

BROMFORD HOUSING ASSOCIATION LIMITED

Financial Statements

for the year ended 31 March 2020

**Co-operative and Community Benefit Society
Registration Number 7106**

**Regulator of Social Housing
Registration Number 4819**

Bromford Housing Association Limited

Financial Statements

For the year ended 31 March 2020

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Bromford Housing Association Limited

Financial Statements For the year ended 31 March 2020

Board Members as at 31 March 2020:

The Board members who served from 1 April 2019 up to the date of approval of these financial statements were as follows:

	Position	Appointment/Retirement Date	Meetings Attended 2019/20
Jonathan Simpson-Dent	Chair	Appointed 7 April 2015 Resigned 31 March 2020	14/14
Stephen Dando	Independent Non-Executive Director Chair	Appointed 24 November 2015 Appointed chair 1 April 2020	14/14
Vivienne Horton	Vice Chair and Senior Independent Director	Appointed 2 July 2018	14/14
Helen Adlard	Independent Non-Executive Director	Appointed 2 January 2019	13/14
Richard Bird	Independent Non-Executive Director	Appointed 2 July 2018	14/14
Oke Eleazu	Independent Non-Executive Director	Appointed 1 April 2015 Resigned 31 March 2020	13/14
Darren Lee Gibson	Executive Director of Finance	Appointed 1 August 2016	14/14
Balvinder Heran	Independent Non-Executive Director	Appointed 1 April 2016 Resigned 31 December 2019	8/9
Robert Nettleton	Chief Executive	Appointed 31 December 2018	14/14
Richard Penska	Independent Non-Executive Director	Appointed 2 July 2018	12/14
Neil Rimmer	Independent Non-Executive Director	Appointed 2 July 2018	14/14
Sarah Simpson	Independent Non-Executive Director	Appointed 1 April 2020	
Jerry Toher	Independent Non-Executive Director	Appointed 1 April 2020	

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

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

Advisors:

External Auditors:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Business Assurance Provider:

PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol BS2 0FR

Banker:

Barclays Bank plc
15 Colmore Row
Birmingham B3 2BH

Taxation Advisor:

Deloitte LLP
Four Brindley Place,
Birmingham,
B1 2HZ.

Registered office:

Exchange Court
Brabourne Avenue
Wolverhampton Business Park
Wolverhampton WV10 6AU

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

The Board of Bromford Housing Association Limited ('BHA') is pleased to present its annual report and financial statements for the year ended 31 March 2020.

Who are we and what do we do?

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

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

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

Bromford is a housing group – one that owns 44,000 homes; has individual relationships with more than 100,000 customers; has a very strong balance sheet; and plans to build a further 14,000 new homes over the next decade. All this is only possible because of the 1,800 people who work for the organisation.

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

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

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

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

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



Fig 1. Bromford DNA

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Board composition, meetings, decisions and delegations

The BHA Board operates as a unitary board.

From the 1 April 2019, our Board comprised 11 members – two Executive Directors (our Chief Executive and Executive Director of Finance) and nine NEDs.

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.

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 team work 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 UK Corporate Governance 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 2020/21.

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 Customer and Communities Influence Network (CCIN) meeting, held an annual CCIN workshop with the board, appointed a colleague engagement NED and carried out a review of the board skills matrix.

Board and Committee 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 ten times a year but also meets more frequently if necessary (as it has done during the coronavirus pandemic). The board also has a 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 the Bromford Housing Group accounts.

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

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Value for Money

Ensuring Value for Money for our customers and our group is ingrained in our culture enables us to deliver our Strategy, and to enable customers to thrive. Our value for money statement is published within our Group financial statements.

Statement of compliance with the regulatory standards

Our regulator, the Regulator of Social Housing (RSH), publishes a regulatory framework and regulatory standards. The regulatory standards comprise of the economic standards (namely the governance and financial viability, value for money and rent standards) and the consumer standards (namely the tenant involvement and empowerment, home, tenancy and neighbourhood and community standards).

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

As part of being regulated by the RSH, Bromford has been given a rating for governance and financial viability, 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

The Bromford Housing Group has adopted the UK Corporate Governance Code for all Registered Providers in the Group. 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.

To support implementation of the code it has adopted a group wide Governance Framework and Delegations Framework that set out how the Group and each subsidiary registered provider will conduct its business in this respect. The Governance Framework and Delegations Framework include matters reserved for the Board and delegations to the group wide committees. This ensures that information from the Committees also reaches the Board of each subsidiary registered provider where appropriate. In this way the provisions of the UK Corporate Governance Code are met by Bromford Housing Association Limited.

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. 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.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Risk management and internal control

Risk Overview

Effective risk management is at the heart of our business and has an important part to play in delivering our purpose. The board has overall responsibility for ensuring the group has appropriate systems for managing risk. 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.

As a Board, we define 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.

How we manage our risks?

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 audit 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 are within agreed tolerances including forward-looking risk indicators where triggers for action are 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.			←→		

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

	Averse	Minimal	Balanced	Open	Embracing
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.

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 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 impacts of the pandemic have been proactively managed through this turbulent period. The impacts on customers, colleagues and business operations is being proactively monitored and managed weekly through our executive Covid-19 response team, and daily through operational response leadership.

Below we outline a summary of the principal risks for Bromford during the period, which includes a snapshot update of 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 through financial plan stress testing, reflected in reforecasts, 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.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Data governance

Description	Mitigation strategies	Changes in year
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.	Data Governance Framework developing parameters, scope, process, oversight, insight and support for data governance.	Conducted maturity and control assessments through the year against the Data Framework to track and report progress to strengthen controls.
Direction of travel: risk stable	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.	Increased Microsoft power BI (business intelligence) reporting across the organisation is providing increased transparency of data quality.
Link to strategy: Future ready	Data dashboards and audits validate accuracy, completeness and intended outcomes for key data sets.	

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.

Cyber security

Description	Mitigation strategies	Changes in year
Lack of robust network controls and security protocols.	Maintaining enterprise grade perimeter and internal security services to protect against attacks.	Aligned group information security policies rolled out, which form part of wider business continuity planning.
This results in susceptibility to denial of service attacks, hacking and unauthorised access.	Regular penetration and scenario testing and embedding an integrated information security framework, policy and toolkit.	Maturity Assessment completed through year with focus control areas agreed and actioned demonstrating and improving control framework.
Direction of travel: Risk stable	Mandatory training and testing for all colleagues and regular communications to reinforce individual responsibilities and to keep alert of latest trends in attacks.	Improved early detection technology, penetration testing and phishing simulations rolled out.
Link to strategy: Future ready		

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

Description	Mitigation strategies	Changes in year
Failure to have effective business continuity, ICT disaster recovery and major incident plans that are regularly tested.	Framework and assessments in place, which follow the guidance within ISO 22301, with regular testing and reporting.	A dedicated business continuity manager was appointed.
This may result in adverse and significant operational, financial, reputational and legal and regulatory impacts.	A dedicated business continuity manager to provide independent support, oversight and challenge across business continuity planning and management.	Business Continuity Planning (BCP) framework and policy revised to provide a single, integrated approach for business continuity and major incident management across the business.
Direction of travel: Risk improving	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.	As part of the framework, plan templates were developed and following initial pilots, implemented across the business for teams, schemes and workspaces.
Link to strategy: Future ready		

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.

Development and market sales

Description	Mitigation strategies	Changes in year
We fail to deliver our new homes and Market Sales aspirations	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.	Following a review into the standard of Persimmon built homes, Bromford commenced inspections of Persimmon builds through a third party.
Rising costs, market downturn, competition in the market and/or a lack of opportunity could impact our ability to deliver against plan.	A dedicated forum considers opportunities against strategy with individual schemes subject to set parameters and include stress testing and exit strategies.	New homes business plan was agreed in May 2019 to align to the new corporate strategy.
Direction of travel: Risk improving		A revised structure, leadership team and new ways of working have been embedded to support delivery against plan.
Link to strategy: Growing the business	Rigorous monitoring of the external market and review of business risks that may impact on our programme.	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 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.

Health and safety

Description	Mitigation strategies	Changes in year
Our approach to health and safety lacks robust controls and oversight.	Mandatory training programme is in place to ensure all colleagues' competencies are up to date and fit for purpose.	An integration plan was agreed to implement one way of working throughout the business for asset compliance.
This results in death, injury or harm caused to colleagues, customers, contractors or members of the public.	A robust agenda of asset compliance and health and safety matters, supported by a suite of detailed compliance and performance data is managed by dedicated forums , committee and board to ensure H&S responsibilities are being met.	External consultants NHBC were contracted to review health and safety frameworks across construction to further embed best practice.
Direction of travel: Risk stable		Transition to the new ISO45001 accreditation for South Gloucestershire was achieved, with roll out plans for remainder of group.
Link to strategy: Homes that enable	Rigorous testing of processes and reconciliation of data through first, second, and third line activity, external accreditation and technical experts for legal asset compliance.	

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.

Macro-economic and political

Description	Mitigation strategies	Changes in year
Macro-economic and political uncertainty results in uncertainty around funding and income.	Identifying and monitoring potential risks to the business through dedicated horizon scanning and monthly board briefing.	The new Johnson 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.
Material costs can fluctuate providing uncertainty and introducing risk.	Robust financial planning, stress testing scenarios and resilience plans account for a variety of economic and non-economic scenarios.	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).
It can also impact our ability to access skilled labour.		
Direction of travel: Risk stable	Close monitoring of the housing market in our key operating areas with diligence.	
Link to strategy: Future ready	A Brexit risk and action log is updated regularly and remains under scrutiny at board and is included within the chief risk officers report for board.	

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 and leaders and commenced recovery plan preparations.

People

Description	Mitigation strategies	Changes in year
A lack of skilled colleagues who are thriving in their role will impact our ability to achieve our objectives.	A clear strategy with values-based recruitment and embedding of our DNA ensures we retain and attract colleagues aligned to our purpose.	Workshops held through the year have allowed us to embed Leader-Led people processes.
This may be due to a failure to recruit, retain and/or motivate engaged colleagues.	Data and insight on recruitment, leavers, movers and elements of our engagement survey used to identify hot spots.	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.
Direction of travel: Risk improving		
Link to strategy: Enabling colleagues	Enterprise surveys and monthly monitoring of key performance and risk indicators inform specific actions.	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 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 3 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.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Customer involvement and engagement

Description	Mitigation strategies	Changes in year
Our neighbourhood coaching model relies on the roll out of the localities approach to build those customer relationships.	Performance and progress against the localities business case is reported monthly (to the business) and six monthly (to board).	Following the government green paper on social housing in August 2018, we have been awaiting the subsequent white paper.
Failure to effectively engage our customers will result in homes and relationships that fail to meet their needs.	Customer and Community Influence Network (CCIN) and Localities Influence Network (LIN) provide a quarterly report to board.	A new customer feedback operating model has been implemented from April 2019.
Direction of travel: Risk improving	An annual effectiveness report of the customer and communities' model is reported to board.	Neighbourhood coaching model implemented up across all geographies.
Link to strategy: Our relationship with customers	Neighbourhood coaches are subject to a robust induction programme.	Following the agreement of a localities business case the structure and models implemented 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

Description	Mitigation strategies	Changes in year
We fail to accurately financially plan, fail to project, maintain, and access sufficient liquidity, fail to access the capital markets, or borrow new money.	Parameters and decision framework, with rigorous monitoring of key financial ratios and liquidity against future spend.	Significant work completed on the control framework for cashflow planning.
This results in insufficient liquidity or a breach of covenants, and inability to fund service delivery and development programmes requirements.	Stress testing and mitigation plans reviewed and monitored.	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.
Direction of travel: Risk stable	Prudent treasury strategy and policies enable access to diverse, low risk funding options, maintaining strong dual credit rating.	Several new bonds were completed in year.
Link to strategy: Future ready	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.	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.

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

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Internal control

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

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2020, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

Internal audit

The committee has overseen the conclusion of 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 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.

Significant issues considered by the Audit and Risk Committee for the year ended 31 March 2020

Significant issues were discussed with management and the external auditor in January 2020 when the Audit and Risk Committee reviewed the *Audit Plan and Strategy for the year*, and at the conclusion of the audit, when the financial statements were reviewed in July 2020.

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

Recoverability of stock and work in progress	<p>The Group holds stock comprising of properties for sale in relation to shared ownership and outright sales units. This involves the Group to apply estimates in assessing the net realisable value of unsold units and the recoverability of this stock.</p> <p>Management gave assurances to the committee that appropriate assumptions and judgements had been used in arriving at the net realisable value of the units, in addition to the supporting work of the Investment Forum who appraises and monitors the developments of these units. The committee was satisfied from the assurances received, and from the assessments undertaken in the monitoring of these units.</p>
Value of post-retirement benefit obligations	<p>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.</p> <p>Management gave assurances to the committee that the actuaries used appropriate assumptions which were based on the most recent valuation and are derived on a consistent basis, year on year.</p> <p>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.</p>

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

<p>The impact of uncertainties due to Britain exiting the European Union on our audit</p>	<p>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.</p> <p>The assumptions underpinning the business plan forecasts are also well understood, with appropriate stress testing undertaken in respect of likely Brexit conditions. This is informed by the Bank of England assumptions and stress tests and evolving political commentary. In addition, Brexit uncertainty has been considered in the context of judgements and estimates relating to the financial statements.</p>
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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 was 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 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. 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 sought a report to outline the plan to improve 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 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.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Financial review (5-year summary)

Income and Expenditure £'m	2016	2017	2018	2019	2020
Turnover	165	162	169	192	182
Operating costs and cost of sales	(100)	(99)	(114)	(137)	(132)
Surplus on disposal of assets	5	6	9	4	11
Change in valuation of investment properties	-	1	-	-	-
Operating surplus	70	70	64	59	61
Net interest charge and other finance costs	(26)	(26)	(20)	(34)	(38)
Financing cost of new group structure	-	-	-	(30)	-
Gift aid received	5	6	6	1	6
Surplus/ (loss) for the year	49	50	50	(4)	29

Statement of Financial Position £'m	2016	2017	2018	2019	2020
Housing properties at cost less depreciation	1,405	1,459	1,536	1,619	1,714
Other tangible fixed assets, intangible fixed assets and investments	24	25	26	34	40
Debtors due after more than one year	21	20	19	23	21
Net current assets	44	9	31	27	27
Total assets less current liabilities	1,494	1,513	1,612	1,703	1,802
Loans due after one year	(570)	(547)	(590)	(721)	(549)
Unamortised grant	(425)	(419)	(416)	(413)	(412)
Other long-term liabilities and provisions	(62)	(61)	(82)	(51)	(283)
Total net assets	437	486	524	518	558
Total reserves	437	486	524	518	558

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

We continue to focus on two main areas; cost control within a value for money framework and strong cash generation from core activities, allowing us to invest in our existing and new homes and in our services to customers. Our principle financial ratios show good performance in both areas. Social housing letting operating margin was 29% (2019: 34%) and overall operating margin of 34% (2019: 31%). The overall operating margin on underlying business activities excluding fixed asset sales was 28% (2019: 29%).

Liquidity remains a key focus and, at March 2020 we have:

- Cash and cash equivalents of £35.7m (2019: £33.5m)
- £60.5m in undrawn loan facilities (Revolving Credit Facilities)

Income and expenditure

The surplus before tax of £29.1m (2019: £3.8m (deficit)) is a solid financial performance for BHA.

The vast majority (83%) of our income is derived from rents and service charges and we are not dependent upon income from asset disposals.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Rental income

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

Shared Ownership

Total Shared ownership sales income for the year was £30.1m (2019: £43.1m). We sold 296 shared ownership homes at an average 100% sales value of £256k (2019: 347 homes, 100% value: £240k). The average first tranche share sold was 41.0% (2019: 45.1%).

Costs

Cost control is a core deliverable across the business. The Regulator of Social Housing's analysis of costs across the sector has validated that our costs are comparatively low using 2018/19 as the benchmark. Success in controlling costs drives our strong operating margins. Our focus on cost is a central part of our Value for Money framework. The framework evidences not just the cost of what we do but its effectiveness in delivering the outcomes we achieve for our customers.

Over the last year we have seen an increase of 6.4% in our total operating costs per the Statement of Comprehensive Income from £103m in 2018/19 to £109m. This was due to several factors, including transformation and integration activity. 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.

Disposals

We expect them to vary over time as we proactively manage our homes to deliver a strong return on assets. Disposal profits in the year were £10.7m (2019: £3.5m). The increase was largely due to our participation in the voluntary right to buy pilot scheme increasing sales and profits as set out in note 34.

Corporation tax

We continue the policy of gift aiding taxable surpluses from non-charitable Group Members to charitable Group Members. BHA received £6.3m in gift aid payments from other group members (2019: £0.6m).

Balance sheet

Fixed assets

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

Sales exposure

Exposure to unsold Shared Ownership stock is not a material issue for us. At 31st March, we had £1.3m of completed shared ownership properties held as stock (2019: £4.9m).

Investment in our homes

In 2019/20 we invested £26.2m in major repair and refurbishment programmes (2019: £27.7m) and £135.9m in new homes (2019: £93.5m).

Effects of material estimates and judgments within these financial statements

- On an annual basis we review for potential **Impairment of non-financial assets**; following the review no impairment was required.
- Development expenditure is capitalised and subsequently depreciated based on agreed accounting policies. 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.
- **Categorisation of housing properties** where we have undertaken a detailed review of the intended use of all housing properties. Merlin has determined that market rented properties and commercial properties are investment properties and accounted for on that basis.
- The majority of our **debt financial instruments** are classified as basic; we do however have some standalone interest rate swaps which have been categorised as non-basic and these have been measured at fair value within these financial statements.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Further details of key estimations can be found within our accounting policies on pages 31-33.

Treasury

The following table highlights our position on key measures:

Borrowing	£808m
Undrawn facilities	£60.5m
Cash and cash equivalents	£35.7m
Fixed rate borrowing	95%
Cost of borrowing	5.01%
Interest cover covenant*	2.3 times
Asset gearing covenant (66.67% max)*	40%

*Covenants are based on group results

Cash and liquidity

Rigorous control of cash is a key focus for us. Operating cash flow was again strong at £94m (2019: £108m) and represents 153% of operating surplus, an excellent cash conversion performance. Cash balances were strong at £35.7m, with a further £25.7m held as investments.

Facilities and funding

BHA has loans of £808m (2019: £734m) that increased by a net £74m during the year. A further £222m was drawn during the year from on-lending from BHG. £145m of loan repayments were made in the year. The remaining movement is due to the change to effective interest rate which decreased loans by £3m.

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

Interest rate management and mark to market position

We use fixed rate borrowings to manage our exposure to increases in interest rates and 95% of our borrowings are at fixed rates (2019: 90%) taking advantage of the low current low cost of long term debt. No further interest rate hedging was undertaken during the year.

The average cost of borrowing was 5.01% (2019: 4.57%). The increase has primarily come from the early repayment of £79m of variable rate loans, which were at lower than the average rates, bringing up the average cost of borrowing.

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

The full MtM value of the cancellable swaps at year-end was £28.4m which was higher than last year's level of £25.7m. The movement in fair value of these financial instruments of £2.7m has been debited to the Statement of Comprehensive Income. Other movements in the MtM value was due to decreases in the yield curve and long term rates. At year end the MtM call amount over our contracted threshold levels increased to £8.4m (2019: £5.7m) mainly as a result of movement in the yield curve.

Security

We have a healthy level of available uncharged security. Our £60.5m of undrawn facilities are all fully secured. In addition, we have £19m pre-charged security ring-fenced to cover any further movements in our MtM exposure over and above our substantial contractual thresholds.

Further security charging is at various stages of completion. £117m is held by our Security Trustee and is available subject to renewing searches, together with our as yet uncharged security, these pools are being managed in line with future funding plans, funder security covenant requirements and market changes to the extent they effect security valuations.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Covenants

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

Operating performance

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

Value for money (VfM)

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

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

Sector metrics

Ref	Metric Name	2016	2017	2018	2019	2020
1	Reinvestment %	3.95%	4.94%	6.18%	6.18%	6.78%
2A	New supply delivered (Social housing units) %	1.76%	1.69%	3.01%	3.15%	2.11%
2B	New supply delivered (Non-social housing units) %	0.00%	0.00%	0.00%	0.00%	0.00%
3	Gearing %	32.57%	32.44%	32.80%	36.42%	39.22%
4	EBITDA MRI	248%	236%	197%	151%	153%
5	Headline Social housing cost per unit (£000s)	2.84	2.90	3.02	3.27	3.59
6A	Operating Margin (social housing lettings only) %	47.23%	43.89%	40.56%	33.78%	29.01%
6B	Operating Margin (overall) %	39.58%	39.54%	32.32%	28.95%	27.65%
7	ROCE	4.70%	4.63%	3.97%	3.48%	3.42%

Performance remains broadly in line with previous years in most areas. We continue to reinvest in new and existing homes showing an increase in reinvestment percentage, gearing and similar levels of ROCE. Operating margins have decreased as we invest in our transformation and integration programmes. Interest cover has remained static over the year.

Social value

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

Welfare reform

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

Supporting People contracts

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

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

Board compliance statements

Public benefit Entity

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

Statement of Compliance with the 2018 Statement of Recommended Practice (SORP)

The Board confirms that the Strategic report contained within this Board report has been prepared in accordance with the principles set out in Para 4.7 of the 2018 SORP for Registered Social Housing Providers.

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

The Board are responsible for preparing the Annual Report and the Association financial statements in accordance with applicable law and regulations.

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

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the income and expenditure of the association for that period. In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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 directors have decided to prepare voluntarily a Corporate Governance Statement as if the company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

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

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

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

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2020

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 27 to 71 have been prepared on a going concern basis.

Viability statement

As required by the provisions of the UK Corporate Governance Code, the Board has undertaken an assessment of the future prospects of Bromford taking into account its current position and principal risks. This incorporates the impact of the current COVID-19 pandemic. This assessment was made using the following core business processes:

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

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

Liquidity – based on the output of the plan and regular reforecasting of cashflows the Board reviews the liquidity position of the Association, ensuring funding is secured in accordance with Bromford's treasury policy. On 3 May 2018, the Group issued their debut public bond of £300m, and additional private placement of £100m in February 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. The largest single area of spend is the development programme and the bulk of the committed programme completes within this timeframe. Whilst development spend and required facilities are planned over a longer term than three years, the period chosen ensures that BHA is viable beyond its usual development commitment timeframe.

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

Appointment of Auditors

KPMG LLP were appointed as BHA's external auditor for a period of up to five years to 2021. 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 Association's auditors are unaware; and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The report of the Board was approved on 28 July 2020 and signed on its behalf by:



Steve Dando - Chair
28 July 2020

Bromford Housing Association Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROMFORD HOUSING ASSOCIATION LIMITED

1 Our opinion is unmodified

We have audited the financial statements of Bromford Housing Association Limited ("the Association") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2020 and of the income and expenditure of the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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 have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

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

Valuation of defined benefit pension obligations

(Value of defined benefit pension obligations: £125.5 million; 2019: £127.5 million).

Refer to page 13(Audit and Risk Committee Report), page 32 (accounting policy) and page 66 (financial disclosures)

The risk

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 Association's pension liability which could have a significant effect on the position of the Association.

The Association will complete a transfer in of the legacy Severn Vale Social Housing Pension Scheme liability. This represents a significant unusual transaction

Bromford Housing Association Limited

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 Association in completing the valuation of the pension deficit and the movements.

Our response

Our procedures included:

Assessing valuer's credentials

Obtaining the qualification credentials of the Scheme actuary to assess that they are one of the small number of experienced, skilled advisors, appointed to undertake the pension scheme valuations, as we place reliance on the Actuary for valuation of the overall;

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.

of stock and work in progress

(Value of stock and work in progress: £12.6 million; 2019: £12.8 million).

Refer to page 13 (Audit and Risk Committee Report), page 37 (accounting policy) and page 51 (financial disclosures)

The risk

Subjective estimate

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

Our response

Our procedures included:

Our sector expertise

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

Benchmarking assumptions

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

Test of detail

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

Assessing transparency

Bromford Housing Association Limited

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

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

Materiality for the Association financial statements as a whole was set at £2.1 million (2019: £2.0 million), determined with reference to a benchmark of Association turnover, of which it represents approximately 1.0% (2019: 1.0%).

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

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

4 We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Association will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Association's business model and analysed how those risks might affect the Association's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the 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 Association's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Association'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 anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Association's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

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

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the Viability Statement page 20 that they have carried out a robust assessment of the principal risks facing the Association, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the 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 Association's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a 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 19, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



Sarah Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

4 August 2020

Bromford Housing Association Limited

Statement of Comprehensive Income for the year ended 31 March 2020

	Notes	2020 Total £'000	2019 Total £'000
Turnover	2,3	182,570	192,437
Cost of sales	2,3	(23,209)	(34,326)
Operating costs	3	(108,920)	(102,521)
Gain on disposal of property assets	34	10,730	3,493
Increase in valuation of investment properties	13	229	118
Operating surplus	5	61,400	59,201
Interest receivable	6	555	976
Interest and financing costs	7	(32,110)	(34,110)
Loan break costs	7	(4,276)	-
Movement in fair value of financial instruments		(2,748)	(267)
Movement in fair value of investments		-	153
Financing cost of new group structure		-	(30,374)
Gift Aid		6,326	578
Surplus/(deficit) before tax		29,147	(3,843)
Taxation	10	7	(7)
Surplus/(deficit) for the year after tax		29,154	(3,850)
Actuarial gain relating to pension scheme	36	13,196	(2,595)
Closure of multi-employer defined benefit pension scheme (SHPS)	36	(2,395)	-
Total comprehensive income for the year		39,955	(6,445)

The association's results relate wholly to continuing activities.

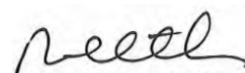
The notes on pages 31 to 71 form an integral part of these financial statements

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

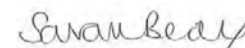
The financial statements on pages 27 to 71 were approved and authorised for issue by the Board on 28 July 2020 and were signed on its behalf by:



Steve Dando – Chair



Robert Nettleton - Chief Executive



Sarah Beal - Company Secretary

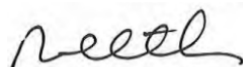
Bromford Housing Association Limited
Statement of Financial Position
As at 31 March 2020

	Notes	2020 £'000	2019 £'000
Fixed Assets			
Tangible fixed assets - housing properties	11	1,713,624	1,619,303
Investment properties	13	6,277	6,612
Tangible fixed assets - other	14	10,464	10,606
Intangible Fixed Assets	15	19,030	12,409
Investments - other	16	4,220	4,220
Homebuy loans receivable	17	390	496
		<u>1,754,005</u>	<u>1,653,646</u>
Assets: amounts receivable in more than one year			
Pension Asset	36	12,471	-
Debtors	19	8,206	23,151
		<u>20,677</u>	<u>23,151</u>
Current Assets			
Stocks	18	13,532	13,549
Trade and other debtors : receivable within one year	19	23,759	18,751
Investments	20	25,697	27,169
Cash and cash equivalents	21	35,740	33,516
		<u>98,728</u>	<u>92,985</u>
Creditors: amounts falling due within one year	22	<u>(71,356)</u>	<u>(66,428)</u>
Net current assets		<u>27,372</u>	<u>26,557</u>
Total assets less current liabilities		<u>1,802,054</u>	<u>1,703,354</u>
Creditors - Amounts falling due after more than one year			
Loans	23	(524,553)	(672,995)
Interest rate swaps	23	(25,070)	(22,574)
Deferred Capital Grant	23,24	(411,934)	(412,721)
Other Creditors	23	(281,007)	(57,076)
		<u>(1,242,564)</u>	<u>(1,165,366)</u>
Provisions for liabilities			
Pension liability	36	(1,254)	(20,074)
Other provisions	26	(367)	-
Total net assets		<u>557,869</u>	<u>517,914</u>
Reserves			
Called up share capital	27	-	-
Income and Expenditure Reserve		477,657	435,968
Revaluation Reserve		80,212	81,946
Total reserves		<u>557,869</u>	<u>517,914</u>

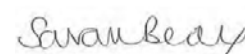
The notes on pages 31 to 71 form an integral part of these financial statements. The financial statements on pages 27 to 71 were approved and authorised for issue by the Board on 28 July 2020 and were signed on its behalf by:



Steve Dando
Chair



Robert Nettleton
Chief Executive



Sarah Beal
Company Secretary

Bromford Housing Association Limited

Statement of Cash flows
For the year ended 31 March 2020

	Revaluation Reserve £'000	Income and Expenditure Reserve £'000	Total £'000
Balance at 1 April 2018	82,781	441,578	524,359
Deficit for the year	-	(3,850)	(3,850)
Other comprehensive income: Actuarial loss relating to pension scheme	-	(2,595)	(2,595)
Total comprehensive loss for the year	-	(6,445)	(6,445)
Reserve transfers:			
Transfer in respect of depreciation	(832)	832	-
Transfer in respect of disposal	(3)	3	-
Balance at 31 March 2019	81,946	435,968	517,914
Surplus for the year	-	29,154	29,154
Other comprehensive income: Actuarial gain relating to pension scheme	-	13,196	13,196
Closure of multi-employer defined benefit pension scheme (SHPS)	-	(2,395)	(2,395)
Total comprehensive income for the year	-	39,955	39,955
Reserves transfers:			
Transfer in respect of depreciation	(1,457)	1,457	-
Transfer in respect of disposal	(277)	277	-
Balance at 31 March 2020	<u>80,212</u>	<u>477,657</u>	<u>557,869</u>

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

Bromford Housing Association Limited

Statement of Cash flows

For the year ended 31 March 2020

	2020		2019	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities (note 29)		93,722		108,302
Cashflow from investing activities				
Purchase of tangible fixed assets - new housing properties	(117,082)		(114,066)	
Purchase of tangible fixed assets - other	(1,247)		(1,035)	
Purchase of tangible fixed assets - existing housing properties	(19,953)		(21,031)	
Purchase of intangible fixed assets	(7,272)		(7,139)	
Proceeds from sale of tangible fixed assets	-		4	
Proceeds from sale of investments	360		-	
Grants received	4,486		(4)	
Interest received	555		797	
Net cashflow from investing activities		(140,153)		(142,474)
Cashflow from financing activities				
Interest paid	(35,139)		(32,458)	
New secured loans	222,120		124,786	
Repayment of borrowings	(145,449)		(46,398)	
Debt issue costs incurred	-		(1,413)	
Transfer from/(to) current asset investment	797		(5)	
Payment to debt service reserve	-		(1,706)	
Bond issue payment to liquidity reserve fund	-		(10,000)	
Gift aid received	6,326		578	
Tax paid	-		(1)	
Net cashflow from financing activities		48,655		33,383
Net change in cash and cash equivalents		2,224		(789)
Cash and cash equivalents at the beginning of the year		33,516		34,305
Cash and cash equivalents at the end of the year		<u>35,740</u>		<u>33,516</u>

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

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

Legal Status

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

1. PRINCIPAL ACCOUNTING POLICIES

The accounting policies across Bromford Group have been aligned for financial reporting and any references to the Group also apply to BHA. 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 financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 and the Housing and Regeneration Act 2008

The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investment properties and are presented in sterling £1,000.

The Association meets the definition of a public benefit entity (PBE).

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.

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 35. 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. **Property investments** of £9.4m in BHA are based on an open market value from independent valuers (£6.3m of investment properties and £3.1m of pension assets). In light of the negative impact of COVID-19 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 £0.9m.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

- **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 Association carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Association engaged independent valuation specialists to determine the fair value at the reporting date. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 13.
- **Categorisation of debt.** The Association's loans have been treated as 'basic' in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Association has fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). On 2 June 2016, The Financial Reporting Council (FRC) issued a statement in respect of such loans and gave no prescriptive direction as to whether they should be classified as 'basic' or 'non basic'. The Association believes the recognition of each loan liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, therefore, the Association has retained its 'basic' treatment of its fixed rate loans following the FRC announcement.
- **Interest rate SWAPs**
Uncertainties in the valuation of interest rate SWAPs include future interest rates and counterparty credit risk. The Association uses a debt and derivative advisory company, regulated by the Financial Conduct Authority, to support the valuation of its derivatives, which are valued by the relevant lender.
- **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. Any scheme surplus has

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

been restricted to the present value of future service costs calculated using the accounting assumptions as permitted under FRS102.

- **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.

Turnover and revenue recognition

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

Bromford Housing Association 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.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

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.

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 accrual 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

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

- 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 can 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:

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

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

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

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

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

Low cost home ownership properties

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

Capitalisation of interest and administration costs

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

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

Capitalisation of intangible fixed assets

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

Intangible fixed assets

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

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

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.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

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.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

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 Group participates in the defined benefit Staffordshire County Council pension schemes which is 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. Any scheme surplus of assets over liabilities is recognised in line with FRS102.

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.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

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

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

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

BHA'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 association and 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 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.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

2020

2. Turnover and operating surplus	Note	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on disposal £'000	Revaluation of investment property £'000	Operating surplus/ (deficit) £'000
Social housing lettings							
Housing accommodation	3	125,000	-	(84,440)	-	-	40,560
Supported housing accommodation	3	13,076	-	(11,372)	-	-	1,704
Shared ownership accommodation	3	8,188	-	(8,025)	-	-	163
		<u>146,264</u>	<u>-</u>	<u>(103,837)</u>	<u>-</u>	<u>-</u>	<u>42,427</u>
Other social housing activities							
First tranche shared ownership sales		30,109	(22,958)	-	-	-	7,151
Supported people contract income		1,784	-	(2,259)	-	-	(475)
Agency services		1,610	-	(908)	-	-	702
Sales and development		20	-	(1,457)	-	-	(1,437)
Other		537	-	9	-	-	546
Gain on disposal of property, plant and equipment		-	-	-	10,730	-	10,730
							-
Non-social housing activities							
Market rents		1,108	-	(73)	-	-	1,035
Sewerage services		12	-	11	-	-	23
Commercial rents		805	-	(49)	-	-	756
Properties developed for outright sale		145	(145)	(357)	-	-	(357)
Property development/equity loan sales		176	(106)	-	-	-	70
Increase in valuation of investment properties		-	-	-	-	229	229
		<u>182,570</u>	<u>(23,209)</u>	<u>(108,920)</u>	<u>10,730</u>	<u>229</u>	<u>61,400</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

		2019					
2. Turnover and operating surplus	Note	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on disposal £'000	Revaluation of investment property £'000	Operating surplus/ (deficit) £'000
Social housing lettings							
Housing accommodation	3	124,138	-	(77,847)	-	-	46,291
Supported housing accommodation	3	13,459	-	(9,578)	-	-	3,881
Shared ownership accommodation	3	6,580	-	(6,216)	-	-	364
		<u>144,177</u>	<u>-</u>	<u>(93,641)</u>	<u>-</u>	<u>-</u>	<u>50,536</u>
Other social housing activities							
First tranche shared ownership sales		43,135	(34,095)	(2,609)	-	-	6,431
Supported people contract income		1,892	-	(2,791)	-	-	(899)
Agency services		1,145	-	(955)	-	-	190
Sales and development		-	-	(2,119)	-	-	(2,119)
Other		909	-	(37)	-	-	872
Gain on disposal of property, plant and equipment		-	-	-	3,493	-	3,493
		<u>47,081</u>	<u>(34,095)</u>	<u>(7,411)</u>	<u>3,493</u>	<u>-</u>	<u>1,068</u>
Non-social housing activities							
Market rents		611	-	(94)	-	-	517
Sewerage services		12	-	(22)	-	-	(10)
Commercial rents		289	-	(235)	-	-	54
Properties developed for outright sale		162	(157)	7	-	-	12
Property development/equity loan sales		105	(74)	(25)	-	-	6
Increase in valuation of investment properties		-	-	-	-	118	118
		<u>1,179</u>	<u>(231)</u>	<u>(445)</u>	<u>-</u>	<u>118</u>	<u>621</u>
		<u>192,437</u>	<u>(34,326)</u>	<u>(102,521)</u>	<u>3,493</u>	<u>118</u>	<u>59,201</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

3. Income and Expenditure from Social Housing Lettings

	2020			2019	
	Housing accommodation £'000	Supported housing for older people and My Place £'000	Shared Ownership £'000	Total £'000	Total £'000
Income					
Rent receivable net of identifiable service charge	117,736	7,911	6,247	131,894	130,480
Service charge income	3,596	3,967	1,612	9,175	8,543
Charges for support services	199	224	173	596	482
Amortised government grants	3,469	974	156	4,599	4,558
Revenue grants from other sources	-	-	-	-	114
Turnover from social housing lettings	125,000	13,076	8,188	146,264	144,177
Expenditure					
Management	25,653	3,096	3,553	32,302	30,579
Service charge costs	6,594	3,326	882	10,802	8,660
Routine maintenance	19,750	1,368	679	21,797	17,268
Planned maintenance	5,812	544	525	6,881	6,341
Major repairs expenditure	5,671	426	179	6,276	6,579
Bad debts	595	177	(55)	717	576
Depreciation of housing properties	20,365	2,435	2,262	25,062	23,638
Operating expenditure on social housing lettings	84,440	11,372	8,025	103,837	93,641
Operating surplus on social housing lettings	40,560	1,704	163	42,427	50,536
Voids	(859)	(445)	(10)	(1,314)	(1,270)

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

4. Accommodation - owned, managed and in development	2020	2019
	Number	Number
Under management at the end of the year		
General needs housing - social rent	20,875	20,881
General needs housing - intermediate rent	13	15
General needs housing - affordable rent	2,754	2,543
Supported housing	1,863	1,914
Low-cost home ownership	2,261	1,982
Leasehold	874	845
Units to be remodelled	173	197
	28,813	28,377
Under development at the end of the year		
General needs housing - social rent	483	218
General needs housing - affordable rent	599	358
Supported housing	15	42
Low-cost home ownership	483	550
	30,393	29,545
Total social housing units	30,393	29,545
Non-social housing		
Staff accommodation	5	8
Market rent	150	138
Commercial	34	30
Offices and resource	110	106
Retained freehold	649	583
	948	865
Total non social housing units	948	865
Total units	31,341	30,410
Owned and managed	28,316	27,842
Owned and managed by others	459	483
Managed for others	813	720
Under development	1,580	1,168
Units to be remodelled	173	197
	31,341	30,410
Total Units	31,341	30,410
Garages/parking spaces	1,891	1,828
Garages not lettable (under review)	811	871
	2,702	2,699
Total garages	2,702	2,699

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

5. Surplus on ordinary activities

The surplus on ordinary activities is stated after charging	2020	2019
	£'000	£'000
Operating lease rentals		
- office land and buildings	543	549
- Other operating lease rentals	1,897	1,915
Current auditors' remuneration		
- Audit of financial statements	54	50
- service charge certification	21	21
- Other services	22	-
	<hr/>	<hr/>

6. Interest receivable and income from investments

	2020	2019
	£'000	£'000
Interest receivable from cash, deposits and intragroup loans	<hr/> 555	<hr/> 976

7. Interest payable and similar charges

	2020	2019
	£'000	£'000

Interest on loans, overdrafts and other financing

Repayable wholly within five years	2,835	2,284
Repayable wholly or partly in more than five years	21,593	26,079
	<hr/> 24,428	<hr/> 28,363

On loans from Bromford Housing Group Limited	7,939	2,236
Other finance charges	332	5,347
Amortised net finance premium	553	(597)
	<hr/> 33,252	<hr/> 35,349

Interest payable capitalised on housing properties under construction 3.96% (2019: 4.03%)	(1,370)	(1,821)
	<hr/> 31,882	<hr/> 33,528

Interest on pension scheme liabilities	3,167	3,010
Expected return on employer assets	(2,939)	(2,428)
	<hr/> 32,110	<hr/> 34,110

During the year, the Company 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.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

8. Colleague costs	2020	2019
	£'000	£'000
Wages and salaries	28,984	28,343
Social security costs	2,717	2,600
Other pension costs	2,116	1,826
	<u>33,817</u>	<u>32,769</u>

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

	2020	2019
	No.	No.
Asset management	457	435
Central services	64	100
Innovation and new business	4	5
Development, construction and sales	51	60
Housing management and support	442	438
	<u>1,018</u>	<u>1,038</u>

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

9. Directors emoluments

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

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

10. Taxation on surplus on ordinary activities	2020	2019
	£'000	£'000
Current tax		
UK corporation tax (credit)/charge on ordinary activities	<u>(7)</u>	<u>7</u>
Tax on surplus/deficit on ordinary activities	<u>(7)</u>	<u>7</u>
Total tax reconciliation		
Tax on surplus/(deficit) on ordinary activities	<u>28,960</u>	<u>(3,843)</u>
Surplus/(deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	5,502	(971)
Effects of Surplus/(loss) relating to charitable entities	(5,509)	978
	<u>(7)</u>	<u>7</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

11. Tangible fixed assets - housing properties

	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
As at 1 April 2019	1,631,487	43,300	118,245	59,437	1,852,469
Additions	6	83,026	-	30,152	113,184
Replacement of components	19,953	-	-	-	19,953
Transferred on completion	50,583	(50,583)	59,359	(59,359)	-
Disposals	(6,625)	-	(3,867)	-	(10,492)
Components disposed	(10,070)	-	-	-	(10,070)
Transfers to another association	(3,424)	-	-	-	(3,424)
Transfers from investment property	552	-	-	-	552
Reclassification from properties held for resale	315	-	-	-	315
As at 31 March 2020	1,682,777	75,743	173,737	30,230	1,962,487
Depreciation					
As at 1 April 2019	228,536	-	4,630	-	233,166
Charge for the year	22,985	-	749	-	23,734
Disposals	(7,897)	-	(140)	-	(8,037)
As at 31 March 2020	243,624	-	5,239	-	248,863
Net book value					
As at 31 March 2020	1,439,153	75,743	168,498	30,230	1,713,624
As at 31 March 2019	1,402,951	43,300	113,615	59,437	1,619,303
				2020	2019
				£'000	£'000
Housing property net book value in respect of long leaseholds				80,074	91,267
Housing property net book value in respect of freeholds				1,633,550	1,528,036
				1,713,624	1,619,303
Component depreciation within the depreciation charge				14,272	13,288
Development administration costs capitalised during the year				4,196	2,729
Aggregate amount of interest and finance cost included within the cost of housing properties				22,815	21,552

Properties held for security

Bromford Housing Association has property pledged as security value (EUV - SH and MV - STT) of £791m (2019: £1,186m). The number of units on which security was pledged amounted to 13,250 (2019: 20,377).

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

12. Expenditure on work to existing properties	2020	2019
	£'000	£'000
Replacement of components	19,953	21,078
Amounts charged to income and expenditure account	6,276	6,579
	<u>26,229</u>	<u>27,657</u>

13. Investment properties held for letting	2020	2019
	£'000	£'000
As at 1 April	6,612	7,258
Transfer to tangible fixed assets - housing properties	(552)	(404)
Transfer to current asset investments	-	(360)
Gain/(loss) on transfer of properties	(45)	5
Gain from adjustment in value		
Commercial investment properties	48	67
Market rent investment properties	226	46
Disposals		
Market rent investment properties	(12)	-
As at 31 March	<u>6,277</u>	<u>6,612</u>

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	<u>1%</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

14. Tangible fixed assets - other

	Freehold offices £'000	Fixtures, fittings & equipment £'000	Compute r equipment £'000	Motor vehicles £'000	Total £'000
Cost					
As at 1 April 2019	12,449	1,245	8,652	329	22,675
Additions	-	41	1,000	-	1,041
Disposals	-	(12)	(49)	(12)	(73)
As at 31 March 2020	12,449	1,274	9,603	317	23,643
Depreciation and impairment					
As at 1 April 2019	3,237	1,151	7,420	261	12,069
Charge for the year	303	74	752	27	1,156
Adjustments	-	-	-	-	-
Disposals	-	(12)	(22)	(12)	(46)
As at 31 March 2020	3,540	1,213	8,150	276	13,179
Net book value					
As at 31 March 2020	8,910	60	1,453	41	10,464
As at 31 March 2019	9,212	94	1,232	68	10,606

15. Intangible fixed assets

	Software £'000	Architec ts' fees £'000	Total £'000
Cost			
As at 1 April 2019	14,669	148	14,817
Additions	9,577	-	9,577
Reclassification	174	-	174
Transfer from group company	347	-	347
Impairment	(1,806)	-	(1,806)
Disposals	(331)	-	(331)
As at 31 March 2020	22,630	148	22,778
Amortisation			
As at 1 April 2019	2,301	107	2,408
Charge for the year	1,407	34	1,441
Disposals	(101)	-	(101)
As at 31 March 2020	3,607	141	3,748
Net book value			
As at 31 March 2020	19,023	7	19,030
As at 31 March 2019	12,368	41	12,409

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

16. Investments - other	2020	2019
	£'000	£'000
Bromford Assured Homes Limited	4,000	4,000
Igloo Insurance PCC Limited (Cell BR04)	220	220
	4,220	4,220
17. Homebuy loans	2020	2019
	£'000	£'000
As at 1 April	496	571
Loans redeemed in the year	(106)	(75)
As at 31 March	390	496
18. Stocks and work in progress	2020	2019
	£'000	£'000
Consumable stock	978	781
Land	173	168
Cost of first tranche element of shared ownership properties	12,381	12,600
	13,532	13,549
Completed	1,331	4,910
Under construction	11,050	7,690
	12,381	12,600
19. Trade and other debtors	2020	2019
	£'000	£'000
Amounts falling due within one year		
Rent arrears	5,393	4,629
Less: provision for bad debts	(1,903)	(1,526)
	3,490	3,103
Trade debtors	369	110
Amounts due from group companies	16,038	11,198
Other debtors	1,210	590
Prepayments and accrued income	2,653	3,750
	23,759	18,751
Amounts falling due after more than one year		
Amounts due from group companies	8,206	23,151

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

20. Current asset investments	2020			2019
	Propertie s held for resale £'000	Cash equivalents £'000	Total £'000	Total £'000
Opening fair value at 1 April	675	26,494	27,169	14,537
Additions to investments	-	2,294	2,294	11,987
Transfer from fixed asset investments	-	-	-	360
Other properties for resale	-	-	-	315
Withdrawals from investments	-	(3,141)	(3,141)	(278)
Disposals	(360)	-	(360)	-
Interest	-	50	50	95
Reclassification to housing assets	(315)	-	(315)	-
Gains/Losses on re-measurement to fair value	-	-	-	153
Fair value at 31 March	-	25,697	25,697	27,169

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

	2020 £'000	2019 £'000
The analysis of these monies is		
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 cash equivalents	17,099	15,911
Total cash equivalents	25,697	26,494

21. Cash and cash equivalents	2020 £'000	2019 £'000
Cash at bank	33,082	30,880
Cash equivalents	2,658	2,636
	35,740	33,516

Included in the above are balances totalling £3.5m (2019: £3.0m) which are held in trust for shared ownership leaseholders.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

22. Creditors: amounts falling due within one year	2020	2019
	£'000	£'000
Prepaid rental income	4,713	4,546
Loans	12,470	13,293
Local Authority RTB share of proceeds	823	947
Interest rate swaps	3,345	3,093
Trade creditors	7,162	7,318
Amounts due to group companies	11,866	598
Social security and other taxes	1,246	1,000
Corporation tax	-	7
Balances with supported housing partners	912	1,108
Funds held on trust	228	256
Deferred capital grant	4,699	4,703
Recycled capital grant fund	2,500	1,303
Other creditors	2,874	1,180
Payments received on account from subsidiary for property	1,845	1,725
Accruals and deferred income	16,673	25,351
	<u>71,356</u>	<u>66,428</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

23. Creditors: amounts falling due after more than one year	2020	2019
	£'000	£'000
Loans	524,553	672,995
Loans due to group companies	270,620	48,500
Interest rate swaps	25,070	22,574
Leaseholder sinking funds	3,654	3,256
Balances with supported housing partners	2,132	2,132
Deferred capital grant	411,934	412,721
Recycled capital grant fund	4,496	3,083
Other creditors	105	105
	<u>1,242,564</u>	<u>1,165,366</u>
Loan repayment profile		
Repayable within one year	12,470	13,293
Repayable between one and two	12,904	60,376
Repayable between two and five years	42,837	50,167
Repayable after five years	469,283	563,974
Less: Loan finance costs	(471)	(1,522)
	<u>537,023</u>	<u>686,288</u>
	2020	2019
	£'000	£'000
Loans as stated above	537,023	686,288
Less: Dexia charged cash deposit	-	(3,107)
Haven debt service reserve	(5,378)	(5,268)
AHF bond liquidity reserve	(1,792)	(1,780)
THFC ISRF	(2,905)	(2,896)
Loans net of related cash deposits	<u>526,948</u>	<u>673,237</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

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

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

	Period Years	Rate %	Amount £'000
Barclays	25	4.31	12,500
Lloyds TSB	15	4.66	20,000
Lloyds TSB	19	4.45	6,000
Lloyds TSB	22	4.50	15,000
Lloyds TSB	25	4.43	12,500
Lloyds TSB	25	4.27	10,000
Lloyds TSB	25	4.18	10,000
			86,000

Interest rate swap creditor profile	2020 £'000	2019 £'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

The interest risk profile of loan liabilities are as follows	2020 £'000	2019 £'000
Floating rate - average 0.85% (2019: 1.31%)	26,697	65,409
Fixed rate - average 4.52% (2019: 4.94%)	510,797	622,401
	537,494	687,810

Undrawn committed borrowing facilities (all secured) at 31 March were	2020 £'000	2019 £'000
Expiring within one year	37,745	-
Expiring between one and two	-	37,745
Expiring between two and five years	-	-
Expiring after five years	22,749	22,749
	60,494	60,494

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

24. Deferred capital grant	2020	2019
	£'000	£'000
At 1 April	417,424	420,662
Grants received in year	6,590	413
Transferred from other group association - Bromford Home Ownership Limited	-	1,573
Transferred to third party	(2,104)	-
Grants recycled from the Recycled Capital Grant Fund and disposal proceeds fund	1,478	1,786
Grants recycled to the recycled capital grant fund	(3,104)	(3,034)
Amortised in year	(4,719)	(4,677)
Amortised grant on disposal	1,068	701
As at 31 March	416,633	417,424
Amount due to be released within one year	4,699	4,703
Amount due to be released in more than one year	411,934	412,721
	416,633	417,424
25. Recycled capital grant fund	2020	2019
	£'000	£'000
At 1 April	4,386	4,796
Inputs to reserve		
Grants recycled	3,104	1,346
Transfer from group company	970	-
Interest accrued	14	30
Utilised		
New build	(1,478)	(1,786)
	6,996	4,386
Amounts due within one year	2,500	228
Amounts due after more than one year	4,496	4,158
	6,996	4,386
Amount three years or older where repayment may be required	508*	73*

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

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

	Total
	£'000
26. Provision for liabilities and charges	
As at 1 April 2019	-
Charged to income and expenditure account	
Additions	367
Re-measurement	-
Contributions paid	-
Contributions payable	-
As at 31 March 2020	<u>367</u>

27. Share Capital	2020	2019
	£	£
Issued and fully paid		
At 1 April 2019	10	7
Allotted	-	5
Cancelled	(3)	(2)
At 31 March 2020	<u>7</u>	<u>10</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

28. Analysis of changes in net debt	As at 1 April 2019 £'000	Cashflows £'000	Amortisation of loan costs £'000	Movement in creditors due within one year £'000	As at 31 March 2020 £'000
Cash at bank and cash equivalents	33,516	2,224	-		35,740
Short term investments	<u>26,490</u>	<u>(793)</u>	<u>-</u>		<u>25,697</u>
	60,006	1,431	-	-	61,437
Other loans					
Housing loans due within one year	(13,293)	13,293		(12,470)	(12,470)
Housing loans due after more than one year	<u>(672,995)</u>	<u>134,921</u>	<u>1,051</u>	<u>12,470</u>	<u>(524,553)</u>
Change in debt resulting from cashflows	<u>(626,282)</u>	<u>149,645</u>	<u>1,051</u>	<u>-</u>	<u>(475,586)</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

29. Cash flow from operating activities	2020	2019
	£'000	£'000
Surplus for the year	29,154	(3,850)
Adjustments for non-cash items		
Depreciation of tangible fixed assets	24,941	24,969
Amortisation of intangible fixed assets	1,390	347
Impairment of intangible fixed assets	1,806	-
Amortisation of government grant	(4,719)	(3,976)
Decrease in stock	17	11,415
(Increase)/decrease in trade and other debtors	(169)	453
(Decrease)/increase in trade and other creditors	(9,731)	19,957
Decrease/(increase) in intergroup balances	22,116	(5,433)
Pension costs less contributions payable	(20,490)	(7,268)
Carrying amount of tangible fixed asset disposals	17,044	8,684
Carrying amount of intangible fixed asset disposals	230	-
Carrying amount of investment disposals	12	-
Adjustments for investing or financing activities		
Proceeds from sale of tangible fixed assets - other	-	(4)
Movement on shared equity loans	106	74
Movement in value of swaps	2,748	267
Movement in value of current asset investments		(153)
Movement in value of investment property	(229)	(117)
Interest payable	36,384	34,110
Interest receivable	(555)	(976)
Gift aid	(6,326)	(578)
Taxation	(7)	7
Business Combination - refinancing	-	30,374
Net cash generated from operating activities	93,722	108,302
30. Capital commitments	2020	2019
	£'000	£'000
Capital expenditure contracted for but not provided for in the financial statements	218,515	89,672
Capital expenditure authorised by not yet contracted for	92,234	21,357
<p>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</p>		
Social housing grant	9,832	6,315
Proceeds from the sale of properties	60,944	22,913
Loans and reserves	239,973	81,801
	310,749	111,029

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

31. Other financial commitments

The minimum lease payments due under operating leases are as follows

	Land and buildings		Vehicles and office equipment		Total leases	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Operating leases which expire						
Within one year	126	35	32	169	158	204
Within two to five years	466	1,068	3,539	2,535	4,005	3,603
After more than five years	91	9	-	18	91	27
	<u>683</u>	<u>1,112</u>	<u>3,571</u>	<u>2,722</u>	<u>4,254</u>	<u>3,834</u>

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	416,333	417,424
Recognised as income in Statement of Comprehensive Income	<u>96,272</u>	<u>92,621</u>
	<u>510,114</u>	<u>510,045</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

33. Financial instruments

The company's financial instruments may be analysed as follows

	2020 £'000	2019 £'000
Financial assets		
Financial assets measured at amortised cost		
Rent debtors	3,490	3,103
Other receivables	17,617	11,898
Investments	4,220	4,220
Investments in short term deposits	25,697	27,169
Cash and cash equivalents	35,740	33,516
Financial assets that are debt instruments measured at amortised cost		
Homebuy loans	390	496
Total financial assets	<u>87,154</u>	<u>80,402</u>
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	7,162	7,318
Other creditors	291,188	55,586
Balances with supported housing partners	3,044	3,240
Funds held on trust	228	256
Financial liabilities that are debt instruments measured at amortised cost		
Loans payable - due within one year	12,470	13,293
Loans payable - due after more than one year	524,553	672,995
Financial liabilities measured at fair value through the income and expenditure account		
Derivative financial instruments	28,415	25,667
Total financial liabilities	<u>867,060</u>	<u>778,355</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

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

	Proceeds of sales £'000	Cost of sales £'000	Surplus £'000	Capital grant recycled £'000
Further tranches of shared ownership	5,685	(3,911)	1,774	422
Right to buy	10,548	(4,338)	6,210	-
Right to acquire	829	(491)	338	-
Other property disposals	7,660	(5,248)	2,412	4,786
Other fixed asset disposals	(4)	-	(4)	-
Total 2020	<u>24,718</u>	<u>(13,988)</u>	<u>10,730</u>	<u>5,208</u>
Total 2019	<u>13,182</u>	<u>(9,689)</u>	<u>3,493</u>	<u>3,034</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

35. Related party transactions

Transactions with non-regulated members of the Group

	2020					
	Bromford Developments Limited BDL £'000	Bromford Assured Homes Limited BAH £'000	Street Services Limited SSL £'000	Strand Services Limited STR £'000	Riverside Mews Limited RIV £'000	Igloo Insurance PCC Limited (Cell BR04) IGL £'000
Income						
Gift Aid	-	475	154	-	-	-
Management recharges	-	-	-	4	2	-
Administration recharges	-	343	-	-	-	-
	<u>-</u>	<u>818</u>	<u>154</u>	<u>4</u>	<u>2</u>	<u>-</u>
Expenditure						
Construction services	14,475	-	-	-	-	-
Rental charges	-	-	195	-	-	-
Insurance fees	-	-	-	-	-	363
	<u>14,475</u>	<u>-</u>	<u>195</u>	<u>-</u>	<u>-</u>	<u>363</u>

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

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

35. Related party transactions (continued)

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

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

35. Related party transactions (continued)

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

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

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

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

36. Pension obligations

During the year, the Group participated in two defined benefit (DB) schemes, the Staffordshire County Council Pension Scheme (LGPS) and the Bromford DB Scheme (BDDBS). Staffordshire County Council is a multi-employer DB schemes.

The company also participates in the Bromford defined contribution (DC) scheme to meet its obligations for auto-enrolment.

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

Summary of Pension Schemes balances

	At 31 March 2020	At 31 March 2019
	£'000	£'000
Pension Asset		
Bromford DB Scheme	12,471	-
Provisions for Pensions		
Staffordshire (LGPS)	1,254	3,114
Bromford DB Scheme	-	16,960
	1,254	20,074

Bromford DB Scheme (BDDBS)

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 BDDBS.

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. These have 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	
1/80 th DB section	14.5%
1/120 th DB section	4.7%
Employer	10%

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

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	At 31 March	At 31 March
Life expectancy at age 65 (Years)	2020	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		
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%

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

	At 31 March 2020	At 31 March 2019
	£'000	£'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:

	At 31 March 2020	At 31 March 2019
	£'000	£'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.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

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)
Actuarial 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) / credited to financing costs	(153)

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

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

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

Movement in surplus / (deficit) during the year:

	£'000
Surplus / (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)
Re-measurements included in other comprehensive income	8,876
Surplus / (deficit) 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.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

A summary of the movement in pension assets and liabilities for the Scheme 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 surplus / (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
Re-measurements	(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	-
Remeasurements	(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/credited to financing costs	(75)

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2020

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

	£'000
Actuarial gains / (losses) on pension scheme assets	(2,514)
Actuarial gains / (losses) on pension scheme liabilities	4,439
Actuarial gains / (losses) 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 surplus / (deficit) during the year:

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

McCloud judgement

MHCLG has launched a consultation on how address the McCloud judgement. Following the consultation, there is likely to be a change to the pension liability. However, there is currently insufficient information available to base any calculations of the impact on and a reliable estimate cannot therefore be made. The timing of the consultation means that any resulting changes will be reflected in the pension liability at 31 March 2021.

37. Parent Entity

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

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

38. Post balance sheet events

The COVID-19 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.