7,120)	-	(6,214)	-	(13,334)
Components disposed	(10,675)	-	-	-	(10,675)
Transfers to another association	(3,424)	-	(17)	-	(3,441)
Transfers from investment property	490	-	-	-	490
Reclassification	399	3,623	(250)	(3,690)	82
Reclassification from properties held for resale	315	-	-	-	315
As at 31 March 2020	**2,298,763**	**109,247**	**232,539**	**37,692**	**2,678,241**
Depreciation					
As at 1 April 2019	292,108	-	8,311	-	300,419
Charge for the year	31,131	-	1,057	-	32,188
Disposals	(8,187)	-	(310)	-	(8,497)
Reclassification	(38)	-	-	-	(38)
As at 31 March 2020	315,014	-	9,058	-	324,072
Net book value					
As at 31 March 2020	1,983,749	109,247	223,481	37,692	2,354,169
As at 31 March 2019	1,906,967	79,113	164,767	70,516	2,221,363

	2020 £'000	2019 £'000
Housing property net book value in respect of long leaseholds	84,009	95,684
Housing property net book value in respect of freeholds	2,270,160	2,125,679
	2,354,169	2,221,363
Component depreciation within the depreciation charge	**14,637**	13,828
Development administration costs capitalised during the year	**4,851**	3,213
Aggregate amount of interest and finance cost included within the cost of housing properties	**25,102**	22,341

Properties held for security
Bromford Housing Association - Registered Social Housing Provider - has property pledged as security value (EUV - SH and MV - STT) of £2,083m (2019: £1,624m). The number of units on which security was pledged amounted to 32,060 (2019: 31,446).

12. Expenditure on work to existing properties

	Group	
	2020	2019
	£'000	£'000
Replacement of components	**31,205**	28,821
Amounts charged to income and expenditure account	**8,163**	9,316
	39,368	38,137

13. Investment properties held for letting

	Group	
	2020	2019
	£'000	£'000
As at 1 April	**21,185**	10,955
Investment properties acquired from Severn Vale	**-**	11,047
Additions	**5**	-
Transfer to tangible fixed assets - housing properties	**(701)**	(501)
Transfer from tangible fixed assets - housing properties	**210**	1
Transfer to current asset investments - properties held for resale	**-**	(360)
(Loss)/gain on transfer of properties	**(31)**	9
Gain from adjustment in value		
Commercial investment properties	**130**	67
Market rent investment properties	**925**	63
Disposals		
Commercial investment properties	**(13)**	(96)
As at 31 March	**21,710**	21,185

Investment properties (commercial and market rent) were valued at 31 March 2020 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 Bruton 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	**6.5%-9%**
Annual inflation rate	**1**
Level of long term rent increase	**1**

14. Tangible fixed assets - other

Group

	Freehold Offices	Fixtures Fittings & Equipment	Computer Equipment	Motor Vehicles	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April 2019	19,250	2,767	10,511	998	33,526
Additions	-	63	1,152	9	1,224
Reclassification	-	-	(174)	-	(174)
Disposals	-	(29)	(116)	(12)	(157)
As at 31 March 2020	**19,250**	**2,801**	**11,373**	**995**	**34,419**
Depreciation and impairment					
As at 1 April 2019	5,907	2,484	8,890	321	17,602
Charge for the year	377	139	992	223	1,731
Reclassification	-	-	(51)	-	(51)
Disposals	-	(29)	(39)	(12)	(80)
As at 31 March 2020	**6,284**	**2,594**	**9,792**	**532**	**19,202**
Net book value					
As at 31 March 2020	12,966	207	1,581	463	15,217
As at 31 March 2019	13,343	283	1,621	677	15,924

15. Intangible fixed assets

Group

	Software	Architects' fees	Total
Cost	**£'000**	**£'000**	**£'000**
As at 1 April 2019	16,875	495	17,370
Additions	9,657	-	9,657
Reclassification	521	(347)	174
Impairment	(1,806)	-	(1,806)
Disposals	(332)	-	(332)
As at 31 March 2020	**24,915**	**148**	**25,063**
Depreciation			
As at 1 April 2019	4,476	107	4,583
Charge for the year	1,390	34	1,424
Reclassification	51	-	51
Disposals	(101)	-	(101)
As at 31 March 2020	**5,816**	**141**	**5,957**
Net book value			
As at 31 March 2020	**19,099**	**7**	**19,106**
As at 31 March 2019	12,399	388	12,787

16. HomeBuy loans

	Group 2020 £'000	2019 £'000
As at 1 April	**932**	1,093
Loans redeemed in the year	**(197)**	(161)
As at 31 March	**735**	932

The Association does not own any HomeBuy loans.

17. Stocks and work in progress

	Group 2020 £'000	2019 £'000
Consumable stock	**1,271**	1,039
Properties developed for outright sale	**16,943**	12,435
Land costs	**2,498**	12,283
Cost of first tranche element of shared ownership properties	**30,427**	33,899
	51,139	59,656

Shared ownership properties		
Completed	**4,480**	7,186
Under construction	**25,947**	26,713
	30,427	33,899

Properties in development for outright sale		
Completed	**5,920**	1,038
Under construction	**11,023**	11,397
	16,943	12,435

18. Trade and other debtors

	Group		Association	
	2020 **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Amounts falling due within one year				
Rent arrears	**8,940**	7,019	**-**	-
Less: provision for bad debts	**(3,016)**	(2,401)	**-**	-
	5,924	4,618	**-**	-
Trade debtors	**3,383**	5,135	**-**	-
Amounts due from group companies	**-**	-	**8,601**	4,384
Corporation tax	**51**	153	**-**	36
Other debtors	**3,078**	3,727	**46**	28
Prepayments and accrued income	**3,649**	6,464	**5,223**	3,440
	16,085	20,097	**13,870**	7,888
Amounts falling due after more than one year				
Amounts due from group companies	**-**	-	**422,589**	149,350
Government grant debtor	**96**	148	**-**	-
Major repairs provision debtor	**-**	15,152	**-**	-
	96	15,300	**422,589**	**149,350**

19. Current asset investments

	Group				Association	
	2020			2019	**2020**	2019
	Properties held for resale £'000	**Cash equivalents £'000**	**Total £'000**	Total £'000	Cash equivalents £'000	Total £'000
Opening fair value at 1 April	**8,675**	**28,217**	**36,892**	16,260	-	-
Transfer from fixed assets - housing properties	**(315)**	**-**	**(315)**	8,000		
Transfer from investment properties held for letting	**-**	**-**	**-**	360	-	-
Properties held for resale	**-**	**-**	**-**	315	-	-
Disposals	**(8,360)**	**-**	**(8,360)**	-	-	-
Additions to investments	**-**	**2,633**	**2,633**	11,987	-	-
Withdrawals from investments	**-**	**(4,047)**	**(4,047)**	(285)	-	-
Interest	**-**	**74**	**74**	102	-	-
Losses on re-measurement to fair value	**-**	**-**	**-**	153	-	-
Fair value at 31 March 2020	**-**	**26,877**	**26,877**	36,892	-	-

Current asset investments include monies held by lenders in support of bond finance. These monies are placed in accounts charged by the lenders.

	Group		Association	
The analysis of these balance held as cash equivalents is	**2020** **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Dexia bond	**-**	3,107	**-**	-
Haven bond	**5,378**	5,268	**-**	-
Haven cash account	**1,428**	428	**-**	-
AHF bond	**1,792**	1,780	**-**	-
Money held in support of bond finance	**8,598**	10,583	**-**	-
Other current asset investments	**18,279**	26,309	**-**	-
Total current asset investments	**26,877**	36,892	**-**	-

20. Cash and cash equivalents

	Group		Association	
	2020 **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Cash at bank				
Cash equivalents	**141,514**	71,104	**50,632**	23,513
	26,661	124,120	**21,000**	120,000
	168,175	195,224	**71,632**	143,513

Included in the above are balances totalling £3.6m (2019: £3.0m) which are held in trust for shared ownership leaseholders.

21. Creditors: amounts falling due within one year

	Group		Association	
	2020 **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Prepaid rental income	**6,956**	6,232	**-**	-
Loans	**29,358**	26,763	**15,000**	216
Local Authority RTB share of proceeds	**2,133**	2,882	**-**	-
Interest rate swaps	**3,345**	2,591	**-**	-
Trade creditors	**11,895**	9,296	**136**	20
Amounts due to group companies	**-**	-	**9,469**	6,241
Social security and other taxes	**1,492**	1,296	**3**	3
Corporation tax	**307**	7	**66**	-
Balances with supported housing partners	**912**	1,108	**-**	-
Funds held on trust	**228**	270	**-**	-
Deferred capital grant	**4,945**	4,961	**-**	-
Recycled capital grant fund	**3,223**	2,636	**-**	-
Disposal Fund	**445**	445	**-**	-
Other creditors	**6,745**	3,065	**-**	-
Accruals and deferred income	**24,110**	38,365	**23**	25
	96,094	99,917	**24,697**	6,505

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

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loans	**1,208,660**	1,155,290	**482,992**	294,132
Interest rate swaps	**25,070**	23,076	-	-
Leaseholder sinking funds	**4,504**	4,020	-	-
Balances with supported housing partners	**2,132**	2,132	-	-
Deferred capital grant	**442,956**	436,621	-	-
Recycled capital grant fund	**5,801**	4,128	-	-
Other creditors	**165**	104	-	-
Deferred taxation	**24**	24	-	-
	1,689,312	1,625,395	**482,992**	294,132

Loans Repayment Profile				
Repayable within one year	29,358	26,763	**15,000**	216
Repayable between one and two	14,785	62,718	-	197
Repayable between two and five years	49,707	57,409	-	655
Repayable after five years	1,145,858	1,039,676	**483,522**	293,440
Less: Loan finance costs	(1,690)	(4,513)	**(530)**	(160)
	1,238,018	1,182,053	**497,992**	294,348

Loans net of related cash deposits are disclosed below. The actual deposit balances are in shown in note 19.

Loans as stated above	**1,238,018**	1,182,053	**497,992**	294,348
Less: Dexia charged cash deposit	-	(3,107)	-	-
EIB sinking fund	**(169)**	(64)	-	-
EIB bond liquidity reserve	**(567)**	(562)	-	-
AHF sinking fund	**(173)**	(47)	-	-
Haven debt service reserve	**(5,378)**	(5,268)	-	-
AHF bond liquidity reserve	**(2,972)**	(2,955)	-	-
THFC ISRF	**(2,905)**	(2,896)	-	-
Loans net of related cash deposits	**1,225,854**	**1,167,154**	**497,992**	294,348

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

	Period Years	**End Date**	**Rate %**	**Amount £'000**
Barclays	25	20 July 2031	4.31	**12,500**
Lloyds TSB	15	13 September 2022	4.66	**20,000**
Lloyds TSB	19	26 October 2026	4.45	**6,000**
Lloyds TSB	22	20 March 2029	4.50	**15,000**
Lloyds TSB	25	21 July 2031	4.43	**12,500**
Lloyds TSB	25	27 October 2031	4.27	**10,000**
Lloyds TSB	25	12 January 2032	4.18	**10,000**
				86,000

	Group	
Interest rate swap creditor profile	**2020**	2019
	£'000	£'000
Due within one year	**3,345**	2,591
Due between one and two	**3,439**	2,989
Due between two and five years	**7,988**	7,389
Due after five years	**13,643**	12,698
	28,415	25,667

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

The interest risk profile of loan liabilities are as follows

	Group		BHG	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Floating rate	**37,977**	65,144	**-**	-
Fixed rate	**1,201,731**	1,121,422	**498,522**	294,348
	1,239,708	1,186,566	**498,522**	294,348
Fixed rate	**3.77%**	4.21%	**3.13%**	3.13%

Undrawn committed borrowing facilities (all secured) at 31 March were	**2020**	2019
	£'000	£'000
Expiring within one year	**37,745**	15,000
Expiring between one and two	**-**	37,745
Expiring between two and five years	**290,000**	279,000
Expiring after five years	**57,749**	22,749
	385,494	354,494

23. Deferred capital grant

	2020	2019
	£'000	£'000
At 1 April	**441,582**	442,334
Grants received in year	**14,407**	3,353
Grants recycled from the Recycled Capital Grant Fund and disposal proceeds fund	**1,678**	3,464
Transferred to third party association	**(2,061)**	-
Grants recycled to the recycled capital grant fund	**(3,918)**	(3,405)
Amortised in year	**(4,969)**	(4,914)
Amortised grant on disposal	**1,182**	750
As at 31 March	**447,901**	441,582

Amount due to be released within one year	**4,945**	4,961
Amount due to be released in more than one year	**442,956**	436,621
	447,901	441,582

24. Other capital grant funds

	Disposal proceeds fund £'000	Recycled capital grant fund £'000	2020 £'000	2019 £'000
At 1 April	**445**	**6,764**	**7,209**	6,764
Inputs to reserve				
Acquired on acquisition of Severn Vale	-	-	-	216
Grants recycled	-	**3,918**	**3,918**	1,841
Interest accrued	-	**20**	**20**	47
Utilised				
New build	-	**(1,678)**	**(1,678)**	(3,464)
At 31 March	**445**	**9,024**	**9,469**	5,404
Amounts due within one year	**445**	**3,223**	**3,668**	3,081
Amounts due after more than one year	-	**5,801**	**5,801**	4,128
	445	**9,024**	**9,469**	7,209
Amount three years or older where repayment may be required*	**445**	**1,812**	**2,257**	456

*Consent has been given by Homes England for use in 2020/21

25. Deferred taxation

	2020 £'000	2019 £'000
As at 1 April	**24**	12
Reclassification	**-**	12
As at 31 March	**24**	24

26. Provision for liabilities and charges

	Major Repairs £'000	Other £'000	Total £'000
At at 1 April 2019	15,152	699	15,851
Charged to income and expenditure account			
Additions	-	719	719
Re-measurement	(4,976)	-	(4,976)
Utilised in year	(10,176)	(523)	(10,699)
As at 31 March 2020	-	**895**	**895**

Other provisions include insurance and performance related pay.

27. Share Capital

	Group and association	
	2020	2019
Issued and fully paid	**£**	£
At 1 April	**9**	9
Cancelled	**(3)**	-
At 31 March	**6**	9

28. Analysis of changes in net debt

	As at 1 April 2019 £'000	Cashflows £'000	Amortisation of premium/ loan costs £'000	Movement In Creditors Due within one year £'000	As at 31 March 2020 £'000
Cash at bank and cash equivalents	195,224	(27,049)	-	-	**168,175**
Short term investments	28,217	(1,340)	-	-	**26,877**
	223,441	(28,389)	-	-	**195,052**
Other loans					
Housing loans due within one year	(26,763)	26,763	-	(29,358)	**(29,358)**
Housing loans due after more than one year	(1,155,290)	(85,611)	2,883	29,358	**(1,208,660)**
Change in debt resulting from cashflows	**(958,612)**	**(87,237)**	**2,883**	**-**	**(1,042,966)**

29. Cash flow from operating activities

	2020 £'000	2019 £'000
Surplus for the year	**48,398**	69,047
Adjustments for non-cash items		
Depreciation of tangible fixed assets - housing properties	**32,188**	32,274
Depreciation of tangible fixed assets - other	**1,731**	-
Amortisation of intangible assets	**1,424**	-
Impairment of intangible assets	**1,806**	-
Amortisation of government grant	**(4,969)**	(4,153)
Decrease in stock	**8,517**	765
Decrease/(increase) in trade and other debtors	**17,463**	(6,665)
(Decrease)/increase in trade and other creditors	**(10,997)**	4,403
Pension (gains)/costs less contributions payable	**(19,957)**	24,820
(Decrease) in provisions	**(15,323)**	-
Carrying amount of tangible fixed assets disposals	**20,094**	(9,974)
Carrying amount of intangible fixed asset disposals	**231**	(8,012)
Profit on disposal of investments	**(3,985)**	10,593
Fair Value on business acquisition	**-**	(60,669)
Adjustments for investing or financing activities		
Proceeds from sale of tangible fixed assets - other	**-**	(4)
Movement on shared equity loans	**197**	161
Movement in value of swaps	**2,748**	267
Movement in value of current asset investments	**-**	(153)
Movement in value of investment property	**(1,024)**	362
Interest payable	**47,239**	76,670
Interest receivable	**(1,360)**	(1,686)
Taxation	**420**	-
Net cash generated from operating activities	**124,841**	128,046

30. Capital commitments

	2020 £'000	2019 £'000
Capital expenditure contracted for but not provided for in the financial statements	**213,376**	130,803
Capital expenditure authorised but not yet contracted for	**93,334**	18,277

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	**7,055**	3,922
Proceeds from the sale of properties	**60,149**	37,315
Loans and reserves	**239,506**	107,843
	306,710	149,080

31. Other financial commitments

The minimum lease payments due under operating leases are as follows

	Land and Buildings		**Vehicles & Office Equipment**		**Total Leases**	
	2020 **£'000**	2019 £'000	**2020** **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Operating leases which expire:						
Within 1 year	**156**	1,098	**397**	2,535	**553**	3,633
Within 2 to 5 years	**143**	9	**3,608**	18	**3,751**	27
After 5 years	**91**	629	-	2,722	**91**	3,351
	390	1,736	**4,005**	5,275	**4,395**	7,011

32. Grant and financial assistance

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

	2020 £'000	2019 £'000
Held as deferred capital grant	**448,761**	441,582
Recognised as income in Statement of Comprehensive Income	**100,117**	110,578
	548,878	552,160

33. Financial instruments

Financial instruments may be analysed as follows

	Group		Association	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Financial assets				
Financial assets measured at amortised cost				
Rent debtors	**5,924**	4,618	**-**	-
Other receivables	**6,557**	24,162	**431,236**	153,798
Investments in short term deposits	**26,877**	28,217	**-**	-
Cash and cash equivalents	**168,175**	195,224	**71,632**	143,513
Financial assets that are debt instruments measured at amortised cost				
HomeBuy loans	**735**	932	**-**	-
Total financial assets	**208,268**	253,153	**502,868**	297,311
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade creditors	**11,895**	9,296	**136**	20
Other creditors	**15,039**	11,367	**9,432**	6,244
Balances with Supported Housing partners	**3,044**	3,240	**-**	-
Funds held on trust	**228**	270	**-**	-
Financial liabilities that are debt instruments measured at amortised cost				
Loans payable - due within one year	**29,358**	26,763	**15,000**	216
Loans payable - due after more than one year	**1,208,660**	1,155,290	**482,992**	294,132
Financial liabilities measured at fair value through the income and expenditure account				
Derivative financial instruments	**28,415**	25,667	**-**	-
Total financial liabilities	**1,296,639**	1,231,893	**507,560**	300,612

34. Sale of properties and other fixed assets

	Proceeds of Sales £'000	**Cost of Sales £'000**	**Surplus £'000**	**Capital grant recycled £'000**
Further tranches of shared ownership	10,396	(6,326)	4,070	1,194
Right to buy	12,097	(6,035)	6,062	-
Right to acquire	1,516	(637)	879	-
Other property disposals	19,672	(13,366)	6,306	4,786
Other fixed asset disposals	(3)	(3)	(6)	-
Total 2020	**43,678**	**(26,367)**	**17,311**	**5,980**
Total 2019	18,269	(11,679)	6,590	3,419

35. Related party transactions

Transactions with non-regulated members of the Association

	Bromford Developments Limited (BDL)		Bromford Assured Homes Limited (BAH)	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Income				
Management recharges	487	1,238	71	3
Interest receivable	373	369	-	-
	860	1,607	**71**	3

The management recharges are calculated on a number of basis dependant upon the type of expenditure being recharged. Salary costs are recharged to BDL on an contract basis; insurance costs are recharged to BAH on a unit number basis.

All other income is charged on an actuals basis.

At the year-end, included in the group intercompany trading and loan balances were the following net balances due from/(to) non regulated entities

	Association	
	2020	2019
	£'000	£'000
Bromford Developments Limited	**12,734**	14,128
Oakbrook Limited	**-**	-
Bromford Assured Homes Limited	**74**	2
Street Services Limited	**1,159**	1,102
Strand Services Limited	**-**	-
Riverside Mews Limited	**-**	-
	13,967	1,114

Under section 33 of FRS102 defined benefit pension schemes are considered to be related parties. Bromford is a member of the Bromford, Avon and Staffordshire defined benefit schemes. Details of transactions with the schemes are disclosed in note 36.

35. Related party transactions (continued)

	Association			
	Bromford Developments Limited		Bromford Assured Homes Limited	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Income				
Management recharges	487	1,238	71	3
Interest receivable	373	369	-	-
	860	1,607	**71**	3

At the year-end, included in the group intercompany trading and loan balances were the following net balances due from/(to) non regulated entities

	Group		Association	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Income				
Bromford Developments Limited	**15,672**	15,437	**12,734**	14,128
Oakbrook Limited	**(602)**	(927)	**-**	-
Bromford Assured Homes Limited	**1,077**	1,484	**74**	2
Street Services Limited	**1,159**	1,053	**1,159**	1,102
Strand Services Limited	**-**	-	**-**	-
Riverside Mews Limited	**-**	-	**-**	-
	17,306	17,047	**13,967**	15,232

36. Pension obligations

During the year, the Group participated in four schemes, the Social Housing Pension Scheme (SHPS), the Staffordshire County Council pension scheme (LGPS), the Avon pension fund (LGPS) and the Bromford pension scheme. With the exception of the Bromford pension scheme, all of the schemes are multi-employer defined benefit schemes.

Bromford Housing Group also participates in the Social Housing Pension Scheme's defined contribution scheme and Royal London 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 (Group)

	At 31 March 2020 £'000	At 31 March 2019 £'000
Pension asset		
Bromford DB Pension scheme	**12,471**	-
Creditors due less than one year		
Royal London Defined Contribution scheme	**45**	54
	45	54
Provisions for Pensions		
Staffordshire LGPS	**1,254**	3,114
Bromford DB Pension scheme	**-**	16,960
Avon pension fund LGPS	**12,259**	13,337
SHPS	**-**	2,211
	13,513	**35,622**

Bromford DB Scheme (BDBS)

This is a separate trustee administered DB scheme set up on 31 March 2018 following the transfer of obligations from the Bromford section of the Social Housing Pension Scheme (SHPS). During the year, on 1 October 2019, the Merlin Housing Society section of SHPS transferred into BDBS.

The scheme holds the pension assets to meet long term pension liabilities. Scheme liabilities have been based on data provided for the actuarial valuation as at 30 September 2018 for the Bromford DB Scheme, and 30 September 2017 for the Merlin SHPS element. The accounting valuation has been updated to 31 March 2020 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 a Schedule of Contributions with the Trustee that came into force following the completion of the first actuarial valuation, with an effective date of 30 September 2018.

Contributions for the year ended 31 March 2020

	£'000
Employee	162
Employer	2,755
Employer deficit contribution	20,800
Total	**23,717**

Agreed contribution rates for future years:	%
Employee	
1/80th DB section	14.5%
1/120 DB section	4.7%
Employer	10%

Principal actuarial assumptions

The following information is based upon the actuarial valuation of the scheme at 30 September 2018 updated to 31 March 2020 by a qualified independent actuary.

Mortality assumptions adopted **Life expectancy at age 65 (Years)**	**At 31 March 2020**	**At 31 March 2019**
Male retiring in 2020 (2019)	**22.3**	21.8
Female retiring in 2020 (2019)	**24.0**	23.5
Male retiring in 2039 (2038)	**23.6**	23.2
Female retiring in 2039 (2038)	**25.3**	24.8

Other Assumptions

	% per annum 2020	**% per annum 2019**
Discount Rate	**2.35%**	2.45%
Inflation (RPI)	**2.50%**	3.20%
Inflation (CPI)	**1.50%**	2.20%
Salary Growth	**2.50%**	3.20%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**2.50%**	3.20%
Allowance for pension in payment increases of CPI or 5% p.a. if less	**1.70%**	2.25%
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	**1.35%**	1.70%
Allowance for pension in payment increases of CPI or 3% p.a. if less	**1.50%**	1.90%

36. Pension obligations (continued)

A summary of the movement in pension assets and liabilities for the BDBS is shown below

	31 March 2020 £'000	31 March 2019 £'000
Fair value of fund assets	113,731	82,004
Present value of defined benefit obligation	(101,260)	(98,964)
Pension surplus / (deficit)	**12,471**	(16,960)

The fair value of the assets

	31 March 2020 £'000	31 March 2019 £'000
Growth Assets	**49,341**	43,476
Corporate Bonds	**8,835**	4,531
LDI Assets	**54,397**	33,291
Cash	**1,158**	706
Total Assets	**113,731**	82,004

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 2020

	£'000
Assets at start of period	82,004
Interest income on assets	2,334
Expenses	(153)
Return on assets excluding interest income	1,269
Employer contributions paid	23,555
Employee contributions	162
Benefits paid	(2,229)
Assets transferred into the scheme	6,789
Assets at end of period	**113,731**
Total return on plan assets 1 April 2019 to 31 March 2020	3.68%

Reconciliation of liabilities at 31 March 2020

	£'000
Liabilities at start of period	98,964
Service cost	2,694
Interest cost	2,487
Employee contributions	162
Past service cost – plan amendments	-
Re-measurements:	
Actuarial loss on changes in financial and demographic assumptions	(9,707)
Experience loss on scheme experience	(295)
Benefits paid	(2,229)
Liabilities transferred into the Scheme	9,184
Liabilities at end of period	**101,260**

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2020

	£'000
Employer service cost (net of employee contributions)	2,694
Expenses	153
Total operating charge	**2,847**
Analysis of pension finance income/(costs)	
Expected return on pension scheme assets	2,334
Interest on pension liabilities	(2,487)
Amounts (charged) to financing costs	**(153)**

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March 2020

	£'000
Actuarial gain on pension scheme assets	1,269
Actuarial gain on pension scheme liabilities	295
Gain from changes in assumptions	9,707
(Loss) on assets and liabilities transferred into the scheme	(2,395)
Actuarial gains/(loss) recognised	**8,876**

Movement in surplus/(deficit) during the year

	£'000
(Deficit) in scheme at 1 April 2019	(16,960)
Employer service cost and expenses	(2,694)
Expenses	(153)
Employer contributions paid	23,555
Past service cost – plan amendments	-
Net interest/return on assets	(153)
Remeasurements included in other comprehensive income	8,876
Surplus in scheme at 31 March 2020	**12,471**

Staffordshire County Council (SCC)

SCC is a DB 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 2020.

	At 31 March 2020	At 31 March 2019
Rate of increase for pensions in payment/inflation	**1.9%**	2.5%
Rate of increase in salaries	**1.9%**	2.5%
Discount rate for scheme liabilities	**2.3%**	2.4%

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI 2018 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)	**21.2**	23.6
Future Pensioners (years)*	**22.1**	25.0

*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

	31 March 2020 £'000	31 March 2019 £'000
Fair value of fund assets	22,949	25,452
Present value of defined benefit obligation	(24,203)	(28,566)
Pension deficit	**(1,254)**	(3,114)

Reconciliation of Assets and Liabilities

Reconciliation of assets at 31 March 2020

	£'000
Assets at start of period	25,452
Return on plan assets	605
Remeasurements	(2,514)
Employer contributions paid	10
Employee contributions	-
Benefits paid	(604)
Assets at end of period	**22,949**
Actual return on scheme assets 01/04/19 to 31/03/20	6.5%

Reconciliation of liabilities at 31 March 2020

	£'000
Liabilities at start of period	28,566
Service cost	-
Interest cost	680
Employee contributions	-
Re-measurements	(4,439)
Benefits paid	(604)
Liabilities at end of period	**24,203**

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2020

	£'000
Expected return on pension scheme assets	605
Interest on pension liabilities	(680)
Amounts charged to financing costs	**(75)**

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March 2020

	£'000
Actuarial (losses) on pension scheme assets	(2,514)
Actuarial gains on pension scheme liabilities	4,439
Actuarial gains recognised	**1,925**

The fair value of the assets

	31 March 2020 £'000	31 March 2019 £'000
Equities	**14,917**	17,307
Bonds	**5,278**	5,345
Property	**2,295**	2,036
Cash	**459**	764
Total fair value of the assets	**22,949**	**25,452**

Movement in deficit during the year

	£'000
(Deficit) in scheme at 1 April 2019	(3,114)
Employer service cost (net of employee contributions)	-
Employer contributions paid	10
Net interest	(75)
Remeasurements	1,925
Other Comprehensive Income	-
(Deficit) in scheme at 31 March 2020	**(1,254)**

Avon Pension Fund

The Avon Pension Fund (APF) is a multi-employer defined benefit scheme administered by Bath and North East Somerset Council under the regulations governing the Local Government Pension Scheme.

The latest triennial actuarial valuation was carried out at 31st March 2019 and this has been updated to 31 March 2020 by a qualified independent actuary.

Contributions for year ended 31 March 2020

	£'000
Employee	222
Employer	765
Employer deficit	30
Total	**1,017**
Agreed contribution rates for future years:	%
Employee (average)	6.7%
Employer	21% – 32.8%

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 March 2020 by a qualified independent actuary

	At 31/03/20	At 31/03/19
Rate of inflation - CPI	**2.1%**	2.2%
Rate of increase for pensions in payment	**2.2%**	2.3%
Rate of increase in salaries	**3.6%**	3.7%
Discount rate for scheme liabilities	**2.4%**	2.5%

The post retirement mortality assumptions used to value the benefit obligation for the four years are based on the S2PA CMI 2015 cohort series. The assumed life expectations on retirement at age 65 are

Males	**At 31/03/20**	**At 31/03/19**
Current Pensioners (years)	23.2	23.7
Future Pensioners retiring in 20 years (years)	24.7	26.3
Females	**At 31/03/20**	**At 31/03/19**
Current Pensioners (years)	25.3	26.2
Future Pensioners retiring in 20 years (years)	27.3	29.0

The information disclosed below is in respect of the whole of the plans for which Merlin is either the sponsoring employer or has been allocated a share of cost under an agreed policy throughout the periods shown:

	At 31/03/20 £'000	At 31/03/19 £'000
Fair Value of fund assets	43,458	47,168
Present value of defined benefits obligations	(55,717)	(60,505)
Pension (deficit)	**(12,259)**	**(13,337)**

The fair value of the assets

	At 31/03/20 £'000	At 31/03/19 £'000
Equities	**11,995**	12,688
Government Bonds	**1,521**	3,821
Other Bonds	**2,477**	19,386
Property	**2,738**	3,066
Cash	**608**	519
Other	**24,119**	7,688
Total fair value of assets	**43,458**	**47,168**

Reconciliation of assets and liabilities

Reconciliation of assets at 31 March 2020

	£'000
Assets at start of period	47,168
Interest on plan assets	1,183
Remeasurements	(5,109)
Administration expenses	(21)
Employer contributions paid	795
Employee contributions	222
Benefits paid	(780)
Assets at end of period	**43,458**
Total return on plan assets 1 April 2019 to 31 March 2020	2.61%

Reconciliation of liabilities at 31 March 2020

	£'000
Liabilities at start of period	60,505
Service Cost	1,199
Interest Cost	1,505
Past service cost*	187
Employee contributions	222
Remeasurements	(7,166)
Curtailments	45
Benefits Paid	(780)
Liabilities at end of period	**55,717**

*Includes allowance for the GMP indexation (see notes below)

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2020

	£'000
Employer service cost (net of employee contributions)	1,199
Past service costs*	187
Expenses (including interest cost and curtailments)	388
Total operating charge	**1,774**
Analysis of pension finance income/(costs)	
Expected return on pension scheme assets	1,183
Interest on pension liabilities	(1,505)
Amounts (charged) to financing costs	**(322)**

*Includes allowance for GMP indexation (see notes below)

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March 2020

	£'000
Actuarial (losses) on pension scheme assets	(5,109)
Actuarial gains on pension scheme liabilities	7,166
Actuarial gains recognised	**2,057**

Movement in surplus / (deficit) during the year

	£'000
(Deficit) in scheme at 1 April 2019	(13,337)
Employer service cost (net of employee contributions)	(1,199)
Employer contributions paid	795
Past service costs*	(187)
Pension administration expenses	(21)
Curtailments	(45)
Net interest/return on assets	(322)
Remeasurements	2,057
(Deficit) in scheme at 31 March 2020	**(12,259)**

*Includes allowance for the effects of the McCloud judgement (see notes below)

The notes below are taken from a report prepared by Mercer Limited, the actuaries for the Avon LGPS fund.

GMP Indexation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, until the 26 October 2018 Lloyds Bank court judgement provided further clarity in this area. For the public service pension schemes, HM Treasury had already launched a consultation on the issues surrounding GMP equality and increases on GMPs, and HM Treasury has stated since the judgement that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why there is no change to the existing method as a result of this judgment".

The clear implication is that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so unless instructed otherwise, thus no allowance was made specifically for GMP equalisation in the accounting liabilities. This is consistent with previous accounting disclosures (and the most recent valuation, which holds no explicit reserve for GMP equalisation).

There is a possibility that all public sector schemes will be required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021. Government policy in this area is still to be determined, thus it was concluded that the most consistent/safest approach is to include the additional indexation liabilities in the accounting figures, therefore the figures above include the increase in past service liabilities as a "past service cost" (the schedule of figures will separately identify the element of the past service cost which relates to the GMP increases).

Social Housing Pension Scheme (SHPS) – Merlin Section

The SHPS is a multi-employer DB scheme administered by The Pensions Trust, which includes the liability historically relating to Severn Vale Housing Society, which was transferred to Merlin Housing Society at 2 January 2019 as part of the acquisition.

During the year, on 30 September 2019, the Merlin section of SHPS transferred into BDBS. The movements below represent those up to the date of the transfer; movements for the rest of the year are incorporated in the movements of BDBS above.

The latest triennial actuarial valuation was carried out at 31st March 2017 and this has been updated to 30 September 2019 by a qualified independent actuary.

Contributions for period 1 April 2019 to 30 September 2019

	£'000
Employee	-
Employer	104
Employer deficit	-
Total	104

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 updated to 30 September 2019 by a qualified independent actuary:

	At 30/09/19	At 31/03/19
Rate of inflation (RPI)	3.05%	3.25%
Rate of inflation (CPI)	2.05%	2.25%
Rate of increase in salaries	3.05%	3.25%
Discount rate for scheme liabilities	1.85%	2.35%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 30 September 2019 imply the following life expectancies (no change from 31 March 2019)

	Males	Females
Current Pensioners (years)	21.8	23.5
Future Pensioners retiring in 20 years (years)	23.2	24.7

A summary of the movement in pension assets and liabilities for the SHPS is shown below. The information disclosed below is for the period 1 April 2019 to 30 September 2019 only, reflecting the transfer out which occurred

	30/09/19	31/03/19
Fair value of fund assets	-	6,326
Present value of defined benefit obligation	-	(8,537)
Pension (deficit)	**-**	**(2,211)**

Reconciliation of assets and liabilities

Reconciliation of assets at 30 September 2019

	£'000
Fair value of assets at start of period	6,326
Interest income on assets	74
Return on assets excluding interest income	447
Employer contributions paid	104
Contributions by scheme participants	-
Benefits paid and expenses	(162)
Assets transferred out of the scheme	**(6,789)**
Assets at end of period	**-**
Total return on scheme assets 1 April 2019 to 30 September 2019	**7.94%**

Reconciliation of liabilities at 30 September 2019

	£'000
Liabilities at start of period	8,537
Service cost	-
Expenses	3
Interest cost	99
Contributions by scheme participants	-
Remeasurements:	
Actuarial loss on changes in financial and demographic assumptions	644
Actuarial loss on scheme experience	63
Benefits paid	(162)
Liabilities transferred out of the scheme	(9,184)
Liabilities at end of period	**-**

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income to 30 September 2019

	£'000
Expenses	3
Net interest expense	25
Total operating charge	**28**
Analysis of pension finance income/(costs)	
Expected return on pension scheme assets	74
Interest on pension liabilities	(99)
Amounts (charged) to financing costs	**(25)**

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 30 September 2019

	£'000
Return on scheme assets (excluding amounts included in net interest cost) – gain	447
Experience gains and losses arising on scheme liabilities – (loss)	(63)
Effects of changes in the demographic assumptions underlying the present value of liabilities – (loss)	(644)
Gain of assets and liabilities transferred out of the scheme	2,395
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain	**2,135**
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain / (loss)	-
Actuarial gains recognised	**2,135**

Movement in surplus / deficit during the period 1 April 2019 to 30 September 2019

	£'000
(Deficit) in scheme at 1 April 2019	(2,211)
Employer service cost and expenses	(3)
Employer contributions paid	104
Net interest/return on assets	(25)
Re-measurements included in other comprehensive income (including transfer out)	2,135
Surplus / (deficit) in scheme at 30 September 2019	-

37. Post balance sheet events

The coronavirus pandemic is disclosed as a non-adjusting balance sheet event and the Board has adopted the going concern basis in preparing the annual financial statements.

Registration Information

Co-operative and Community Benefit Society
Registration Number 29996R

Regulator of Social Housing
Registration Number L4449

Advisors:

External Auditors:

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Business Assurance Providers:

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Taxation Advisor:

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