BROMFORD HOUSING ASSOCIATION LIMITED

Financial Statements

for the year ended 31 March 2023

Co-operative and Community Benefit Society
Registration Number 7106

Regulator of Social Housing
Registration Number 4819

Bromford.

Bromford Housing Association Limited

Financial Statements
For the year ended 31 March 2023

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Bromford Housing Association Limited

General Information
For the year ended 31 March 2023

Board Members as at 31 March 2023:

The board members who served from 1 April 2022 up to the date of approval of these financial statements were as follows:

	Position	Appointment/Resignation Date	Meetings Attended 2022/23
Stephen Dando	Independent Non-Executive Director Chair		12/12
Richard Bird	Independent Non-Executive Director		12/12
Carolyn Downs	Independent Non-Executive Director	Resigned 20 March 2023	11/11
Dame Sandra Horley	Independent Non-Executive Director	Appointed 1 May 2022	9/11
Charles Hutton-Potts	Independent Non-Executive Director		12/12
Neil Rimmer	Independent Non-Executive Director		12/12
Sarah Simpson	Independent Non-Executive Director	Resigned 30 April 2022	1/1
Jerry Toher	Independent Non-Executive Director		11/12
Robert Nettleton	Chief Executive		12/12
Paul Walsh	Chief Finance Officer		12/12

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
Sarah Beal

Advisors:

External Auditors:

Beever and Struthers
The Colmore Building
20 Colmore Circus
Queensway,
Birmingham, B4 6AT

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:

Shannon Way
Ashchurch
Tewkesbury
GL20 8ND

Bromford Housing Association Limited

Board and Strategic Report
For the year ended 31 March 2023

The board of Bromford Housing Association Limited ('BHA') is pleased to present its annual report and financial statements for the year ended 31 March 2023.

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 almost 46,000 homes; has individual relationships with more than 100,000 customers; has a very strong balance sheet. 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.**

Be. Honest

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

Be. Brilliant

- You hold yourself and others responsible for getting results
- You collaborate with others, working smarter not just harder
- You see the best in people and believe we can all achieve more
- You're curious about learning new things

Be. Bold

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

Be. You

- You dare to be different – using life experience and personality
- You embrace people's differences to build a better community
- You think big, celebrate success and are positive about what we can do
- You are respectful to others and take responsibility for inclusion

Fig 1. Bromford DNA

Board composition, meetings, decisions and delegations

The BHG board operates as a unitary board.

From the 1 April 2022, our board comprised seven members – two executive directors (our chief executive and chief finance officer) and five non-executive directors (NEDs).

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

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

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

Board effectiveness

All board members are expected to contribute to a culture of clear and open debate. This is to promote informed and prudent decision making and members are expected to keep developing and refreshing their knowledge and skills so they can continue to make positive contributions to board discussions.

Each year the board carries out a formal evaluation of board, committee and individual director performance. At least every three years, as recommended by the code, this evaluation is facilitated by an external advisor to provide an independent perspective. There was an independent review of governance effectiveness in 2020 and the chair carried out an internal review in 2021. There has been an internal review facilitated by the chair and SID in 2022 to 2023 and Campbell Tickell has been commissioned to undertake an independent review in summer 2023.

Board and Committee decision-making

The Bromford Housing Group (BHG) operates a group structure with coterminous boards across the four main entities – the parent – BHG and the main operating subsidiaries Bromford Housing Association (BHA), Bromford Home Ownership (BHO) and Merlin Housing Society (MHS). The membership of all entities is the same except for BHO where two members, Neil Rimmer and Charles Hutton-Potts are not members. This is in line with our Group Conflicts of Interest Policy and protects the charitable interests of BHG, BHA and MHS. All members of the board, executive and non-executive make decisions by working together and achieving a general consensus.

To retain control of key decisions and to provide a clear division of responsibility 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 by the boards. Any matters outside of these delegations fall within the chief executive's responsibility and authority.

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

The board is scheduled to meet 10 times a year. In December 2022 and in February 2023 the board held an additional meeting to approve certain transactions that required board level approval. We held our annual strategy setting event in November.

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 BHG Annual Report and Accounts.

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

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 Annual Report and Accounts.

Statement of compliance with the regulatory standards

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

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

As part of being regulated by the RSH, Bromford has been given a rating for governance, as assessed against the governance and financial viability standard. Following an In-Depth Assessment carried out by the RSH in 2022, Bromford maintains a G1 governance and V1 financial viability rating, the highest ratings on the scale throughout the financial year ended 31 March 2023. Positive feedback by the regulator was focused on customers, board engagement and strategic drive along with landlord compliance and health and safety. The regulator identified two key areas of focus. These were the implantation of an assurance map which will provide the board with a picture of assurance and also the need for accuracy in regulatory returns.

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 voluntarily adopted the UK Corporate Governance Code 2018 (the code). The 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 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 code applies for our financial year 2022 to 2023.

Each year the board reviews compliance with the UK code and during the financial year ended 31 March 2023, we consider that Bromford has complied with all relevant principles and provisions of the UK Corporate Governance Code 2018.

Risk management and internal control

Risk overview

Bromford has a risk management process in place through which our principal risks and related controls are identified, assessed and managed. Our board has overall responsibility for setting our risk appetite and ensuring there is an effective risk management process in place. Applying the principles of risk management effectively allows Bromford to create value by enabling us to take informed decisions whilst protecting value by reducing the uncertainty of achieving our strategy.

We operate a five-step risk management process. These steps are designed to identify problems before they occur, so that risk management activity may be planned and invoked as needed to mitigate impacts on achieving our strategy.

We think of risk as those things that could prevent us from achieving our strategic goals. Our approach to risk management is designed to enable the business to deliver its strategic goals while managing the inherent uncertainty that can manifest itself as both opportunities and threats to these outcomes. The board defines clear statements and tolerances that set out the type and amount of risk we are prepared to assume as we deliver our strategy. Regular reporting to board highlights any movement in the assessment of key risks.

How we manage our risks?

Bromford operates a three lines assurance model, targeted at areas of greatest risk. Using a risk-based approach provides an effective programme of assurance which considers areas that we know are high risk. This approach ensures clear separation between risk and control ownership (first line), oversight, support and challenge (second line) and audit (third line). We regularly reassess our assurance activity as risk is reduced in certain areas and increased where new risks are emerging, resulting in a proportionate assurance application.

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.

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

Risk appetite

Our board has defined the risk appetite statements and metrics which are central to the core elements of our strategy. Across five key enterprise risk types they set out the type and amount of risk we are prepared to accept as we deliver our strategy, plans and run our day-to-day operations. These are integral to our corporate decision making. While the risk appetite statements below align with the year we are reporting on, we have made a number of changes to the risk appetite statements to align with and support our new strategy which launched on 1 April 2023.

No business is free of risk and to deliver our strategy we often need to take risk. We only take risk that is in line with our risk appetite, our purpose, our DNA and our strategy. Risk we accept must be clearly understood and regularly reviewed and managed effectively. We measure, monitor and report our exposures within agreed tolerances, with forward looking risk indicators and triggers in place. In some areas we have risks for which we have little or no appetite however the nature of these risks mean they cannot be eliminated completely.

	Averse	Minimal	Balanced	Open	Embracing
Legal and regulatory Our risk appetite is minimal, as we will do everything that is reasonably practical to ensure compliance and is averse with respect to landlord asset compliance and health and safety risks, meaning we do everything we can to ensure compliance with landlord obligations.	↔	↔			
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 Our appetite is balanced, as we will not accept risks which threaten our financial viability, but we will be open to diverse investment options and innovative arrangements to achieve our strategy, however we will not accept risks which materially threaten our financial viability.			↔		
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 As an innovative business our strategic risk appetite is open as we have set ambitious plans and have multiple channels for delivery, but we will not compromise on the provision of warm, safe and secure homes.				↔	

Our principal risks

The board review the principal risks, appetite and tolerances annually and the last review was in November 2022. The risks and associated indicators are monitored monthly by the board. Business risks are monitored for emerging threats and operational trends, with escalation through executive forums, Audit and Risk Committee and then to board.

The list of principal risks does not comprise all of the risks Bromford face and they are not presented in order of importance. The nature of the risk means the landscape can alter and we ensure our regular updates to the risks reflect this.

Below we set out the profile of risks for Bromford.

Death, injury or harm	Direction of travel: static	Link to strategy: Future ready
Risk: Our approach to health and safety lacks robust controls and oversight. This results in death, injury or harm caused to colleagues, customers, contractors or the public.		
Risk mitigations	Changes in year	
• a well-established health and safety policy and framework sets out no one should be harmed by what we do • Audit and Risk Committee and board receive independent assurance from technical experts throughout the year • monitoring of our supply chain to ensure safe practice • safety Hub, our dedicated health and safety software allows real time recording of incidents and near misses to allow prompt review and analysis	• new health and safety strategy reviewed and approved by board • health and safety training requirements by role reviewed and ongoing compliance/training monitored • new e-learning module on condensation, damp and mould launched as mandatory learning for all colleagues • approval to change our independent assurance provider	

Environment and sustainability	Direction of travel: static	Link to strategy: Future ready
Risk: Responding to our 2030 carbon reduction requirements in our new and existing homes. This may result in material financial implications, regulatory intervention and reputational damage.		
Risk mitigations	Changes in year	
• delivering EPC rating C by 2028 ahead of the government 2030 requirement • roadmap to 2050 net zero carbon developed which is monitored through the sustainability group • full costs for delivery embedded in 30 year business plan	• dedicated sustainability resource has increased by two colleagues • sustainability workshop held with Customer and Communities Influence Network (CCIN) representatives to help understand what customer priorities are • secured £3.5m government funding to improve the energy efficiency of our homes • new sustainability framework developed to underpin decision making from April 2023 • Moody's ESG credit impact score confirmed as CIS-2 Neutral to Low	

Financial pressures for customers	Direction of travel: worsening	Link to strategy: Our relationship with customers
Risk: Uncertainty within the external environment leads to increased financial pressure for customers.		

Risk mitigations	Changes in year
• our coaching approach is designed to support our customers • the customer and communities' model is subject to an annual effectiveness review, reported to board • income management policies in place to support colleagues and customers	• dedicated Cost of Living Group established to support customers • income colleagues have supported customers in securing additional income of over £250k • money Matters campaign launched online for Bromford customers to offer help and advice on managing their money • dedicated customer forum established • new customer framework developed to underpin decision making from April 2023

Cyber security and network controls	Direction of travel: Improving	Link to strategy: Future ready
Risk: Lack of robust network controls and security protocols. This results in susceptibility to service attacks, hacking and unauthorised access.		

Risk mitigations	Changes in year
• dedicated Information Security Team and data protection officer responsible for monitoring information security and cyber threat • mandatory annual cyber security training for all colleagues • all operational and office teams have business continuity and crisis management plans in place • information security management systems aligned to ICO/EIC 27000 standards, with oversight through business forums and Audit and Risk Committee reporting	• following a cyber incident this year, a number of security improvements have been deployed to improve security including our technology, our internal operating model and our external partners. Our response was well regarded by external experts • new head of data governance and information security appointed • cyber security assessed as part of the internal audit programme • ongoing vulnerability and penetration testing

Third parties and supply chains	Direction of travel: static	Link to strategy: Future ready
Risk: Failure of third parties and supply chains. This results in adverse cost impact, quality or delays to Bromford.		

Risk mitigations	Changes in year
• strategic suppliers have been identified and we are working with them to ensure they have fit for purpose business continuity plans • business stability of suppliers is tracked through a variety of methods • contingency supplier capability assessed for single supply and strategic goods or services	• regular contract review and performance meetings, including Key Performance Indicators (KPIs) review and proactive supplier and market assessments • close monitoring of inflation and working closely with suppliers to manage cost • principles of new procurement strategy approved in March 2023 for implementation in 2023-24

Development and market sales		Direction of travel: static	Link to strategy: Growing the business
Risk: We fail to deliver our new homes and market sales aspirations. Rising costs, market downturn, competition in the market and/or a lack of opportunity could impact our ability to deliver against plan.			
Risk mitigations	Changes in year		
• a dedicated forum considers opportunities against strategy to ensure compliance with business policy, tracks programme delivery and monitors the external market for potential impacts • land forum established • minimum return rates approved by the board • board approval for developments that exceed a predetermined financial commitment	• despite turbulent economic conditions throughout the year, we have delivered 1,265 new homes • working with suppliers to negotiate and hold prices for key materials needed to construct new homes • first factory built MMC homes delivered at Moreton-in-Marsh in the Cotswolds • growth plan developed for in-house construction team to ensure higher proportion of homes we build are built by us for our customers		

Financial planning and performance		Direction of travel: static	Link to strategy: Future ready
Risk: Our financial and resilience planning and/or monitoring fails to mitigate substantial macro-economic or political events.			
Risk mitigations	Changes in year		
• robust financial planning, stress testing scenarios and resilience plans are in place, incorporating plausible macro-economic and political impacts, with close tracking at forum, committee and board level against the financial framework and golden rules	• frequent revision of the 30 year plan to understand the impacts of risks to our long term business model • ongoing assessment and monitoring of impact of inflation, interest rate changes and potential for rent caps • Moody's confirmed our credit rating as A2 • Standard & Poor's confirmed as A+		

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

Risk mitigations	Changes in year
• the embedding of our performance management process and both core and leadership competencies to support the ability of colleagues to achieve our objectives • continuation of our Leadership 50 development • improving leadership capability for recruitment with the use of unconscious bias training, e-learning for recruitment and workshops to improve the quality of candidates appointed • regular leadership cafes available for all colleagues in leadership roles. People team colleagues attend to provide advice and upskilling • continued investment in the accelerating talent programme (three cohorts delivered) and career development programme (two cohorts delivered) • a clearly defined Equality, Diversity and Inclusion (EDI) road map developed by our Be.You group with champion groups embedded in the organisation	• became a member of the 5% Club, a national group of employers committed to having 5% of their employees in earn and learn positions. We now have over 100 graduates and apprentices at Bromford • expanded the leadership development programme to all colleagues in leadership positions (L250) • payment of a 4% pay award and 4% bonus in the year, in addition to agreeing a 5% pay award and £1,000 recognition award to be paid in 2023 to 2024 to support with increasing cost of living and pressure in the recruitment market • further development of career pathways to assist in the retention of colleagues and to improve the performance of colleagues in role while also providing a route for career development • reduction in gender pay gap, participation in the female career accelerator programme and nominated for Women in housing award • Great Places to Work scores increased to 69%

Regulatory reporting	Direction of travel: static	Link to strategy: Future ready
Risk: We provide delayed, unreliable or incorrect information to the regulator via regulatory returns leading to reputational damage or regulatory intervention		

Risk mitigations	Changes in year
• skilled colleagues to collate, review and challenge regulatory returns. We have an effective level of checks and balances of the data submitted to the regulator • we use a Leadership Self-Assessment, asking relevant senior leadership colleagues to complete a self-declaration each year	• Tenant Satisfaction Measure (TSM) shadow reporting underway • increased assurance across second line of assurance for critical regulatory returns • internal audit overview of regulatory submissions (rent review and SDR)

Emerging risks

Emerging risks are upcoming events which present uncertainty but are difficult to assess at the current stage. We use techniques such as horizon scanning to identify and report these risks and emerging risk management ensures we are adequately prepared for the potential opportunities and threats they pose. Business units consider changing, new or emerging risks through regular review and discussion, we produce insight reports which are shared through the governance channels to highlight new and growing threats. We closely monitor emerging risks that may, with time, become Enterprise Risk Management (ERM) risks. We consider the following to be risks that have the potential to increase in significance and affect the performance of Bromford.

Title	Detail	Area	Time Horizon
Macroeconomic uncertainty	The impact of the Ukrainian invasion is ongoing, inflation levels have continued to remain higher than anticipated and interest rates have been rising over the last year. Macroeconomic conditions remain volatile and uncertain, impacting customers and our supply chain. More recently there have been signs of stress in the global banking sector with issues in the US and Swiss markets increasing the risk of contagion into the UK banking sector. In addition, this volatility could slow house building generally as developers become more cautious with their forward programme. It may become difficult to finance our strategic ambitions on affordable terms.	Economic	Short-medium term
Energy prices	Wholesale energy prices have fallen from their summer 2022 peak but there is a substantial lag before these feed through to energy consumers. With government support now ending, customers will be impacted by higher energy costs and businesses incurring higher production costs will continue to pass on this cost.	Operational / customer	Short-medium term
Political landscape	Market confidence has fluctuated following three prime ministers and four chancellors in 2022. While markets have started to settle, a general election in 2024 could see changes to leadership and further changes in policy/legislation that impact the housing sector.	Political	Medium - long term

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

Internal control

The Audit and Risk Committee (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 2023 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.

An internal control system can provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Internal audit

Internal audit is an independent assurance function, provided by PricewaterhouseCoopers (PwC), which is available to the board, Audit and Risk Committee and all levels of management. The role of internal audit is to provide assurance that Bromford's risk management and internal control systems are well designed and operate effectively and that any corrective action is taken in a timely manner. This year the Audit and Risk Committee approved the proposal to move to a co-source arrangement. This change saw Bromford appoint a new role, head of internal audit in February 2023 and the co-source arrangement will commence in April 2023, with PwC continuing with their provision of internal audit services through the Cross Council Assurance Service (CCAS) Framework. Co-source arrangement structures add value through greater access to specific areas of expertise and increased ability to flex resources.

Each year internal audit develops an annual risk-based audit plan for approval by the Audit and Risk Committee which is supported by regular reporting that enables the committee to monitor delivery of the audit plan. The plan is created using a combination of PwC's housing sector experience, internal assessment of the risks to Bromford, the Regulator of Social Housing (RSH) sector risk profile report and feedback from the leadership team. 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. The plan for 2023 to 2024 has developed further to include internally delivered internal audit and the creation of the forward plan is now owned by Bromford's head of internal audit.

Significant issues considered by the Audit and Risk Committee for the year ended 31 March 2023

Significant issues were discussed with management and the external auditor in January 2023 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 2023.

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.

Key audit matter	Committee response
Loan Covenants and Treasury Management	The Group has borrowings, which includes undrawn facilities, predominantly revolving credit facilities. The Group has standalone interest rate swaps for periods up to 2032 to manage mark-to-market exposure. These have been categorised as non-basic and are measured at fair value. The loan covenant calculations as at 31 March 2023 show that the loan covenant position is compliant with funder requirements across the Group. Following audit testing across a number of areas the external auditor found no issues of concern in this area. In line with Auditing Standards, the external auditor reviewed judgements and estimates until the point of signing the financial statements. Management gave assurances that the group will remain a going concern and is able to avoid breaching its loan covenants even in a serious stressed scenario. The committee was satisfied with outcomes and management response.
Key Judgements and Estimates	The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for revenues and expenses during the year. The external auditor undertook testing to assess whether the key judgements and estimates have been made appropriately in line with the industry and are disclosed satisfactorily in the financial statements. The committee was satisfied with the outcomes of the audit which noted the results of the work proved satisfactory.
Housing Properties	During the year the Group capitalised £42.8m of improvement works. Bromford has reviewed their capitalisation approach and reduced the de minimis threshold for component capitalisation from £5,000 to £1,500. The impact of this was £0.7m of component items additionally capitalised in 2022/23. The external auditor sampled capitalised items between £1,500 and £5,000 to ensure they meet the requirements to be capitalised and have been capitalised appropriately. The committee was satisfied with the outcomes of the audit which noted no issues of concern.
Development and Sales	During the year new developments are capitalised by the Group. The Group delivered 1,265 new units during 2022/23. The external auditor tested a number of areas including the key controls over the approval and recording of development expenditure and disposals, including development appraisal assumptions and assessed the accounting policies for capitalising development overheads and interest on loans. The committee was satisfied with the outcomes of the audit which noted no issues of concern.
Defined Benefit Pension Schemes	Bromford participates in the Avon pension fund (LGPS) and the Bromford pension scheme. After exiting the Staffordshire County Council pension scheme (LGPS) in 2018 Bromford entered a Funding Agreement. In October 2022 the fund served notice to terminate that funding agreement with a cessation payment of zero. At 31 March 2022 a pension asset was incorrectly recorded in the statutory accounts through other comprehensive income (OCI). Bromford proposes a prior year adjustment to remove the pension asset since the scheme had been exited and no money was recoverable. At 31 March 2023 the valuations of the schemes rely on a number of actuarial assumptions, which are approved by Bromford. Management gave assurances to the committee that the actuaries used appropriate assumptions and are derived on a consistent basis, year on year. The external auditor noted the financial statements show balances and disclosures in line with the actuarial reports. The external auditor compared the asset split for the group's share of the scheme assets against the total asset split of the pension schemes and found no significant variances. The committee was satisfied that the appropriate assumptions were within a reasonable range and was satisfied with the outcomes of the audit which noted the external auditor was satisfied with Bromford's treatment of the removal of the pension asset.

In addition to fulfilling its key responsibilities the committee reviewed the following topics:

Area of focus	Committee action
Internal audit	• reviewed and approved the proposal to move to a co-source arrangement for internal audit, effective April 2023 • considered internal audit reports presented to the committee and satisfied itself that management had resolved or was in the process of resolving outstanding actions • reviewed and approved the internal audit plan for 2023 to 2024
External audit	• reviewed the proposed audit plan for the 2022 to 2023 audit, including the key audit risks, audit report from Beever and Struthers on the financial statements and the areas of particular focus for the 2022 to 2023 audit • assessed the effectiveness of the external auditor • agreed audit fees for the year ended 31 March 2023
Financial and regulatory reporting	• reviewed and discussed the financial statements, considered the accounting judgements and policies applied and assessed the findings of the statutory audit in respect of the integrity of the financial reporting of full and half year results • reviewed the 2022 to 2023 annual report and accounts and provided a recommendation to the board that as a whole they complied with the 2018 Code to be fair, balanced and understandable • received and approved Bromford market trading updates
Internal controls and risk management	• reviewed the Risk Appetite Framework • received regular updates in relation to the governance and risk management in the transformation programme • post cyber incident recovery oversight and monitoring • received updates throughout the year on the outcomes of penetration and vulnerability testing • received regular updates in relation to landlord compliance performance • reviewed and approved the second line assurance plan for 2023 to 2024 • reviewed the second line assurance reports and had oversight of the closure of material actions

Financial review (5-year summary)

Income and Expenditure £'m	**2018**	**2019**	**2021**	**2022**	**2023**
Turnover	192	182	175	191	209
Operating costs and cost of sales	(137)	(132)	(127)	(139)	(155)
Surplus on disposal of assets	4	11	12	17	8
Change in valuation of investment properties				1	-
Operating surplus	**59**	**61**	**60**	**70**	**62**
Net interest charge and other finance costs	(34)	(35)	(32)	(35)	(33)
Movement in fair value of financial instruments	-	(3)	6	9	11
Financing cost of new group structure	(30)				-
Gift aid received	1	6	1	7	-
Surplus/ (loss) for the year	**(4)**	**29**	**35**	**51**	**40**

Statement of Financial Position £'m	**2018**	**2019**	**2021**	**2022**	**2023**
Housing properties at cost less depreciation	1,619	1,714	1,761	1,956	2,106
Other tangible fixed assets, intangible fixed assets and investments	34	40	53	71	79
Debtors due after more than one year	23	8	7	16	-
Net current assets	27	27	12	7	45
Total assets less current liabilities	**1,703**	**1,789**	**1,833**	**2,050**	**2,230**
Loans due after one year	(721)	(549)	(508)	(492)	(466)
Unamortised grant	(413)	(412)	(413)	(451)	(463)
Other long-term liabilities and provisions	(51)	(270)	(336)	(459)	(633)
Total net assets	**518**	**558**	**576**	**648**	**668**
Total reserves	**518**	**558**	**576**	**648**	**668**

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 principal financial ratios show good performance in both areas. Social housing letting operating margin was 28% (2022: 31%) and overall operating margin of 30% (2022: 36%). The overall operating margin on underlying business activities excluding fixed asset sales was 26% (2022: 28%).

Liquidity remains a key focus and, at March 2023 we have:

- Cash and cash equivalents of £19.0m (2022: £9.6m)
- £22.7m (2022: £22.7m) in undrawn loan facilities (Revolving Credit Facilities)

Income and expenditure

The surplus before tax of £40.2m (2022: £50.7m) is a solid financial performance for BHA.
The majority (79%) of our income (2022: 80%) is derived from rents and service charges and we are not dependent upon income from asset disposals.

Rental income

We aim to maximise rental income within a customer affordability framework. Our rent arrears have increased by £4.9m to £10.4m, driven by technical arrears due to the impact of cyber related system downtime in the summer of 2022. Despite our ability to continue to collect rents throughout the incident, a number of customers cancelled their direct debit payments. Since then we have been working with customers, reinstating payments and agreeing affordable repayment plans.

Shared Ownership

Shared ownership sales income for the year was £35.1m (2022: £30.0m). We sold 312 shared ownership homes at an average 100% sales value of £259k (2022: 283 homes, 100% value: £243k). The average first tranche share sold was 44.5% (2022: 44.0%).

Costs

Cost control is a core deliverable across the business. Success in controlling costs drives our strong operating margins. Our focus on cost is a central part of our Value for Money framework, evidencing not just the cost of what we do but its effectiveness and the outcomes we achieve for our customers.

Over the last year we have seen an increase of 11.3% in our total operating costs per the Statement of Comprehensive Income from £116m last year to £129m in the current year. The underlying cost base is impacted by salary and general inflation.

Disposals

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

Disposal profits in the year were £8.5m (2022: £17.0m). The reduction compared to the prior year is due to the disposal of properties from our non-core geographies not being repeated this year. We continued to receive receipts for right to buy and right to acquire sales that generated £1m (2022: £0.3m) of disposal profit. Staircasing activity generated profits of £4.6m (2022: £4.3m). Other property disposals generated profits of £5.0m (2022: £12.4m). We also disposed of one of our offices as part of reducing our workspace footprint, which generated proceeds of £3.4m and a loss on disposal of £2.1m.

Corporation tax

We continue the policy of gift aiding taxable surpluses from non-charitable Group Members to charitable Group Members. BHA received £nil in gift aid payments from other group members (2022: £6.7m).

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 31 March, we had £0.6m of completed shared ownership properties held as stock (2022: £1.6m) see note 18.

Investment in our homes

In the year we invested £36.7m in major repair and refurbishment programmes (2022: £29.9m) and £167.6m in new homes (2022: £170.5m).

Treasury

The following table highlights our position on key measures:

	2023	2022
Borrowing	£1,095m	£939m
Undrawn facilities	£22.7m	£22.7m
Cash and cash equivalents	£19.0m	£9.6m
Fixed rate borrowing	97%	95%
Cost of borrowing	4.78%	5.36%
Interest cover covenant*	3.1 times	3.1 times
Asset gearing covenant (67% max)*	40%	37%

*These are based on Group results

Cash and liquidity

Rigorous control of cash is a key focus for us. Operating cash flow was again strong at £273m (2022: £206m) and represents 440% (2022: 305%) of operating surplus, an excellent cash conversion performance. Cash balances remain strong at £19.0m with a further £20.0m (2022: £24.3m) held as investments.

Facilities and funding

External loans of £479m (2022: £505m) decreased by £26m during the year and group loans of £616m (2022: £434m) increased by £183m, with all group drawings from BHG. Undrawn facilities are RCFs 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 97% of our borrowings are at fixed rates (2022: 95%) 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 has reduced from the previous year at 4.78% (2022: 5.36%), with the repayments in the year on debt with higher than average interest rates, and a reduction in the costs associated with standalone International Swaps and Derivatives Association (ISDAs) with £20m expiring and £32.5m proactively exited in the year.

The Association had historically entered into six ISDA arrangements with Barclays and Lloyds to hedge variable debt. These ISDAs were never assigned to specific underlying loans and hedge accounting was never employed by the group. As the volume of variable debt has reduced over time, the ISDA arrangements have become ineffective and are surplus to requirements. In March 2023, we leveraged the high interest rate economy to close three of our ISDA instruments, with a limited break cost of £1.1m and a crystallised a mark to market surplus in the SOCI of £6.3m. The three remaining ISDAs all carry Bermudan options and, after careful analysis, the higher costs associated with their exit were not deemed to be economically viable at the current time.

Security

We have a healthy level of available uncharged security. Our £22.7m of undrawn facilities are all fully secured. We continue to review our security pool for excess security which could be released to support future funding plans.

Covenants

Funder covenants are based on Group numbers and are broadly consistent in their composition. We have considerable capacity on both our interest cover and asset gearing covenants and they do not limit our activities.

Operating performance

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

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

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

Sector metrics

Ref	Metric Name	2018	2019	2021	2022	2023
1	Reinvestment %	6.2%	6.8%	5.2%	8.6%	8.9%
12A	New supply delivered (Social housing units) %	3.2%	2.1%	2.1%	3.5%	3.3%
2B	New supply delivered (Non-social housing units) %	0.0%	0.0%	0.1%	0.1%	0.0%
3	Gearing %	36%	39%	40%	41%	45%
4	EBITDA MRI	151%	153%	157%	145%	159%
5	Headline Social housing cost per unit (£000s)	3.27	3.59	3.53	3.55	3.99
6A	Operating Margin (social housing lettings only) %	34%	29%	31%	31%	28%
6B	Operating Margin (overall) %	29%	28%	28%	28%	26%
7	ROCE	3.5%	3.4%	3.3%	3.4%	2.8%

The metrics show another strong performance with operating margins at 28% for social housing lettings (2022: 31%) and 26% overall (2022: 28%). EBITDA MRI has also increased to 159% (2022: 145%).

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.

Board compliance statements

Public benefit entity
As a public benefit entity, Bromford Group 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 is responsible for preparing the Annual Report and the Association financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Societies Act 2014 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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The board is responsible for keeping proper 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 2022. 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 financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the board to assess the Association's position and performance, business model and strategy.

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

Going Concern

The board, after reviewing the Association's budget for 2023 to 2024 and the Group's medium term financial position as detailed in the 30-year business plan is of the opinion that, taking account of severe but plausible downsides, the Association has 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.

Viability statement

As required by the provisions of the UK Corporate Governance Code, the board has undertaken an assessment of the future prospects of the Association, as a participant of the group assessment, taking into account its current position and principal risks. The assessment includes changes arising from the challenges to the sector such as high levels of inflation and interest rates, potential for further government imposed rent caps and the availability of resource.

This assessment was made using the following core business processes:
Thirty year business plan (the 'plan') – the board reviews each iteration of the plan during the year as part of its strategic planning process, the most recent business plan was approved in May 2023. This process includes detailed stress testing of the plan which involves flexing a number of assumptions underlying the forecast both individually and together under particular scenarios.

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

Liquidity – based on the output of the plan and regular reforecasting of cashflows the board reviews the liquidity position of the group ensuring funding is secured in accordance with Bromford's treasury policy. Current available cash and unutilised loan facilities are over £500m which gives significant headroom for committed spend and other forecast cash flows that arise.

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 remains the development programme and the bulk of the committed programme completes within this timeframe. Whilst development spend and required facilities are planned over a longer term than three years, the period chosen ensures that Bromford is viable beyond its usual development commitment timeframe.

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

Beever and Struthers have indicated their willingness to continue in office and, following a review of effectiveness by the Group's Audit and Risk Committee, will be proposed for re-appointment in accordance with the Companies Act 2006 s.485.

The report of the board was approved on 25 July 2023 and signed on its behalf by:

Steve Dando - Chair

Independent Auditor's Report to Bromford Housing Association Limited

Opinion

We have audited the financial statements of Bromford Housing Association Limited (the Association) for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves and the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We were first appointed as auditor of Bromford Housing Association Limited by the board for the period ending 31 March 2021. The period of total uninterrupted engagement for the Association is for three financial years ending 31 March 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. No non-audit services prohibited by that standard were provided.

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

Materiality for the financial statements as a whole was set at £4,170,340, determined with reference to a benchmark of turnover (of which it represents 2%). We consider turnover to be the most appropriate benchmark, and more appropriate than a profit-based benchmark as the Association is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested in the Association.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £208,517, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Key Audit Matters

Recoverability of stock and work in progress

The risk – significant risk medium value

The Association recorded turnover from properties developed for first tranche shared ownership sale of £35.1m (2022: £30.0m). Other property sales (such as staircasing, RTB and asset disposals) generated a surplus of £8.5m (2022: £17.0m). At 31 March 2023, the Association held within current assets unsold properties with cost value of £0.6m (2022: £1.6m). Work in progress in relation to properties being developed for sale but still under construction at 31 March 2023 totalled £13.6m (2022: £15.1m).

Refer to pages 33 to 42 (accounting policies) and page 53 (financial disclosures).

Our response

Our procedures included the following tests of detail:

- **Test of detail:** Agreeing the calculation of the surplus on sale for a sample of sales in the period.
- **Assessment of recoverability:** For a sample of development schemes, we reviewed the carrying value of the Association's stock and work-in-progress at the year-end including the financial appraisals of each scheme. This included testing on a sample basis the expected profitability of the current schemes, and reviewing post year-end sales of properties held in stock at 31 March 2023.

Our results
We found no evidence that the year-end balance of stock and work in progress is overstated at the year end.
Our review of schemes under development did not identify any indication of work in progress that required provision or impairment write down.
We found no errors in the calculation of surplus on sale of properties.

Valuation of defined benefit pension obligations

The risk – significant risk high value

The Association participates in a defined benefit pension scheme, the Bromford Pension Scheme. The actuaries of the scheme valued the pension liabilities for Section 28 of FRS 102 purposes. The net pension liability at 31 March 2023 was £4,303k (2022: a net asset of £11,153k).

The Association also participated in The Staffordshire County Council pension scheme (LGPS), which is a multi-employer, defined benefit scheme. Bromford exited this scheme in 2018. In March 2022 the fund moved from being in deficit to a surplus of £4.9m and in October 2022 the fund served notice to terminate the Funding Agreement, with a cessation payment of zero. In March 2022 a pension asset £4.9m was recorded in the statutory accounts through Other Comprehensive Income (OCI). Bromford have posted a Prior Year Adjustment to remove the pension asset, since the scheme had been exited and no money was recoverable.

The financial statements disclose the assumptions used by the Association in completing the valuation of the pension deficit and the movements. The effect of these matters is that we determined that post-retirement benefits obligation has a high degree of estimation uncertainty.

Refer to pages 33 to 42 (accounting policies) and pages 65 to 69 (financial disclosures).

Our response
Our procedures included the following:

- **Assessing the credentials of the scheme actuaries:** We reviewed the credentials of the scheme actuaries 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 their valuation.
- **Confirmation of value:** We challenged, with the support of our own actuarial expert, the key assumptions and actuarial methodology applied, including the discount rate, inflation rate and mortality/life expectancy.
- **Test of detail:** We agreed the relevant accounting entries and disclosures in the financial statements to the reports prepared by the scheme actuaries.

Our response
We confirmed that the assumptions used in the calculation of the balances in the financial statements are within reasonable parameters and are in line with the recommendations of the scheme actuaries. We are satisfied that whilst there is some uncertainty in relation to the pension scheme valuation due to the current economic conditions, this does not impact on the true and fairness of the financial statements.

Bromford Housing Association Limited

Treasury management and going concern

<u>The risk – significant risk high value</u>

The Association posted a full year surplus of £40.2m before actuarial movements on pension schemes (refer to pages 33 to 42 (accounting policies) and page 29 (financial disclosures)).

At 31 March 2023 the Association had borrowings of £478.9m (refer to pages 33 to 42 (accounting policies) and page 55 (financial disclosures)).

The risk is that the Association might have insufficient liquidity to finance its significant development programme, or might breach a funding covenant set out within the agreements in place with a range of funders.

<u>Our response</u>

Our procedures included the following:

- **Assessment of recoverability:** Reviewed the Association's 2023/24 budget and longer-term financial forecasts, and the underlying assumptions, to assess the Association's ability to service and repay the debt. We also reviewed the stress testing performed by the Association on its long-term financial plan.
- **Confirmation of value:** Agreed loan balances to the accounting records and to external confirmation from the funders.
- **Test of detail:** Tested the detailed calculations for loan covenant compliance prepared by management, both for the year ended 31 March 2023 and projected future performance.

<u>Our results</u>

Our audit work concluded that all loan covenants were comfortably met at 31 March 2023. We confirmed that the Association held cash reserves of £19.0m at 31 March 2023, and had undrawn loan facilities of £22.7m. The Association also has access to onlending from Bromford Housing Group Limited, which held cash reserves of £125.7m at 31 March 2023, and had undrawn loan facilities of £337.7m. This available funding is sufficient to meet committed capital expenditure at 31 March 2023.

Forecast performance at 31 March 2024 shows a similar position, with gearing and interest cover forecast to be 41% and 210% respectively, against covenant limits of 67% and 110% respectively.

We concluded that across a range of stress testing scenarios carried out on its longer-term financial forecasts, including those linked to the current economic conditions, the Group and Association remains comfortably within its funding covenants.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Strategic Report, other than the financial statements and our Auditor's report thereon. The board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Corporate governance disclosures

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's voluntary compliance with the provisions of the UK Corporate Governance Code.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 22;
- Directors' explanation as to their assessment of the Association's prospects, the period this assessment covers and why the period is appropriate set out on page 22;
- Director's statement on whether it has a reasonable expectation that the Association will be able to continue in operation and meets its liabilities set out on page 22;
- Directors' statement on fair, balanced and understandable set out on page 21;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 8-13;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 13; and;
- Section describing the work of the audit committee set out on pages 13-16.

Responsibilities of the board

As explained more fully in the Statement of Board's Responsibilities set out on page 21, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the 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 the board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud
We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the board and reviewed correspondence and board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the board have in place to prevent and detect fraud. We enquired of the board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing, recognising the nature of the Association's activities and the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Bromford Housing Association Limited

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to 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 for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Lee Cartwright
Beever and Struthers
Chartered Accountants
Statutory Auditor

The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT

Date: 31 July 2023

Bromford Housing Association Limited
Statement of Comprehensive Income
For the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Turnover	2	**208,517**	191,277
Cost of sales	2	**(26,294)**	(23,785)
Operating costs	2	**(128,563)**	(115,536)
Gain on disposal of property assets	34	**8,486**	17,038
Increase in valuation of investment properties	13	**5**	719
Operating surplus	5	**62,151**	69,713
Interest receivable	6	**552**	198
Interest and financing costs	7	**(33,380)**	(34,632)
Movement in fair value of financial instruments	33	**11,016**	8,736
Movement in fair value of investments	20	**(173)**	(87)
Gift aid		**-**	6,735
Surplus before tax		**40,166**	50,663
Taxation	10	**-**	-
Surplus for the year after tax		**40,166**	50,663
Actuarial (loss)/gain relating to pension scheme	36	**(15,828)**	18,223
Total comprehensive income for the year		**24,338**	68,886

The Association's results relate wholly to continuing activities.
The notes on pages 33 to 69 form an integral part of these financial statements.

The financial statements on pages 29 to 69 were approved and authorised for issue by the board on 25 July 2023 and were signed on its behalf by:

Steve Dando - Chair

Robert Nettleton - Chief Executive

Sarah Beal.

Sarah Beal - Company Secretary

Registration number 4109

Bromford Housing Association Limited
Statement of Financial Position
As at 31 March 2023

	Notes	2023 £'000	2022 £'000
Fixed Assets			
Tangible fixed assets - housing properties	11	**2,106,386**	1,956,272
Investment properties	13	**1,950**	8,323
Tangible fixed assets - other	14	**10,837**	14,791
Intangible Fixed Assets	15	**61,322**	43,268
Investments - other	16	**4,220**	4,220
Homebuy loans receivable	17	**413**	431
		2,185,128	2,027,305
Assets: amounts receivable in more than one year			
Debtors	19	-	10
Pension asset	36	-	11,153
		-	11,163
Current Assets			
Stocks	18	**17,192**	19,941
Trade and other debtors : receivable within one year	19	**68,255**	46,185
Investments	20	**20,013**	24,306
Cash and cash equivalents	21	**18,952**	9,579
		124,412	100,011
Creditors: amounts falling due within one year	22	**(79,327)**	(93,154)
Net current assets		**45,085**	6,857
Total assets less current liabilities		**2,230,213**	2,045,325
Creditors - Amounts falling due after more than one year			
Loans	23	**(465,537)**	(492,074)
Interest rate swaps	23	**(2,040)**	(12,009)
Deferred capital grant	23,24	**(462,823)**	(451,061)
Other creditors	23	**(626,647)**	(444,112)
		(1,557,047)	(1,399,256)
Provisions for liabilities			
Pension liability	36	**(4,303)**	-
Other provisions	26	**(1,214)**	(2,758)
Total net assets		**667,649**	643,311
Reserves			
Called up share capital	27	-	-
Income and expenditure reserve		**591,469**	565,850
Revaluation reserve		**76,180**	77,461
Total reserves		**667,649**	643,311

The notes on pages 33 to 69 form an integral part of these financial statements. The financial statements on pages 29 to 69 were approved and authorised for issue by the board on 25 July 2023 and were signed on its behalf by:

Steve Dando	**Robert Nettleton**	**Sarah Beal**
Chair	**Chief Executive**	**Company Secretary**

Bromford Housing Association Limited

Statement of Movement in Reserves
For the year ended 31 March 2023

	Revaluation reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2021	78,808	495,499	574,307
Surplus from Statement of Comprehensive Income	-	50,663	50,663
Other comprehensive income:			
Actuarial gains relating to pension schemes	-	18,223	18,223
Total comprehensive income for the year	-	68,886	68,886
Reserve transfers:			
Revaluation in year	118	-	118
Transfer in respect of depreciation	(1,465)	1,465	-
Balance at 31 March 2022	77,461	565,850	643,311
Surplus from Statement of Comprehensive Income	-	40,166	**40,166**
Other comprehensive income:			
Actuarial losses relating to pension schemes		(15,828)	**(15,828)**
Total comprehensive income for the year	-	24,338	**24,338**
Revaluation in year	-	-	-
Reserve transfers:			
Transfer in respect of depreciation	(1,281)	1,281	-
Balance at 31 March 2023	**76,180**	**591,469**	**667,649**

The notes on pages 33 to 69 form an integral part of these financial statements.

Statement of Cash flows
For the year ended 31 March 2023

	2023		2022	
	£'000	**£'000**	£'000	£'000
Net cash generated from operating activities (note 29)		**273,247**		205,991
Cashflow from investing activities				
Purchase of tangible fixed assets - new housing properties	**(169,052)**		(168,383)	
Purchase of tangible fixed assets - other	**(3,727)**		(4,491)	
Purchase of tangible fixed assets - existing housing properties	**(26,706)**		(18,283)	
Purchase of intangible fixed assets	**(21,644)**		(15,448)	
Purchase of tangible asset investments	**-**		(10)	
Grants received	**10,798**		43,457	
Interest received	**420**		144	
Net cashflow from investing activities		**(209,911)**		(163,014)
Cashflow from financing activities				
Interest paid	**(30,668)**		(36,225)	
Repayment of borrowings	**(26,325)**		(17,952)	
Settlement charges on interest rate swaps	**(1,149)**		-	
Transfer from/(to) current asset investment	**4,179**		(2,448)	
Gift aid received	**-**		6,735	
Net cashflow from financing activities		**(53,963)**		(49,890)
Net change in cash and cash equivalents		**9,373**		(6,913)
Cash and cash equivalents at the beginning of the year		**9,579**		16,492
Cash and cash equivalents at the end of the year		**18,952**		9,579

The notes on pages 33 to 69 form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31 March 2023

Legal Status
Bromford Housing Association Limited (BHA) is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 (Registered Society number 7106R) and is registered with the Regulator of Social Housing (RSH) as a Private Registered Provider of Social Housing (registration number L4819). The registered office is Shannon Way, Ashchurch, Tewksbury, GL20 8ND.

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

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investment properties and financial instruments and are presented in GBP sterling.

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

Going concern
The board, after reviewing the company budgets for 2023 to 2024 and the group's medium term financial position as detailed in the 30-year business plan, 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 Association capitalises development expenditure in accordance with the accounting policy described on page 37. 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.

- **Capitalisation of software -** the Association capitalises software and attributable project costs in intangible assets when it has been identified that these costs can be reliably measured and will provide future economic benefit to the group. These assets are regularly reviewed for impairment with any reduction in value charged to in the Statement of Comprehensive Income. Further details are provided in note 15.

- **Categorisation of housing properties -** The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that market rented properties and commercial properties are investment properties.

- **Impairment -** The Association 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.

- **Intangible fixed assets.** Intangible fixed assets are amortised 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.

- **Revaluation of investment property**. 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 which means, 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. Further details are given in note 36.

- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income.
  Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

  Following a trigger for impairment, the Association 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 Association 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 Association 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.

  A detailed review has been performed in relation to housing stock and WIP and no adjustment to carrying values was required.

  The carrying value of intangible assets have been assessed this year with no triggers for impairment identified.

- **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.

Turnover and revenue recognition

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

The Association generates the following material income streams:

Rental income receivable

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

Shared ownership first tranche sales

Income from first tranche sales is recognised at the point of legal completion of the sale. The surplus or deficit arising on a first tranche sale is shown after deducting the cost of the properties and related sale expenses.

Service charge income

Service charge income and costs are recognised on an accrual basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with customers. 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.

Grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. If there are specific performance requirements, the grant is recognised in turnover when the performance requirements are met.
Where developments have been financed wholly or partly by social housing grant (SHG) and other grants, the income is recognised in turnover (using the accruals model) over the estimated useful life of the assets excluding land which it funds.

Other income

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

Loan interest costs

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

Loan finance issuance costs

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

Taxation

The Association is registered as a charity with HM Revenue & Customs. By virtue of S.478 Corporation Tax Act 2010, the Association is exempt from corporation tax. The Association pays corporation tax at the rate applicable on any surplus it generates from non-charitable activities.

The tax expense for the period comprises current 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. In such cases, the tax charge is also recognised in other comprehensive income or directly in equity as appropriate.

The current income tax charge is calculated based on tax rates and laws that have been enacted or substantively enacted by the reporting date where the Association operates and generate taxable income.

Value Added Tax

The Association 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 Association and is not recoverable. The balance receivable or payable at the year-end is within current assets or current liabilities.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation.

Housing properties

Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties. 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 Association 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
• Bathrooms	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 Association depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

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

	Years
• Motor vehicles	6 (20% residual value)
• Fixtures, fittings, plant and equipment	5
• Computer hardware	3
• Office buildings	50

Works to existing properties

Works to existing properties have been capitalised when:

A component which has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or

Subsequent expenditure provides an enhancement of economic benefits in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which do not meet the above criteria have been charged to the statement of comprehensive income as incurred.

Non-component works to existing properties

Expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the statement of comprehensive income in the period in which it is incurred.

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. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31st March 2023, interest has been capitalised at an average rate of 3.55% (2022: 3.74%) that reflects the weighted average effective interest rate on the Association's borrowings required to finance housing property developments.

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 its 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 percentage of 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	2-7
• Business transformation costs	10

Operating leases

Payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Investment property

Investment property includes commercial and other properties held by the Association for reasons other than social benefit or for use in the business. 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.

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. Cost of materials is based on the cost of purchase on an average costing basis. Net realisable value is the estimated selling price less costs to complete and sell.

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

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income 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 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 Association if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by 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.

Defined benefit pension

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 Association has a participating interest.

During the year the Association participated in the defined benefit Bromford Standalone scheme administered by The Pensions Trust. 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.

Notes to the Financial Statements
For the year ended 31 March 2023

Defined contribution pension

The Association also provides a defined contribution stakeholder pension scheme for employees. The employer contribution to the scheme is charged to the Statement of Comprehensive Income as it becomes payable. The assets of the scheme are kept separately from those of the Association.

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. The difference between actual depreciation charge and the historical cost depreciation is transferred from the revaluation reserve to the revenue reserve annually.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are included as a component of cash and cash equivalents for the purpose only of the Statement of Cash flows.

Financial instruments

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

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

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

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

Financial instruments held by the Association are classified as follows:

- Cash is held at cost;
- Financial assets such as 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 rate 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:

- The best evidence of fair value is a quoted price in an active market;
- 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;
- 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:

- All equity instruments regardless of significance; and
- 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:

- 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;
- For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

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

Carrying amounts

The carrying amounts of the Association's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

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
				2023			
Social housing lettings							
Housing accommodation	3	**140,766**	**-**	**(100,770)**	**-**	**-**	**39,996**
Supported housing accommodation	3	**12,789**	**-**	**(11,031)**	**-**	**-**	**1,758**
Shared ownership accommodation	3	**14,950**	**-**	**(8,894)**	**-**	**-**	**6,056**
		168,505	**-**	**(120,695)**	**-**	**-**	**47,810**
Other social housing activities							
First tranche shared ownership sales		**35,103**	**(26,276)**	**-**	**-**	**-**	**8,827**
Supported people contract income		**760**	**-**	**(1,180)**	**-**	**-**	**(420)**
Agency services		**2,037**	**-**	**(860)**	**-**	**-**	**1,177**
Sales and development		**-**	**-**	**(3,533)**	**-**	**-**	**(3,533)**
Other		**350**	**-**	**(1,768)**	**-**	**-**	**(1,418)**
Gain on disposal of property, plant and equipment		**-**	**-**	**-**	**8,486**	**-**	**8,486**
Non-social housing activities							**-**
Market rents		**763**	**-**	**(571)**	**-**	**-**	**192**
Sewerage services		**14**	**-**	**(64)**	**-**	**-**	**(50)**
Commercial rents		**795**	**-**	**108**	**-**	**-**	**903**
Properties developed for outright sale		**-**	**-**	**-**	**-**	**-**	**-**
Property development/equity loan sales		**190**	**(18)**	**-**	**-**	**-**	**172**
Increase in valuation of investment properties		**-**	**-**	**-**	**-**	**5**	**5**
		208,517	**(26,294)**	**(128,563)**	**8,486**	**5**	**62,151**

				2022			
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	132,536	-	(87,085)	-	-	45,451
Supported housing accommodation	3	12,199	-	(12,109)	-	-	90
Shared ownership accommodation	3	11,250	-	(7,797)	-	-	3,453
							-
		155,985	-	(106,991)	-	-	48,994
Other social housing activities							
First tranche shared ownership sales		29,963	(23,680)	-	-	-	6,283
Supported people contract income		1,085	-	(2,005)	-	-	(920)
Agency services		1,826	-	(1,776)	-	-	50
Sales and development		-	-	(2,854)	-	-	(2,854)
Other		272	-	(146)	-	-	126
Gain on disposal of property, plant and equipment		-	-	-	17,038	-	17,038
							-
Non-social housing activities							-
Market rents		1,289	-	(1,200)	-	-	89
Sewerage services		14	-	(25)	-	-	(11)
Commercial rents		659	-	(539)	-	-	120
Properties developed for outright sale		-	-	-	-	-	-
Property development/equity loan sales		184	(105)	-	-	-	79
Increase in valuation of investment properties		-	-	-	-	719	719
		191,277	(23,785)	(115,536)	17,038	719	69,713

3. Income and expenditure from social housing lettings	**2023**				2022
	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	**133,777**	**7,686**	**13,109**	**154,572**	142,737
Service charge income	**3,368**	**4,148**	**1,412**	**8,928**	8,079
Charges for support services	**166**	**131**	**153**	**450**	683
Amortised government grants	**3,455**	**824**	**276**	**4,555**	4,486
Turnover from social housing lettings	**140,766**	**12,789**	**14,950**	**168,505**	155,985
Expenditure					
Management	**26,382**	**3,772**	**3,571**	**33,725**	31,205
Service charge costs	**11,375**	**1,934**	**770**	**14,079**	10,906
Routine maintenance	**24,474**	**1,856**	**421**	**26,751**	19,908
Planned maintenance	**5,956**	**536**	**643**	**7,135**	9,926
Major repairs expenditure	**9,283**	**725**	**1,511**	**11,519**	8,775
Bad debts	**420**	**(282)**	**(245)**	**(107)**	478
Depreciation of housing properties	**22,880**	**2,490**	**2,223**	**27,593**	25,793
Operating expenditure on social housing lettings	**100,770**	**11,031**	**8,894**	**120,695**	106,991
Operating surplus on social housing lettings	**39,996**	**1,758**	**6,056**	**47,810**	48,994
Voids	**(1,736)**	**(507)**	**(23)**	**(2,266)**	(2,002)

The comparatives for rent receivable and service charge income have been amended to ensure consistent presentation of income across the group. Rent receivable has increased by £1,820k and service charge income has decreased by £1,820k compared to what was included in the previous year annual report and accounts.

4. Accommodation - owned, managed and in development

	At 1 April 2022 No.	Additions No.	Disposals No.	Other No.	At 31 March 2023 No.
Social housing					
General Needs housing - social rent	20,843	363	(32)	61	**21,235**
General Needs housing - affordable/intermediate rent	3,318	348	(5)	(10)	**3,651**
Supported housing	1,765	-	(84)	(83)	**1,598**
Care homes	-	-	-	128	**128**
Low-cost home ownership	3,484	326	(116)	-	**3,694**
Leasehold	1,168	-	(6)	22	**1,184**
Units to be remodelled	186	-	(91)	(95)	-
Total social housing units	**30,764**	**1,037**	**(334)**	**23**	**31,490**
Non social housing					
Staff accommodation	2	-	-	-	**2**
Market rent	173	-	(31)	-	**142**
Commercial	34	-	(3)	-	**31**
Offices and resource	96	-	(8)	5	**93**
Retained freehold	776	-	(1)	54	**829**
Total non social housing units	**1,081**	**-**	**(43)**	**59**	**1,097**
Owned and managed	30,243	1,037	(227)	159	**31,212**
Owned and managed by others	502	-	(57)	(36)	**409**
Managed for others	914	-	(2)	54	**966**
Units to be remodelled	186	-	(91)	(95)	-
	31,845	**1,037**	**(377)**	**82**	**32,587**
Total under development	**1,143**	**1,101**	**-**	**(1,035)**	**1,209**
Garages/parking spaces	**2,394**	**-**	**(87)**	**3**	**2,310**

Notes to the Financial Statements
For the year ended 31 March 2023

5. Surplus on ordinary activities

The surplus on ordinary activities is stated after charging	**2023**	2022
	£'000	£'000
Operating lease rentals		
- office land and buildings	**36**	293
- other operating lease rentals	**855**	1,391
Auditors' remuneration		
- audit of financial statements	**55**	50
- service charge certification	**32**	32
- other	**9**	5

6. Interest receivable and income from investments	**2023**	2022
	£'000	£'000
Interest receivable from cash, deposits and intragroup loans	**552**	198

7. Interest payable and similar charges	**2023**	2022
	£'000	£'000
Interest on loans, overdrafts and other financing		
On loans repayable wholly within five years	**667**	513
On loans repayable wholly or partly in more than five years	**19,876**	21,960
	20,543	22,473
On loans from Bromford Housing Group Limited	**14,646**	11,011
Other finance charges	**304**	253
Amortised net finance costs	**1,655**	3,918
	37,148	37,655
Interest payable capitalised on housing properties under construction 3.55% (2022: 3.74%)	**(3,461)**	(3,129)
	33,687	34,526
Interest on pension scheme liabilities	**3,290**	3,435
Expected return on employer assets	**(3,597)**	(3,329)
	33,380	34,632

8. Colleague costs	**2023**	2022
	£'000	£'000
Wages and salaries	**47,853**	41,989
Social security costs	**4,950**	4,192
Other pension costs	**3,004**	2,602
	55,807	48,783

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

	2023	2022
	No.	No.
Asset management	**623**	553
Central services	**175**	159
Development, construction and sales	**94**	90
Housing management and support	**547**	535
	1,439	1,337

A full-time equivalent employee is classed as working a 37.5 hour week.

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

9. Directors' emoluments

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

10. Taxation on surplus on ordinary activities	**2023**	2022
	£'000	£'000
Current tax		
UK corporation tax charge/(credit) on ordinary activities	**-**	-
Tax on surplus on ordinary activities	**-**	-
Total tax reconciliation		
Surplus on ordinary activities	**40,166**	50,663
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	**7,632**	9,626
Effects of		
Surplus relating to charitable entities	**(7,632)**	(9,626)
	-	**-**

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					
At 1 April 2022	1,744,611	193,838	242,785	58,486	2,239,720
Additions	-	131,351	-	36,280	167,631
Replacement of components	25,220	-	-	-	25,220
Transferred on completion	79,551	(79,551)	30,251	(30,251)	-
Disposals	(9,057)	-	(7,709)	-	(16,766)
Components disposed	(5,420)	-	-	-	(5,420)
Transfer from group company	-	2,474	-	-	2,474
Transfer to another group company	-	-	-	(254)	(254)
At 31 March 2023	**1,834,905**	**248,112**	**265,327**	**64,261**	**2,412,605**
Depreciation					
At 1 April 2022	279,476	-	3,972	-	283,448
Charge for the year	26,866	-	1,065	-	27,931
Disposals	(4,939)	-	(221)	-	(5,160)
At 31 March 2023	**301,403**	**-**	**4,816**	**-**	**306,219**
Net book value					
At 31 March 2023	**1,533,502**	**248,112**	**260,511**	**64,261**	**2,106,386**
At 31 March 2022	1,465,135	193,838	238,813	58,486	1,956,272

	2023 **£'000**	2022 £'000
Housing property net book value in respect of long leaseholds	**80,499**	80,521
Housing property net book value in respect of freeholds	**2,025,887**	1,875,751
	2,106,386	1,956,272
Component depreciation within the depreciation charge	**17,170**	15,359
Development administration costs capitalised during the year	**3,586**	2,463
Aggregate amount of interest and finance cost included within the cost of housing properties	**31,825**	28,764

Properties held for security

Bromford Housing Association - Registered Social Housing Provider - has property pledged as security value (EUV - SH and MV - STT) of £753m (2022: £845m). The number of units on which security was pledged amounted to 11,246 (2022: 14,160).

12. Expenditure on work to existing properties

	2023 **£'000**	2022 £'000
Replacement of components	**25,220**	23,069
Amounts charged to Statement of Comprehensive Income	**11,519**	6,822
	36,739	29,891

13. Investment properties held for letting	**2023**	2022
	£'000	£'000
At 1 April	**8,323**	6,728
Transfer from tangible fixed assets - housing properties	**-**	420
Transfer from group company	**-**	596
Additions	**-**	10
Gain from adjustment in value		
Commercial investment properties	**3**	40
Market rent investment properties	**2**	679
Disposals		
Commercial investment properties	**(155)**	-
Market rent investment properties	**(6,223)**	(150)
At 31 March	**1,950**	8,323

Investment properties (commercial and market rent) were valued at 31 March 2023 by professional qualified external valuers.

The valuation of investment properties was undertaken by Jones Lang Lasalle Limited in accordance with the Royal Institute of Chartered Surveyors Valuation Standards. In valuing the properties, the following significant assumptions were applied:

Discount rate	**6.75%**
Rental growth (year one)	**10.2%**

14. Tangible fixed assets - other

	Freehold offices £'000	Fixtures, fittings & equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2022	13,517	593	4,524	3,638	22,272
Additions	365	231	2,386	994	3,976
Disposals	(6,607)	-	-	-	(6,607)
At 31 March 2023	**7,275**	**824**	**6,910**	**4,632**	**19,641**
Depreciation					
At 1 April 2022	4,029	345	2,703	404	7,481
Charge for the year	263	71	1,467	569	2,370
Disposals	(1,049)	-	-	-	(1,049)
At 31 March 2023	**3,244**	**416**	**4,170**	**974**	**8,804**
Net book value					
At 31 March 2023	**4,031**	**408**	**2,740**	**3,658**	**10,837**
At 31 March 2022	9,488	248	1,821	3,234	14,791

15. Intangible fixed assets

	Software £'000
Cost	
At 1 April 2022	50,445
Additions	21,891
At 31 March 2023	**72,336**
Amortisation	
At 1 April 2022	7,177
Charge for the year	3,837
At 31 March 2023	**11,014**
Net book value	
At 31 March 2023	**61,322**
At 31 March 2022	43,268

Amortisation of intangible assets is included in operating costs in the Statement of Comprehensive Income. Included within software are amounts capitalised for our software transformation project of £58.3m (2022: £40.1m), this asset includes various projects, some of which are complete and others that are in progress. Assets in progress of £14.8m (2022: £26.0m) have not yet been amortised as these assets are still being developed, once complete they will be amortised over the useful economic life of 10 years. The remaining amortisation period of the completed assets is between 7 – 10 years.

16. Investments - other

	2023 £'000	2022 £'000
Bromford Assured Homes Limited	**4,000**	4,000
Igloo Insurance PCC Limited (Cell BR04)	**220**	220
	4,220	4,220

17. HomeBuy loans

	2023 £'000	2022 £'000
As at 1 April	**431**	280
Transfer from group company	**-**	256
Loans redeemed in the year	**(18)**	(105)
As at 31 March	**413**	431

During the previous year Bromford Home Ownership transferred all of its HomeBuy loans to the Association as part of a partial transfer of engagement.

18. Stocks and work in progress

	2023 £'000	2022 £'000
Consumable stock	**851**	639
Land	**2,170**	2,531
Cost of first tranche element of shared ownership properties	**14,171**	16,771
	17,192	19,941
Completed	**572**	1,646
Under construction	**13,599**	15,125
	14,171	16,771

19. Trade and other debtors

	2023 £'000	2022 £'000
Amounts falling due within one year		
Rent arrears	**10,387**	5,494
Less: provision for bad debts	**(2,797)**	(2,316)
	7,590	3,178
Trade debtors	**28**	391
Amounts due from group companies	**54,262**	37,157
Other debtors	**3,200**	2,460
Prepayments and accrued income	**3,175**	2,999
	68,255	46,185
Amounts falling due after more than one year		
Other debtors	**-**	10
	-	10

20. Current asset investments	**2023**	2022
	£'000	£'000
Opening fair value at 1 April	**24,306**	21,940
Additions to investments	**814**	2,448
Withdrawals from investments	**(4,993)**	-
Interest	**59**	5
Losses on re-measurement to fair value	**(173)**	(87)
Fair value at 31 March	**20,013**	24,306

21. Cash and cash equivalents	**2023**	2022
	£'000	£'000
Cash at bank	**18,952**	9,579
	18,952	9,579

Included in the above are balances totalling £3.9m (2022: £3.9m) which are held in trust for shared ownership leaseholders.

22. Creditors: amounts falling due within one year	**2023**	2022
	£'000	£'000
Prepaid rental income	**7,241**	6,025
Loans	**13,385**	13,173
Local Authority RTB share of proceeds	**350**	1,333
Interest rate swaps	**-**	2,131
Trade creditors	**6,168**	8,579
Amounts due to group companies	**10,305**	10,676
Social security and other taxes	**1,563**	1,461
Balances with supported housing partners	**867**	914
Funds held on trust	**254**	226
Deferred capital grant	**5,863**	5,006
Recycled capital grant fund	**1,935**	5,586
Other creditors	**2,926**	3,081
Payments received on account from subsidiary for property	**-**	1,968
Accruals and deferred income	**28,470**	32,995
	79,327	93,154

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

	2023	2022
	£'000	£'000
Loans	465,537	492,074
Loans due to group companies	616,120	433,620
Interest rate swaps	2,040	12,009
Leaseholder sinking funds	4,274	4,156
Balances with supported housing partners	1,032	1,782
Deferred capital grant	462,823	451,061
Recycled capital grant fund	5,116	4,449
Other creditors	105	105
	1,557,047	1,399,256

Loan repayment profile		
Repayable within one year	13,385	13,173
Repayable between one and two	11,958	15,628
Repayable between two and five years	38,590	45,200
Repayable after five years	415,292	431,635
Less: Loan finance costs	(303)	(389)
	478,922	505,247

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

	Period Years	End date	Rate %	Amount £'000
Barclays	25	20 July 2031	4.31	12,500
Lloyds TSB	19	26 October 2026	4.45	6,000
Lloyds TSB	22	20 March 2029	4.50	15,000
				33,500

Interest rate swap creditor profile	2023	2022
	£'000	£'000
Due within one year (included in other debtors)	(65)	2,130
Due between one and two	84	1,257
Due between two and five years	1,087	4,531
Due after five years	869	6,221
	1,975	14,139

During the year a £20m swap with Lloyds expired and three Lloyds swaps totalling £32.5m were cancelled. The cancelled swaps crystallised a gain of £6.3m which is included in the movement of fair value of financial instruments in the statement of comprehensive income.

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

The interest risk profile of loan liabilities are as follows	**2023**	2022
	£'000	£'000
Floating rate - average 4.28% (2022: 0.85%)	**19,475**	26,871
Fixed rate - average 4.75% (2022: 4.78%)	**459,750**	478,765
	479,225	505,636

Undrawn committed borrowing facilities (all secured) at 31 March were	**2023**	2022
	£'000	£'000
Expiring within one year	**-**	-
Expiring between one and two	**-**	-
Expiring between two and five years	**22,749**	-
Expiring after five years	**-**	22,749
	22,749	22,749

24. Deferred capital grant

	2023	2022
	£'000	£'000
At 1 April	**456,067**	417,798
Grants received in year	**10,798**	33,951
Transferred to third party	**(5,359)**	(4,101)
Transferred from another group company	**6,708**	13,607
Grants recycled from the recycled capital grant fund	**5,727**	800
Grants recycled to the recycled capital grant fund	**(2,400)**	(2,483)
Amortised in year	**(4,696)**	(4,604)
Amortised grant on disposal	**1,841**	1,099
As at 31 March	**468,686**	456,067
Amount due to be released within one year	**5,863**	5,006
Amount due to be released in more than one year	**462,823**	451,061
	468,686	456,067

25. Recycled capital grant fund

	2023	2022
	£'000	£'000
At 1 April	**10,035**	5,903
Inputs to reserve		
Grants recycled	**2,400**	2,483
Transfer from group company	**134**	2,432
Interest accrued	**209**	17
Utilised		
New build	**(5,727)**	(800)
	7,051	10,035
Amounts due within one year	**1,935**	5,586
Amounts due after more than one year	**5,116**	4,449
	7,051	10,035
Amount three years or older where repayment may be required	**-**	1,706

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

26. Provision for liabilities and charges

	£'000
As at 1 April 2022	2,758
Additions	1,322
Utilised	(2,866)
As at 31 March 2023	**1,214**

27. Share Capital

	2023	2022
	£	£
Issued and fully paid (nominal value £1)		
At 1 April	**8**	8
Allotted	**1**	2
Cancelled	**(2)**	(2)
	7	8

The share capital of the Association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. The shares are non-withdrawable and non-transferable. When a shareholder ceases to be a shareholder, the share is cancelled and the amount paid up becomes the property of the Association.

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.

Income and expenditure reserve - represents the net surplus which are not restricted.

28. Analysis of changes in net debt	**At 1 April 2022**	**Cashflows**	**Non cashflow movements**	**Movement in creditors**	**At 31 March 2023**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cash at bank and cash equivalents	9,579	9,373	-	-	18,952
Short term investments	24,306	(4,120)	(173)	-	20,013
	33,885	5,253	(173)	-	38,965
Other loans					
Housing loans due within one year	(13,173)	13,173	-	(13,385)	(13,385)
Housing loans due after more than one year	(492,074)	13,152	-	13,385	(465,537)
Change in debt resulting from cashflows	**(471,362)**	**31,578**	**(173)**	**-**	**(439,957)**

29. Cash flow from operating activities	**2023**	2022
	£'000	£'000
Surplus for the year	**40,166**	50,663
Adjustments for non-cash items		
Depreciation of tangible fixed assets	**30,301**	27,277
Amortisation of intangible fixed assets	**3,837**	2,171
Amortisation of government grant	**(4,696)**	(4,604)
Decrease in stock	**2,749**	1,648
Increase in trade and other debtors	**(4,817)**	(2,908)
(Decrease)/increase in trade and other creditors	**(7,806)**	9,845
Increase in intergroup balances	**167,678**	68,691
(Decrease)/increase in provisions	**(1,544)**	829
Pension costs less contributions payable	**(65)**	(182)
Carrying amount of tangible fixed asset disposals	**19,068**	33,971
Carrying amount of intangible fixed asset disposals	**-**	3
Carrying amount of investment disposals	**6,378**	150
Adjustments for investing or financing activities		
Movement on shared equity loans	**18**	105
Movement in value of swaps	**(11,016)**	(8,735)
Movement in value of investment property	**168**	(632)
Interest payable	**33,380**	34,632
Interest receivable	**(552)**	(198)
Gift aid	**-**	(6,735)
Net cash generated from operating activities	**273,247**	205,991

30. Capital commitments	**2023**	2022
	£'000	£'000
Capital expenditure contracted for but not provided for in the financial statements	**319,435**	329,973
Capital expenditure authorised by not yet contracted for	**74,477**	64,814

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

	2023	2022
Social housing grant	**43,241**	26,486
Proceeds from the sale of properties	**63,420**	61,547
Loans and reserves	**287,251**	306,754
	393,912	394,787

31. Other financial commitments

The minimum lease payments due under operating leases are as follows

	Land and buildings		**Vehicles and office equipment**		**Total leases**	
	2023	2022	**2023**	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Operating leases which expire						
Within one year	**37**	-	**822**	25	**859**	25
Within two to five years	**-**	43	**210**	1,258	**210**	1,301
After more than five years	**8**	-	**490**	-	**498**	-
	45	43	**1,522**	1,283	**1,567**	1,326

32. Grant and financial assistance

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

	2023	2022
	£'000	£'000
Held as deferred capital grant	**468,686**	456,067
Recognised as income in Statement of Comprehensive Income	**105,468**	102,613
	574,154	558,680

33. Financial instruments

The company's financial instruments may be analysed as follows

	2023	2022
	£'000	£'000
Financial liabilities measured at fair value through the Statement of Comprehensive Income		
Derivative financial instruments	**1,975**	14,139
Total financial liabilities	**1,975**	14,139

Swap valuations are conducted using standard mark to market (MtM) methodology, where the MtM is the present value of all the future cashflows under the swap contract. They are measured at fair value at each reporting date, any increase or decrease is recognised in the statement of comprehensive income. The valuations used discount rates between 4.31% and 4.50%.

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

	Proceeds of sales	**Cost of sales**	**Surplus**	**Capital grant recycled**
	£'000	**£'000**	**£'000**	**£'000**
Further tranches of shared ownership	12,447	(7,838)	4,609	1,135
Right to buy	500	(505)	(5)	15
Right to acquire	2,611	(1,565)	1,046	619
Other property disposals	16,534	(11,539)	4,995	53
Other fixed asset disposals	3,424	(5,583)	(2,159)	578
Total 2023	**35,516**	**(27,030)**	**8,486**	**2,400**
Total 2022	47,919	(30,881)	17,038	2,484

35. Related party transactions

Transactions with non-regulated members of the Group

	2023					
	Bromford Developments Limited	**Bromford Assured Homes Limited**	**Street Services Limited**	**Strand Services Limited**	**Riverside Mews Limited**	**Igloo Insurance PCC Limited (Cell BR04)**
	BDL	**BAH**	**SSL**	**STR**	**RIV**	**IGL**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income						
Management recharges	-	-	-	4	2	-
Administration recharges	-	53	-	-	-	-
	-	**53**	**-**	**4**	**2**	**-**
Expenditure						
Construction services	38,003	-	-	-	-	-
Rental charges	-	-	-	-	-	-
Insurance credit	-	-	-	-	-	(16)
	38,003	**-**	**-**	**-**	**-**	**(16)**

The administration recharges are calculated on a number of bases 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.

During the year the Association has incurred charges of £114k (2022: £145k) in respect of services provided from a company which has a common director. At the year end the balance due to the supplier was £nil (2022: £5k).

35. Related party transactions (continued)

	2022					
	Bromford Developments Limited	Bromford Assured Homes Limited	Street Services Limited	Strand Services Limited	Riverside Mews Limited	Igloo Insurance PCC Limited (Cell BR04)
	BDL	BAH	SSL	STR	RIV	IGL
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Gift Aid	-	433	194	-	-	-
Management recharges	-	-	-	4	2	-
Administration recharges	-	48	-	-	-	-
	-	481	194	4	2	-
Expenditure						
Construction services	24,662	-	-	-	-	-
Rental charges	-	-	204	-	-	-
Insurance fees	-	-	-	-	-	-
	24,662	-	204	-	-	-

35. Related party transactions (continued)

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

	2023	2022
	£'000	£'000
Bromford Developments Limited	**12,543**	9,571
Oakbrook Limited	**18**	-
Bromford Assured Homes Limited	**(240)**	257
Street Services Limited	**-**	(65)
Strand Services Limited	**1**	-
Riverside Mews Limited	**1**	-
	12,323	9,763

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 Developments Limited (100% owned)	06507824	18-Feb-2008	Develops and constructs homes for BHA	Construction services
Bromford Assured Homes Limited (100% owned)	2677730	09-Jan-1992	BHA provides administrative services to BAH	Administrative recharges
Street Services Limited (100% owned)	3711394	11-Feb-1999	Dormant	Dormant
Riverside Mews Management Company Limited (75% owned)	2953846	29-Jul-1994	Management company for leasehold schemes in BHA ownership	Management income
Strand Services Limited (75% owned)	2645753	16-Sep-1991	Management company for leasehold schemes in BHA ownership	Management income
Igloo Insurance PCC Limited (Cell BR04)	53462	19-May-2011	Insurance company	Insurance services

35. Related party transactions (continued)

Under section 33 of FRS102 defined benefit pension schemes are considered to be related parties. During the year the Association has been a member of the Bromford defined benefit scheme. Details of transactions with the scheme is disclosed in note 36.

Bromford Housing Group Limited and its subsidiaries has indemnified its board members, executive team, directors and employees for insurance cover no longer provided within its current directors' and officers' liability insurance for the year ending 31 March 2023. The maximum exposure across the group for this indemnity is £10 million and expires on 31 March 2024. This is described in more detail in note 37.

36. Pension obligations

During the year, the Association participated in one defined benefit (DB) scheme, the Bromford DB Scheme (BDBS).

The company also participates in the Bromford defined contribution (DC) scheme. Further details of pension obligations are given below.

Summary of Pension Schemes balances

	At 31 March 2023	At 31 March 2022
	£'000	£'000
Pension asset		
Bromford DB Scheme	-	11,153
Provisions for Pensions		
Bromford DB Scheme	**(4,303)**	**-**

Bromford DB Scheme (BDBS)

This is a separate trustee administered DB scheme set up on 31 March 2018 following the transfer of obligations from the Bromford section of the Social Housing Pension Scheme (SHPS) and subsequent transfer of obligations from the Merlin Housing Society section of SHPS on 30 September 2019.

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 2021. These have been updated to 31 March 2023 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, with an effective date of 30 September 2021.

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Contributions for the year ended 31 March 2023 and 31 March 2022

	At 31 March 2023	At 31 March 2022
	£'000	£'000
Employee	64	67
Employer	2,492	2,538
Total	**2,556**	2,605
Agreed contribution rates for future years:		
Employee 1/80th DB section 1/120th DB section	 14.5% 4.7%	 14.5% 4.7%
Employer	10%	10%

Principal actuarial assumptions

The following information is based upon the actuarial valuation of the scheme at 30 September 2021 updated to 31 March 2023 by a qualified independent actuary.

Mortality assumptions adopted **Life expectancy at age 65 (Years)**	**At 31 March 2023**	At 31 March 2022
Male retiring in 2023(2022)	21.5	21.5
Female retiring in 2023 (2022)	23.9	23.5
Male retiring in 2043 (2039)	22.5	22.5
Female retiring in 2043 (2039)	25.0	24.7
Other Assumptions **% per annum**		
Discount Rate	4.8%	2.75%
Inflation (RPI)	3.15%	3.50%
Inflation (CPI)	2.80%	3.10%
Salary Growth	2.80%	3.10%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.15%	3.50%
Allowance for pension in payment increases of CPI or 5% p.a. if less	2.74%	3.00%
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	1.97%	2.05%
Allowance for pension in payment increases of CPI or 3% p.a. if less	2.22%	2.35%

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

	At 31 March 2023 £'000	At 31 March 2022 £'000
Fair value of fund assets	74,800	130,994
Present value of defined benefit obligation	(79,103)	(119,841)
Pension (deficit)/surplus	**(4,303)**	11,153

The fair value of the assets:

	At 31 March 2023 £'000	At 31 March 2022 £'000
Growth Assets	35,915	64,501
Corporate Bonds	4,710	8,870
LDI Assets	42,217	55,712
Cash	3,958	1,911
Loan	(12,000)	-
Total Assets	**74,800**	130,994

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 Association.

Reconciliation of Assets and Liabilities

Reconciliation of assets at 31 March 2023:

	£'000
Assets at start of period	130,994
Interest income on assets	3,597
Expenses	(269)
Return on assets excluding interest income	(59,431)
Employer contributions paid	2,492
Employee contributions	64
Benefits paid	(2,647)
Assets at end of period	**74,800**
Actual return on plan assets 1 April 2022 to 31 March 2023	**(55,834)**

Notes to the Financial Statements
For the year ended 31 March 2023

Reconciliation of liabilities at 31 March 2023:

	£'000
Liabilities at start of period	119,841
Service cost	2,158
Interest cost	3,290
Employee contributions	64
Remeasurements	(43,603)
Benefits paid	(2,647)
Liabilities at end of period	**79,103**

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2023:

	£'000
Employer service cost (net of employee contributions)	2,158
Expenses	269
Total operating charge	**2,427**
Analysis of pension finance (income) / costs	
Expected return on pension scheme assets	(3,597)
Interest on pension liabilities	3,290
Amounts credited to financing costs	**(307)**

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March 2023:

	£'000
Actuarial gain on pension scheme assets	(59,431)
Actuarial gain on pension scheme liabilities	(5,211)
Loss from changes in assumptions	48,814
Actuarial losses recognised	**15,828**

Movement in (deficit)/surplus during the year:

	£'000
Surplus in scheme at 1 April 2022	11,153
Employer service cost	(2,158)
Expenses	(269)
Employer contributions paid	2,492
Net interest income	307
Remeasurements included in other comprehensive income	(15,828)
Deficit in scheme at 31 March 2023	**(4,303)**

TPT member benefit review

There is an ongoing legal review of scheme benefit changes that is being undertaken by TPT (the trustee of the BDBS). The review specifically relates to historic changes to the scheme rules and is not expected to be concluded until late 2024 at the earliest.

Staffordshire County Council pension scheme (LGPS)

Historically the Group also participated in The Staffordshire County Council pension scheme (LGPS), which was a multi-employer, defined benefit scheme. Bromford exited this scheme in 2018. However, as the fund at that point was in deficit of £8.1m, Bromford entered into a Funding Agreement to terminate either by March 2038, or by the fund serving notice to terminate if the deficit fell below £1m.

In March 2022 the fund moved from being in deficit to a surplus of £4.9m and in October 2022 the fund served notice to terminate the Funding Agreement, with a cessation payment of zero. As a consequence of which we reviewed our accounting treatment of the asset and the original transaction and have adjusted the prior year periods as at 31 March 2022 and 1 April 2021 to reflect the nature of the transaction as a variable liability rather than a defined benefit pension liability. The impact is to remove the previously reported pension asset and the actuarial gain of £4.9m, since the scheme had been exited and no money was recoverable.

37. Contingent liability

A deed has been entered into by the board Members of Bromford Housing Group Limited to indemnify its board members, executive team, directors and employees across Bromford Housing Group Limited and its subsidiaries for insurance cover no longer provided within its current directors' and officers' liability insurance policy. Any claim made would be against the relevant entity with ultimate responsibility for reimbursement being through Bromford Housing Group Limited where required. The maximum exposure across the group for this indemnity is £10 million and it expires on 31 March 2024.

38. Parent entity

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

The results of Bromford Housing Association Limited are included in the results of Bromford Housing Group Limited.

Copies of Group financial statements for Bromford Housing Group are available from the website, www.bromford.co.uk.