

**BROMFORD HOUSING ASSOCIATION LIMITED**

**Financial Statements**

**for**

**the year ended 31 March 2015**

**Co-operative and Community Benefit Society**

**Registration Number 31418R**

**Homes and Communities Agency**

**Registration Number 4674**

**Bromford Housing Association Limited**

**Financial Statements**

**For the year ended 31 March 2015**

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## Bromford Housing Association Limited

### Report of the Board For the year ended 31 March 2015

## General information

### Board Members and co-optees:

Two Board meetings took place during the financial year.

\* **Meetings Attended** reflects the number of Board meetings that were attended by each Board member or Co-optee out of the total number of Board meetings they were eligible to attend.

	Position	**Appointment Date	*Meetings Attended
Tony Crawford	Chair	1 August 2014	0 out of 1
John Barker	Independent Non-Executive Director	1 August 2014	1 out of 1
Andrew Battrum	Executive Director	1 August 2014	1 out of 1
Rev. David Lavender	Independent Non-Executive Director		2 out of 2
Jonathan Simpson-Dent	Independent Non-Executive Director	1 August 2014	1 out of 1
Christine Clarke	Co-optee	1 August 2014	1 out of 1
Oke Eleazu	Co-optee	1 August 2014	1 out of 1
Fiona Underwood	Co-optee	1 August 2014	1 out of 1

\*\*This column reflects appointments made during the financial year.

### Retirements during the financial year:

	Position	Retirement Date	*Meetings Attended
Nick Cummins	Executive Director	Retired 31 July 2014	1 out of 1
John Downie	Independent Non-Executive Director	Retired 31 July 2014	1 out of 1
Kate Hartigan	Chair	Retired 31 July 2014	0 out of 1
Julie Jones	Independent Non-Executive Director	Retired 31 July 2014	1 out of 1
Philippa Jones	Executive Director	Retired 31 July 2014	1 out of 1
Mick Kent	Executive Director	Appointed 1 August 2014 Retired 1 January 2015	**0 out of 0

\*\*No Board meetings took place during this Board Member's five-month period of office.

### Company Secretary:

Philippa Jones – resigned 1 April 15

Brigid Burbridge – appointed 1 April 15

### Advisors:

**BEEVER *and*  
STRUTHERS**

#### External Auditors:

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

 **BAKER TILLY**

#### Internal Auditors:

Baker Tilly  
Charterhouse  
Legge Street  
Birmingham  
B4 7EU

 **BARCLAYS**

#### Bankers:

Barclays Bank plc  
15 Colmore Row  
Birmingham  
B3 2BH

### Registered office:

1 Exchange Court, Brabourne Avenue, Wolverhampton Business Park, Wolverhampton, WV10 6AU.

## Bromford Housing Association Limited

### Report of the Board

For the year ended 31 March 2015

The Board of Bromford Housing Association Limited (**BHA**) is pleased to present its annual report and financial statements for the year ended 31 March 2015.

#### 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 Charitable Registered Society under the Co-operative and Community Benefit Societies Act 2014. Together, BHG and its subsidiaries are known as **Bromford**.

Bromford is a **social enterprise** whose objective is to help people – customers and colleagues – to be their best. For over 50 years we've provided customers with **new and affordable homes** and provided a range of **services** aimed at **reducing welfare-dependency** and generating **social value** in **employment, education, health and community safety**. Bromford's 28,000 properties are home to over 60,000 people and every year over 10,000 customers benefit from the support services we provide.

**BHA's principal activities** are to develop and manage affordable homes for sale, rent or shared ownership and also to provide a range of support and employment services.

#### 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 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 BHG Board monitors and tests **performance** in relation to approved plans and budgets and is also responsible for determining risk appetite and making sure good governance and decision-making is taking place. It promotes and supports our probity and values and makes sure that 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**.



We are an ethical business, a force for good; we work with integrity, trust and fairness; we respect people and our world and do our bit to make it better. We add value to UK PLC .



We are adventurous, creative and open-minded; we try new things and we're positive about change; we've made and will make the odd mistakes along the way but bravery has led us to a lot of success and will continue to do so.



We want to stand out from the crowd; we love different ideas, views and experiences – they feed our creativity and bring us solutions; we ask our colleagues to 'add a bit of you' in everything they do; we're serious about what we do but we have fun doing it.



Profitability and cash are essential – without them we wouldn't be able to do what we do. We encourage everyone to 'release their inner accountant'.

Fig. 1 – Bromford DNA

## **Bromford Housing Association Limited**

### **Report of the Board**

**For the year ended 31 March 2015**

#### **Board composition, meetings, decisions and delegations**

The BHA Board operates as a unitary board, made up of four Non-Executive Directors (**NEDs**), one Executive Director and three Co-optees.

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 set out in their letter of appointment and is currently between 10 and 15 days per annum. The **other significant commitments** of the Chair, Tony Crawford, and the other NEDs were disclosed to the BHG Board before appointment and are summarised in the BHG Annual Report and Accounts.

#### **Board meetings and attendance.**

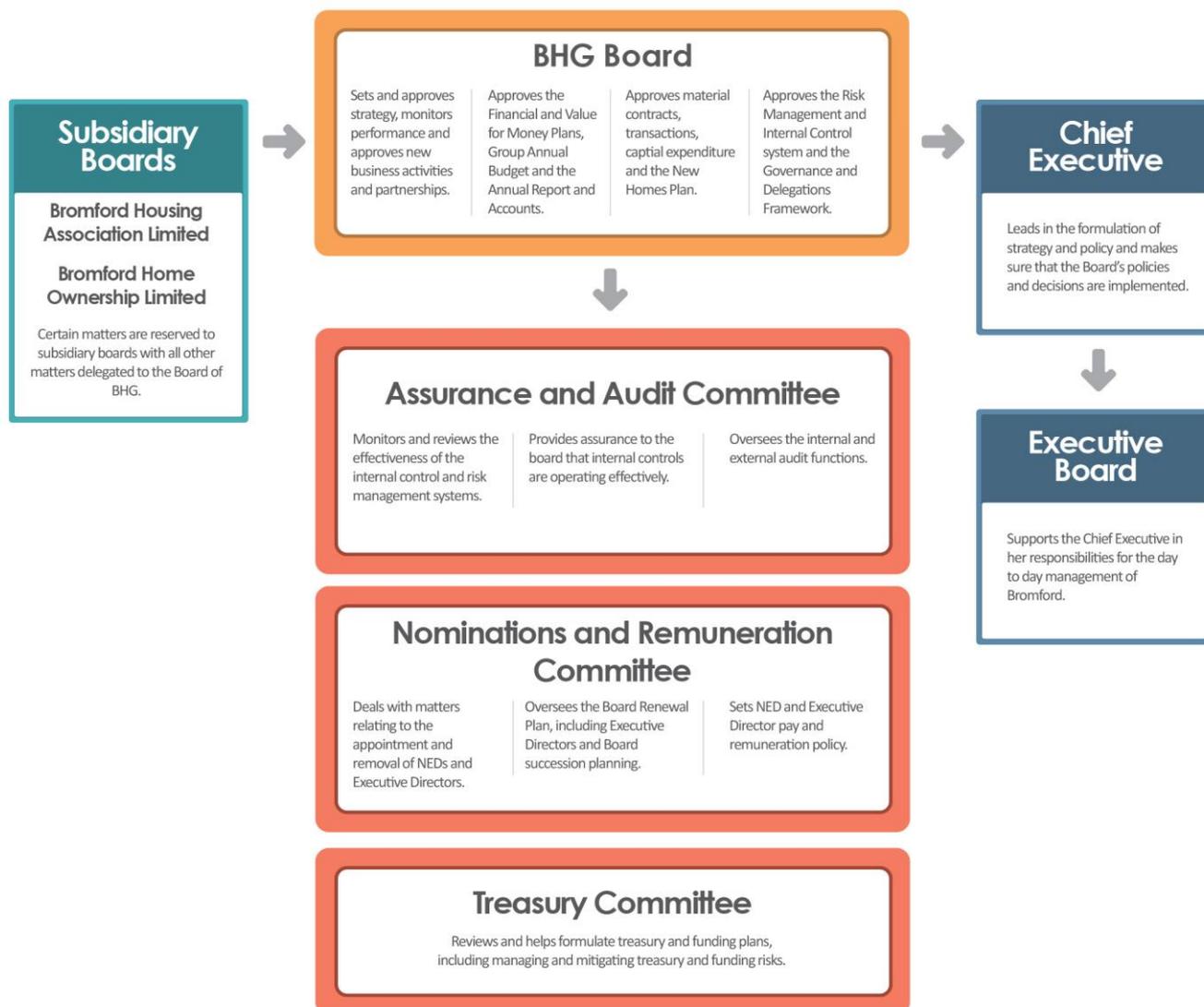
The BHA Board meets twice a year. Each meeting has a planned agenda which allows enough time to discuss key areas of importance. Input from professional experts and/or external advisors is also sought by the Board when necessary. We rotate the venue for Board meetings between our key operational sites so Board members can go on site visits and meet local colleagues.

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

#### **Board and committee decision-making**

An important part of Bromford's internal control framework is making sure that decisions are made by the right people. The Matters Reserved for the BHG Board and its committees are set out in Bromford's **Group Delegations Framework** and **Fig. 2** shows the flow of delegations around Bromford's board, committee and senior management structure. Certain key decisions and matters have been reserved for approval by the BHG Board, with all other matters delegated to BHG Board Committees or the Chief Executive. The BHA Board reserves some matters for itself, such as approving the annual budget and accounts, and delegates all other matters to Board of BHG.

**Report of the Board  
For the year ended 31 March 2015**



**Fig. 2 – The flow of Delegations**

The BHG Board has three committees: the Assurance and Audit Committee, the Nominations and Remuneration Committee and the Treasury Committee. The Chief Executive has also established an executive management forum, the Executive Board. Bromford also has a Customer and Communities Network, which is not part of its formal governance structure but has strong links to the BHG Board and plays an important role in scrutinising service delivery and performance.

More information about the membership and work of the BHG Board Committees can be found in the 'Report of the Board Committees' in the BHG Financial Statements. Committee Terms of Reference can be found on the Bromford website.

**Compliance with our Governance Code (Comply or Explain)**

Bromford has adopted the UK Corporate Governance Code (the **Code**). The Code reflects our commercial outlook, focus on achieving the highest possible standards of accountability and

**Report of the Board  
For the year ended 31 March 2015**

transparency and our desire to position ourselves alongside other high-achieving organisations, regardless of sector.

Bromford's overall compliance statement with the UK Code and related disclosures are contained in the BHG Annual Report and Accounts, alongside information about the BHG Board's annual Governance Effectiveness Reviews.

**Openness and transparency**

Bromford believe in being open and transparent – not only because it helps deliver fair, efficient, and effective customer service, but because we believe it should be easy for our customers, colleagues and stakeholders to get the information they need to make informed judgements about how we operate and use our resources. Bromford's approach to Openness and Transparency is set out in **Fig. 3**.

The 'Open and Transparent' section of the Bromford website contains copies of our key policies and procedures, alongside copies of our Statement of Strategy, Governance Framework, Delegations Framework, Probity Policy and our Value for Money Policy and Self-Assessment. Value for Money is particularly important to us and we want to be transparent about the spending decisions we make, why we have made them and what their impact was. All expenditure over £500 is published each quarter on the Bromford website, alongside statistics and information about what our Board members and colleagues are paid.



**Fig. 3 - Our Approach to Openness and Transparency**

An important part of being open and transparent is interacting with our customers, partners and stakeholders in ways which are constructive and meaningful. We want customers to be able to contact us easily and conveniently whenever and wherever they need to and we work hard to remove any barriers to doing this.

Alongside traditional contact methods such as phone and email, we also have a strong social media presence with accounts on Facebook and Twitter. Customers are responding well to the flexibility this offers and the ability to proactively manage their relationship with us in different ways.

We encourage our customers to 'Be Brave' and share their thoughts on the services we provide. The Bromford Lab, a project set up in 2013, is one way customers can get involved in developing what we do. The Lab provides customers with information about the latest projects we have in the pipeline and gives them the opportunity to contribute their own ideas and suggestions. All customer feedback that Bromford receive helps shape our plans for continuous improvement and allows us to deliver the best customer service we can. Performance feedback is reported quarterly on the Bromford website.

## **Bromford Housing Association Limited**

### **Report of the Board**

**For the year ended 31 March 2015**

## **Risk management and internal control**

### **Our approach**

Bromford's approach to risk is to understand it, so we can take advantage of the upside and minimise the downside. We promote an organisational culture that recognises that no activity is free from risk and we encourage colleagues to be risk aware, not risk averse.

### **How we manage risk**

One of the BHG Board's key responsibilities is to make sure that Bromford has a system of internal controls in place that robustly manage the operational and strategic risks that threaten our business model, future performance, solvency and liquidity. Bromford's risk management process, which was in place throughout 2014/15, is set out in **Fig 4**. Risks are identified in all our business planning processes and in our day to day running of the business.

The BHG Board has delegated authority to the Assurance and Audit Committee (**AAC**) to review Bromford's internal control and risk management framework and provide assurance to the BHG Board that it is operating effectively. More information about the role, purpose and activities of the AAC can be found in the 'Report of the Board Committees' in the BHG Financial Statements.

Report of the Board  
For the year ended 31 March 2015

**Assurance and Audit Committee ('AAC') considers:**

- Risk Reports and the Risk Register at each meeting;
- Internal and External Audit Reports;
- The Wobbly Wheel Register;
- Financial Reporting; Compliance with internal controls;
- Confidential Reporting;
- Probity, fraud, bribery and money-laundering.

**Treasury Committee ('TC') considers:**

- Treasury Risks;
- Treasury Policy;
- Funding Framework;
- Investment & Liquidity Framework;
- Interest Rate Management Framework.

**BHG Board and Chief Executive:**

- The Chief executive prepares a horizon scanning report for each Board meeting which links to the Risk Register.
- The BHG Board and the Chief Executive delegate responsibility and authority for risk to the Functional Directors.
- The BHG Board do a formal review of the risk register on an annual basis but board members can consult the risk register at any time.



**The Executive Board consider:**

- The Risk Register - focusing on the highest scoring risks;
- Performance reports, which includes risk assessment;
- Major Wobbly Wheels and the Wobbly Wheel Register;
- Plans, Policies and other documents, such as the Chief Executive's Scheme of Delegations, the Financial Authorisation Levels in the Financial Standing Orders, the Business Continuity Plan, Draft Regulatory Judgements, Draft Financial Viability Reviews, Data Protection and HR Policies.
- Approvals for disposals, purchases, development, sales and construction;
- Business Planning.

**The Functional Directors:**

- Manage and report on risks, Wobbly Wheels, internal and external audit recommendations, KPIs, customer feedback, fraud, money laundering and litigation.
- Complete quarterly 'Internal Control Returns'.
- All reports to BHG Board and Committees include a full risk analysis and recommendations.

Fig. 4 – Our risk management process

**Risks & uncertainties**

The table below sets out what the BHG Board believes to be the principal risks and uncertainties currently facing Bromford and the steps being taken to manage and mitigate these risks:

Risk	Our Response
<p><b>Treasury</b> - a tightening of the credit markets leading to increased lending costs and/or a reduction in the number of funders accessible to the sector. Pressures on liquidity from counterparty risk, welfare reform and market movements.</p>	<p>We have robust treasury management policies and processes in place, which provide for high levels of liquidity in both cash terms and available property security.</p> <p>Our forecasting processes allow us to plan ahead for a long time horizon.</p> <p>We maintain excellent relationships with funders, valuing their long term commitment to the business.</p> <p>Our covenants are comfortably met and robustly stress-tested.</p> <p>We have access to expert treasury advisors who have the right skills and knowledge to support us as we manage our finances.</p> <p>These factors and our overall strong financial position, combine to support us in managing our treasury risks.</p>
<p><b>Income reduction</b> - the potential for a reduction in income as a result of the roll-out of the changes to welfare reform, the implementation of Universal Credit and significantly reduced funding available for supporting people.</p>	<p>We've had a multi faceted response to this which included communicating with customers about the impact of the changes, participating in a government pilot, running our own service specific pilots, increasing our dedicated colleague resources so colleagues work with customers to deal with the changes, supporting our customers into work, skills development and volunteering, stress-testing the impact of higher arrears, bad debts and income reduction on our financial plan and budgets.</p>
<p><b>Falling housing market</b> – the potential for unsold stock to have a detrimental impact on our strong financial position.</p>	<p>We have a strong focus on our sales exposure and operate strict limits on working capital tied up in unsold stock. We've upskilled our sales and marketing team and we closely monitor changes in the external economic environment. Stress-testing against a range of scenarios is embedded in our business planning process.</p>
<p><b>Right to Buy</b> – the potential for a reduction in stock through increased Right to Buy sales under new legislation proposed by the Conservative</p>	<p>Whilst we support the principle of home ownership for our customers, we will be sharing our views with the Government</p>

## Bromford Housing Association Limited

### Report of the Board

For the year ended 31 March 2015

Government following the 2015 General Election.	about the risk and the potential impact of implementing this legislation – both on the sector and on customers.  We are also carrying out stress-testing to assess the potential impact on our business – to include securitisation issues, including churn on existing charged stock, impact on covenants and reduction in income.
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As well as the above risks, to ensure that we are prepared for the challenges ahead, 2015/16 will see the BHG Board managing the risks around:

- Maintaining our focus on our governance improvements and embedding the changes we have made at BHG Board level over the last three years;
- Managing the changes and transition with the new BHG Chair and Chief Executive;
- Developing our succession plans for the BHG Board, the executive and the senior leadership teams;
- Embedding the Bromford Deal in our culture and service delivery; and
- Investing in new systems and technology to help us deliver better services.

### Internal control

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

As part of its annual review process, the AAC considers:

- The Executive annual review of effectiveness of the internal control system;
- The Risk Register;
- Internal and external auditor reports;
- Internal monitoring reports and key performance indicators;
- Reports from the Treasury Committee and treasury controls;
- Reviews of statutory and regulatory compliance – including safety compliance;
- Financial accounts, budgets, forecast and financial controls; and
- Customer and colleague feedback.

Some key elements of Bromford's control framework include:

- Our Governance Framework and Group Delegation Framework, including committee terms of reference, approved by the BHG Board;
- Financial Standing Orders;
- Strong treasury management, supported by external advisors and experts where necessary;

## **Bromford Housing Association Limited**

### **Report of the Board**

#### **For the year ended 31 March 2015**

- A clear risk management process (see **Fig. 4**);
- Robust strategic and business planning processes;
- A bespoke business assurance programme;
- Up to date and innovative recruitment, training and development programmes for colleagues;
- Regular and formal reporting to the BHG Board on performance and progress on strategic priorities, targets and outcomes;
- Confidential Reporting and Probity policies; and
- Anti-money laundering and fraud policies and registers.

All Bromford's policies and 'How To' guides are simple, easy to understand and written in plain English - the outcome of a major project aimed at making sure key documents are as user-friendly as possible. The latest versions of all policies and 'How To' guides are accessible to all colleagues.

Internal and External Audit are an important way the AAC obtains assurance that internal controls are in place and working. At the start of each financial year, Bromford's internal and external auditors work with us to put a work plan in place to review and test the controls in our biggest risk areas, or in areas of strategic importance.

Following the expiry of the contract with Bromford's existing internal auditors on 31 March 2015, the AAC appointed Mazars to carry out a year-long bespoke business assurance programme. More information can be found in the 'Report of the Board Committees' in the BHG Annual Report. The new business assurance plan was approved by the AAC, and a reporting cycle agreed with Mazars.

During the year, no significant failings or weaknesses were identified by either Bromford's internal or external auditors.

## Bromford Housing Association Limited

### Report of the Board For the year ended 31 March 2015

#### Report of the Board - operating and financial review

##### 1. How do we perform financially

	14/15	13/14	12/13	11/12	10/11
	£m	£m	£m	£m	£m
<b>Income &amp; Expenditure</b>					
Core Turnover	120	115	111	103	94
1st tranche and similar sales	11	13	11	8	4
<b>Turnover</b>	<b>131</b>	<b>128</b>	<b>122</b>	<b>111</b>	<b>98</b>
Operating costs	(73)	(72)	(71)	(69)	(64)
Cost of sales	(8)	(10)	(9)	(7)	(3)
<b>Operating surplus</b>	<b>50</b>	<b>46</b>	<b>42</b>	<b>35</b>	<b>31</b>
Net interest charge	(22)	(21)	(21)	(21)	(21)
<b>Surplus pre disposals</b>	<b>28</b>	<b>25</b>	<b>21</b>	<b>14</b>	<b>10</b>
Gift aid	6	7	4	4	3
Surplus on disposals	3	2	1	1	-
Restructure	-	-	-	-	2
<b>Retained surplus</b>	<b>37</b>	<b>34</b>	<b>26</b>	<b>19</b>	<b>15</b>
<b>Balance Sheet</b>					
	£m	£m	£m	£m	£m
Housing property at cost	1,325	1,286	1,235	1,201	1,150
Depreciation	(141)	(137)	(129)	(125)	(118)
Grant	(475)	(474)	(471)	(470)	(460)
Net book value	709	675	635	606	572
Other Fixed assets	9	8	8	8	8
Net Current Assets	15	16	21	24	19
<b>Assets</b>	<b>733</b>	<b>699</b>	<b>664</b>	<b>638</b>	<b>599</b>
Reserves	267	232	199	175	157
Pensions	9	7	7	5	4
Other long term liabilities	7	6	4	4	4
Net debt	450	454	454	454	434
<b>Funding</b>	<b>733</b>	<b>699</b>	<b>664</b>	<b>638</b>	<b>599</b>
<b>Financial Ratios</b>					
	14/15	13/14	12/13	11/12	10/11
Core operating margin	39%	37%	36%	33%	32%
EBITDA cover	3.07	2.82	2.53	2.30	1.71
Cash conversion <sup>1</sup>	125%	137%	134%	120%	115%
Net debt/Free cash	11.3	11.4	13.2	21.5	27.0
Asset Gearing <sup>2</sup>	34%	35%	37%	38%	38%
Gearing <sup>3</sup>	61%	64%	68%	70%	74%

1. Cash conversion compares operating surplus to operating cash flow

2. Asset gearing compares net debt to housing properties at cost

3. Gearing compares net debt to reserves plus capital grant

## Bromford Housing Association Limited

### Report of the Board

For the year ended 31 March 2015

Our key financial objective, during the long period of slow UK economic recovery, has been to maintain and improve our financial strength whilst protecting our liquidity – enabling us to meet our objectives as a social business 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. Our principle financial ratios show exceptional performance in both areas. Core operating margin, our lead financial efficiency measure, has improved by 7% over the last five years to reach 39%. In the same period, cash conversion consistently exceeds 100% and our free cash flow has nearly doubled. Reflecting this, EBITDA interest cover has risen 79% to 3.07 times, and gearing and asset gearing continue to gradually reduce.

Liquidity remains a key focus and, at March 2015 we have:

- Cash balances of £11.7m;
- £75.9m in undrawn loan facilities (including Revolving Credit Facility);
- £211m of security ready within 3 months to use, with another £334m in the pipeline.

#### Income and expenditure

The surplus of £37.0m is another record for BHA (13/14: £34.1m).

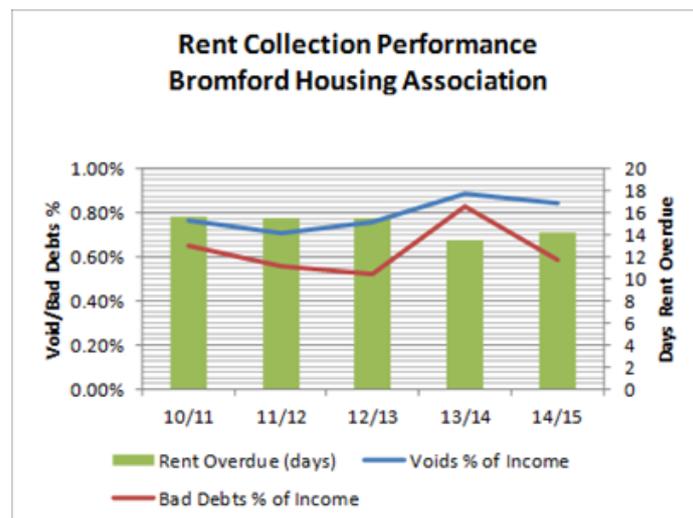
The vast majority of our income is derived from rents and service charges and we are not dependent upon income from asset disposals.

#### Rental income:

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

Gross arrears rose slightly in the year, but at 14.2 days rent arrears are still only 3.9% (13/14 3.7%).

Net arrears (taking prepaid rent into account) also rose but remain low at only 1.7% (13/14: 1.6%).



#### Shared ownership:

Shared ownership sales income was £11m (13/14: £13m). We sold 137 units at an average 100% sales value of £167k (13/14: 215 units, 100% value £150k). The first tranche share increased to 48% (13/14: 41%). We had just 6 unsold units older than six months at the year end.

#### Costs:

Cost control is a core deliverable across the business. Over the last 5 years, whilst operating costs have increased, the operating cost per home has remained constant at ~ £2,600. Success in controlling costs drives our excellent core operating margin - at 39% one of the strongest in the sector. Our strong focus on costs is within our overall Value for Money framework, emphasising not just the cost of what we do but its effectiveness and the outcomes we achieve for our customers.

#### Disposals:

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

Disposal profits in the year were £2.9m (13/14: £2.3m).

#### Corporation tax:

We continue the policy of gift aiding taxable surpluses from non-charitable Group Members to charitable Group Members. BHA received £5.9m

## Bromford Housing Association Limited

### Report of the Board

For the year ended 31 March 2015

in gift aid payments from other group members (13/14: £7.5m).

#### Balance sheet

##### Fixed assets:

Details of the movements in fixed assets during the year are set out in notes 11 to 14 to the financial statements.

##### Sales exposure:

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

##### Investment in our homes:

In 14/15 we invested ~£15m in major repair and refurbishment programmes and ~£42m in new homes.

#### Treasury

The following table highlights our position on key measures: *\*based on group figures – not BHA only*

Borrowing	£473.5m
Undrawn facilities	£75.9m
Cash balances	£11.7m
Fixed rate borrowing	84%
Cost of borrowing	4.78%
Interest cover covenant (cash flow)	3.3 times*
Asset gearing covenant (66.67% max)*	31%*

#### Cash and liquidity:

Rigorous control of cash is a key focus for us. Operating cash flow was again strong at £63m, (13/14: £63m) and represents 125% of operating surplus, an excellent cash conversion performance. Cash balances were strong at £11.7m.

#### Facilities and funding:

Borrowings of £473.5m (13/14 £492.9m) fell due to increased use of our revolving credit facilities (RCF) and scheduled capital repayments.

Undrawn facilities are predominantly RCF's which provide flexibility and assist in mitigating the cost of carry on excess funds. During 14/15 we secured additional RCF's with our relationship banks, taking our overall RCF level to £75.9m (13/14 £65.9m).

#### Interest rate management and mark to market position:

We use fixed rate borrowings to manage our exposure to increases in interest rates and 84% of our borrowings are at fixed rates (13/14 82%). This strikes a balance allowing us to benefit from low short term rates. No further interest rate hedging was undertaken during the year.

The average cost of borrowing was 4.78% (13/14 4.65%).

We have a portfolio of cancellable interest rate swaps for periods ranging to 2047. The swaps are with relationship banks with whom we already have a borrowing position. We manage our mark to market (MtM) position carefully, using the MtM thresholds built into our International Swaps and Derivatives Association (ISDA) agreements and being able to use property as security when required.

The full MtM value of the cancellable swaps at year end was £27.9m which was above last year's level of £17.8m due to falls in the yield curve and long term rates

#### Covenants:

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

## 2. Operational performance

Bromford has adopted a single, unified operating structure. Details of the Group's operational performance are set out in the Operating and Financial review in the Group statutory accounts.

## 3. Value for money (VfM)

Details of Bromford's VfM performance are summarised in the Operating and Financial Review in the Group statutory accounts.

## **Bromford Housing Association Limited**

### **Report of the Board**

**For the year ended 31 March 2015**

#### **4. Social value**

Details of Bromford's Social Value delivery are summarised in the Operating and Financial Review in the Group Statutory accounts.

#### **5. Future outlook**

##### **Welfare reform**

We gained valuable insight from participating in the DWP Shropshire pilot and are running our own internal pilot of direct payment. At year end we had 300 customers receiving benefits direct, mainly within Lichfield and Shropshire, with arrears at 4% - only 0.1% higher than the general level of arrears. We continue to keep close to Universal Credit development and implementation issues and are represented on key DWP working groups.

Supporting customers affected by under-occupancy and welfare caps is now business as usual. At the year-end we had 1,507 households (13/14 1,803 households) affected by under occupancy. We expect this decline in numbers to continue – new lettings being made on the basis of the new regulations. Our interventions over the year have proved effective with year-end arrears for this group averaging at 5.3%, only slightly above our overall average arrears of 3.9%. 49% of customers have clear accounts, proving that, with the right support, customers are adapting to the change. Benefit Cap arrears at year-end were only £11k (6.3%).

Our financial planning allows for an increase in arrears and bad debts and for additional resources, which we believe will be required going forward. However, we expect to maintain our current strong financial position.

##### **Supporting People contracts**

Continued pressure on Local Authority funding has led to reductions in services and funding and we are reviewing our position on a contract by contract basis. We have been unsuccessful in some retendering exercises, most notably in Birmingham. Generally in these circumstances, TUPE rules apply, and colleagues transfer to the new provider. In some cases, however, we have had to make a relatively small number of colleagues redundant. Where possible, we have

found suitable alternative work for colleagues, most notably involving them in our service offer pilots. Over time we expect our Supporting People activity to continue to reduce.

##### **Benefit freezes / cuts**

The details of this are not yet clear, but we would expect to take the final proposals into account when assessing the affordability of our rents in the future.

##### **Right to Buy extension**

On the basis of early modelling we expect that the proposals will lead to a reduction in affordable homes – broadly it will take 3 RTB sales to finance 2 new homes. We will keep our assessment under review as more detail emerges.

##### **Regulation**

The regulator rightly continues to focus on VfM and on risk management – areas in which we have a good track record. We hope that the new regulatory standards do not herald a return to a 'tick box' era and rather we continue to see a more tailored and nuanced approach.

##### **Strategy**

In summary our strategy is to operate on a VfM basis to generate the maximum funds possible for investment in new services (the Deal), our existing homes and new homes. We aim to target that investment to produce the greatest possible social value and to inspire people to be the best they can be, with the objective of fostering self-reliance to help sustain those customers who are already economically active and helping those who are not become so. All this remains unchanged – although there are clearly significant uncertainties facing the sector as a whole and these will affect the detail of how, and at what speed, we deliver our strategy.

We are well placed to meet the challenges of the future – benefiting from :

- A proven track record of service delivery and innovation combined with VfM
- Committed and well motivated colleagues who are open to change
- A sustained strong financial performance

## **Bromford Housing Association Limited**

### **Report of the Board**

**For the year ended 31 March 2015**

#### **Board responsibility for the financial statements**

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the BHA Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charitable Registered Society and of the surplus for that year.

In preparing these financial statements, the BHA Board has:

- Selected suitable accounting policies and applied them consistently;
- Made reasonable and prudent judgements and estimates;
- Followed applicable accounting standards;
- Prepared the financial statements on the going concern basis.

The BHA Board is responsible for ensuring arrangements are made for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of BHA and enable it to ensure that the accounts comply with 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 2012. The BHA Board is also responsible for ensuring that arrangements are made to safeguard the assets of BHA and for taking reasonable steps to prevent and detect fraud and other irregularities.

This includes making arrangements to establish and maintain a satisfactory system of control over BHA's accounting records, cash holdings and all its receipts and remittances.

The Board of Directors who held office at the date of approval of this Board report confirm that, as far as each of them is aware, there is no relevant information of which the BHA's auditors are unaware and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that BHA's auditors are aware of that information.

In preparing the accounts, the BHA Board has reviewed the BHA's financial plan for 2015/20 and has a reasonable expectation that BHA has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 18 to 45 have been prepared on a going concern basis.

#### **Auditors**

Following an open and transparent tender process in 2011, Beevers and Struthers, Chartered Accountants were reappointed as Bromford's external auditors for a period of five years to 2016.

The report of the Board was approved on 21 July 2015 and signed on its behalf by:



Jonathan Simpson-Dent - Chair

## **Bromford Housing Association Limited**

### **Report of the Independent Auditors To the Members of Bromford Housing Association Limited**

We have audited the financial statements of Bromford Housing Association Limited on pages 18 to 45 for the year ended 31 March 2015. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of the Board and the Auditor**

As explained more fully in the Statement of Board's responsibilities set out on page 15, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board and the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- Give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the UK Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance 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 2012.

**Bromford Housing Association Limited**

**Report of the Independent Auditors  
To the Members of Bromford Housing Association Limited**

**Matters on which we are required to report by exception**

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

- A satisfactory system of control over transactions has not been maintained; or
- The Association has not kept proper accounting records;
- The financial statements are not in agreement with the books of account; or
- We have not received all the information and explanations we need for our audit.

*Beever and Struthers*

**BEEVER AND STRUTHERS**

**Chartered Accountants and Statutory Auditor**

**St George's House**

**215-219 Chester Road**

**Manchester M15 4JE**

**21 July 2015**

## Bromford Housing Association Limited

### Income and Expenditure Account & Statement of Total Recognised Surpluses & Deficits For the year ended 31 March 2015

#### Income and Expenditure Account For the Year Ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	130,569	127,550
Cost of sales	2	(7,782)	(9,826)
Operating costs	2	(72,700)	(71,994)
<b>Operating surplus</b>		<b>50,087</b>	45,730
Surplus on sale of properties not developed for outright sale	29	2,916	2,313
Interest receivable and similar income	6	608	1,151
Interest payable	7	(22,549)	(22,514)
Gift aid received	30	5,934	7,452
<b>Surplus on ordinary activities for the year before tax</b>	5	<b>36,996</b>	34,132
Taxation on surplus on ordinary activities	10	-	(20)
<b>Surplus on ordinary activities after taxation</b>	22	<b>36,996</b>	<b>34,112</b>

The Association's turnover and expenses all relate to continuing operations and have been calculated on a historical cost basis.

#### Statement of Total Recognised Surpluses and Deficits For the Year Ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Surplus for the financial year		36,996	34,112
Unrealised surplus / (deficit) on revaluation of investments	22	148	(321)
Actuarial loss relating to pension scheme	22	(2,239)	(525)
Total surpluses recognised since last annual accounts		<b>34,905</b>	<b>33,266</b>

The notes on pages 21 to 45 form an integral part of these accounts

# Bromford Housing Association Limited

## Balance Sheet As at 31<sup>st</sup> March 2015

	Notes	2015 £'000	2014 £'000
<b>Tangible Fixed Assets</b>			
Housing properties	11	708,900	675,292
Investments	13	4,220	4,220
Other fixed assets	14	5,043	3,677
		<b>718,163</b>	<b>683,189</b>
<b>Current Assets</b>			
Stocks	15	1,899	1,899
Debtors : amounts falling due within one year	16	8,543	10,252
Debtors : amounts falling due after more than one year	16	27,148	26,760
Investments	17	8,413	7,999
Cash at bank and in hand		11,665	28,050
		<b>57,668</b>	<b>74,960</b>
<b>Creditors: Amounts falling due within one year</b>	<b>18</b>	<b>(28,017)</b>	<b>(32,913)</b>
<b>Net current assets</b>		<b>29,651</b>	<b>42,047</b>
<b>Total assets less current liabilities</b>		<b>747,814</b>	<b>725,236</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>19</b>	<b>471,564</b>	<b>486,060</b>
<b>Pension liability</b>	<b>32</b>	<b>9,359</b>	<b>7,190</b>
		<b>480,923</b>	<b>493,250</b>
<b>Capital and Reserves</b>			
Called up share capital	21	-	-
Revaluation reserve	22	762	614
Income and expenditure account	22	266,129	231,372
		<b>747,814</b>	<b>725,236</b>

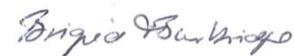
The financial statements on pages 18 to 45 were approved by the Board on 21 July 2015 and were signed on its behalf:



- Member of the Board



- Member of the Board



- Secretary

The notes on pages 21 to 45 form an integral part of these accounts

**Bromford Housing Association Limited**

**Cash Flow Statement**

**For the year ended 31 March 2015**

	Notes	2015		2014	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	<b>23</b>		<b>62,560</b>		<b>62,701</b>
<b>Returns on Investments and Servicing of Finance</b>					
Interest received		<b>508</b>		1,047	
Interest paid		<b>(23,401)</b>		(23,455)	
Gift aid	<b>30</b>	<b>5,934</b>		<b>7,452</b>	
<b>Net Cash Outflow from Returns on Investment and Servicing of Finance</b>			<b>(16,959)</b>		<b>(14,956)</b>
<b>Taxation Paid</b>			-		(20)
<b>Capital Expenditure and Sales of Housing Properties</b>					
Sale of housing properties		<b>7,686</b>		7,262	
Acquisition and construction of housing properties		<b>(52,380)</b>		(59,793)	
Capital grants received		<b>2,639</b>		<b>4,632</b>	
<b>Net Cash Outflow from Investing Activities</b>			<b>(42,055)</b>		<b>(47,899)</b>
<b>Net Cash Inflow/(Outflow) before Financing</b>			<b>3,546</b>		<b>(174)</b>
<b>Financing</b>					
Housing loans received		-		-	
Housing loans repaid		<b>(19,142)</b>		(14,140)	
Loan finance costs		<b>(241)</b>		(269)	
Intercompany loan movement		<b>(282)</b>		604	
<b>Net Cash Outflow from Financing</b>			<b>(19,665)</b>		<b>(13,805)</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>25</b>		<b>(16,119)</b>		<b>(13,979)</b>

The notes on pages 21 to 45 form an integral part of these accounts

## **Bromford Housing Association Limited**

### **Notes to the Financial Statements For the year ended 31 March 2015**

#### **1. Principal accounting policies**

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Registered Provider (RP) of social housing.

#### **Basis of accounting**

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and Statements of Recommended Practice of the United Kingdom. The accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012 and the Statement of Recommended Practice: accounting by Registered Social Housing Providers Update 2010 published by the National Housing Federation. The accounts are prepared on the historical cost basis of accounting, as modified by the revaluation of investments.

#### **Turnover**

Turnover represents rental income receivable, revenue grants from from the Homes and Communities Agency (HCA) and local authorities, income from first tranche sale of shared ownership property and amounts invoiced in respect of the provision of services and other income.

#### **VAT**

The Association is value added tax (VAT) registered but a large proportion of its income (rents), is exempt for VAT purposes. Under partial exemption rules, this means that the Association can recover only a proportion of the VAT it suffers. Expenditure is therefore shown inclusive of VAT to the extent that it is suffered by the Association and not recoverable. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

#### **Support income and costs including Supporting People**

Supporting people (SP) contract income received from Administering Authorities is accounted for as SP income in the turnover note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the income and expenditure from social housing lettings note 3 and matched against the relevant costs.

#### **Properties for sale**

The sales income and related costs associated with properties sold during the year are included in the Income and Expenditure Account. This includes the income and related costs associated with the first tranche sales for shared ownership properties.

Properties developed for sale but unsold as at the balance sheet date, including the unsold first tranche element of any completed shared ownership properties, are shown in the balance sheet as current assets, valued at the lower of cost and net realisable value. Cost comprises materials, direct labour, direct development overheads and interest capitalised. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

## **Bromford Housing Association Limited**

### **Notes to the Financial Statements For the year ended 31 March 2015**

#### **Property managed by an agent**

Where the Association carries the majority of the financial risk on property managed by agency, all the income and expenditure arising from the property is included in the Income and Expenditure Account.

Where the agency carries the majority of the financial risk, the Income and Expenditure Account includes only that income and expenditure which relates solely to the Association.

In both cases, the assets and associated liabilities are included in the Balance Sheet.

#### **Capitalisation of interest and administration costs**

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

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

#### **Loan finance costs**

Costs directly connected with the raising of finance are netted off the loan balances in the Balance Sheet. The costs are then written off to the Income and Expenditure Account over the life of the related loan.

#### **Leased assets**

Where assets are financed by leasing agreements that give rights approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the income and expenditure account using the annuity method. Rentals paid under operating leases are charged to the Income and Expenditure Account as incurred.

#### **Housing properties**

Housing properties are included in the Balance Sheet at cost less related capital grant and depreciation. Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are ready for letting or sale.

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant. In the case of section 106, land the valuation takes into account all the conditions of sale imposed by the Local Authority and its value in use to the Registered Provider.

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

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

Depreciation is charged on a straight-line basis after taking into account social housing grant over the assets expected economic useful life as shown below:

Component	Useful Economic Life (years)	Component	Useful Economic Life (years)
Housing properties structure, houses	130	Heating systems	30
Housing properties, flats	75	Windows and doors	25
Housing properties, rooms	40	Kitchens	20
Housing properties, bedsits	40	Boilers	15
Roofs	65		
Bathrooms	30		

#### Shared ownership properties

Shared ownership properties offer an opportunity for people to part own their home. An initial first tranche is sold to the tenant, who owns that share of the property outright. The balance of the property remains in the Association's ownership and is leased to the tenant.

Where shared ownership properties are developed, the costs relating to the first tranche element are treated as a current asset. Costs related to that part of the property to be retained by the Association are treated as a fixed asset and are included in housing properties at cost less depreciation, any related capital grant and any impairment provision.

First tranche sales are included in the Income and Expenditure Account by way of turnover and related cost of sales.

Shared owners are able to subsequently purchase further shares in their homes. This is called 'staircasing'. The surplus or deficit arising on staircasing is included in the Income and Expenditure Account after operating surplus but before interest.

#### Impairment

All housing properties are reviewed annually for impairment. For this purpose, properties are normally split into groups whose income and expenditure can be separately identified. Impairment is recognised where the carrying value (depreciated historic cost net of grant) exceeds the recoverable amount (the higher of the net realisable value or the value in use).

Where impairment is identified, a provision is made against the asset and is charged to the Income and Expenditure Account.

#### Equity loans

*Purchased from house builders.*

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

*Homebuy Direct*

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

## **Bromford Housing Association Limited**

### **Notes to the Financial Statements For the year ended 31 March 2015**

#### **Social housing and other grants**

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received.

Social Housing Grant (SHG) received for items of cost written off in the Income and Expenditure Account is treated as part of turnover and is thereby matched against those costs. The net SHG received and not spent is included in current liabilities, taking into account all properties under construction.

Under certain conditions, SHG can be recycled by the Association and can be used for projects approved by the Homes and Communities Agency (HCA). Such recycled SHG is included as a liability in the Balance Sheet. Recycled SHG may have to be repaid if certain conditions are not met, in which case it becomes a subordinated unsecured repayable debt.

#### **Other fixed assets and depreciation**

Tangible fixed assets are stated at cost, less accumulated depreciation and capital grants. Freehold land is not depreciated.

Tangible fixed assets are depreciated on a straight line basis over the expected economic useful lives of the assets as follows:

Motor vehicles	3 years
Fixtures, fittings, plant and equipment	5 years
Computer software	3 years
Computer hardware	3 years
Office buildings	50 years

The useful economic lives of all tangible fixed assets are reviewed annually. Fixed assets which are considered to be permanently impaired are written down to their recoverable amounts.

#### **Disposal Proceeds Fund (DPF)**

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

#### **Service charge sinking funds**

Service charge sinking funds are treated as creditors due within one year.

#### **Fixed asset investments**

Fixed asset investments are carried at the lower of cost and net realisable value.

#### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value.

## **Bromford Housing Association Limited**

### **Notes to the Financial Statements For the year ended 31 March 2015**

#### **Current asset investments**

Current asset investments are carried at market value.

#### **Provisions**

The Association only provides for contractual liabilities.

#### **Pension costs**

The Association makes contributions into a defined benefit pension scheme operated by Staffordshire County Council. The scheme is valued every three years by professionally qualified independent actuaries, the rates of contribution being determined by the actuaries. In the intervening years the actuaries review the continuing appropriateness of the rate of contribution. The cost of providing pensions is charged to the income and expenditure account in accordance with the requirements of FRS17.

The Association also makes contributions to a defined benefit scheme operated by the Pensions Trust – Social Housing Pension Scheme (SHPS) . As the Pensions Trust is unable to identify the Association's share of the underlying assets and liabilities, the Association accounts for contributions to the Pensions Trust scheme as if it were a defined contribution scheme.

Details of these schemes are set out in Note 32.

#### **Financial instruments**

The Association uses derivative financial instruments to reduce exposure to interest rate movements. The Association does not hold or issue derivative financial instruments for speculative purposes. For an interest rate instrument to be treated as a hedge, the instrument must be related to actual assets or liabilities or to a probable commitment and must change the nature of the interest rate by converting a variable rate to a fixed rate or vice versa. Interest differentials under these instruments are recognised by adjusting net interest payable over the periods of the contracts. If an instrument ceases to be accounted for as a hedge, for example because the underlying hedging position is eliminated, the instrument is marked to market and any resulting profit or loss is recognised at that time.

#### **Taxation**

Bromford Housing Association Limited has charitable status and therefore is not subject to corporation tax on surpluses derived from charitable activities.

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

#### 2. Turnover and Operating Surplus

	Notes	2015			
		Turnover	Cost of Sales	Operating Costs	Operating Surplus / (Deficit)
		£'000	£'000	£'000	£'000
<b>Social Housing Lettings</b>					
Housing accommodation	3	90,760	-	(46,840)	43,920
Supported Housing accommodation	3	11,338	-	(8,735)	2,603
Shared ownership accommodation	3	3,783	-	(2,701)	1,082
		<b>105,881</b>	<b>-</b>	<b>(58,276)</b>	<b>47,605</b>
<b>Other Social Housing Activities</b>					
Development partnership		90	-	(90)	-
Sales and Development		-	-	(568)	(568)
Agency Services		2,627	-	(2,627)	-
Supported people contract income		10,814	-	(9,952)	862
Other		16	-	(71)	(55)
First tranche shared ownership sales		10,956	(7,782)	(840)	2,334
<b>Non Social Housing Activities</b>					
Market rents		56	-	(9)	47
Commercial rents		129	-	(47)	82
Properties and facilities management		-	-	(220)	(220)
		<b>130,569</b>	<b>(7,782)</b>	<b>(72,700)</b>	<b>50,087</b>

	Notes	2014			
		Turnover	Cost of Sales	Operating Costs	Operating Surplus / (Deficit)
		£'000	£'000	£'000	£'000
<b>Social Housing Lettings</b>					
Housing accommodation	3	82,502	-	(45,465)	37,037
Supported Housing accommodation	3	14,307	-	(9,207)	5,100
Shared ownership accommodation	3	3,526	-	(2,121)	1,405
		<b>100,335</b>	<b>-</b>	<b>(56,793)</b>	<b>43,542</b>
<b>Other Social Housing Activities</b>					
Development partnership		169	-	(169)	-
Sales and Development		-	-	(483)	(483)
Agency Services		2,796	-	(2,689)	107
Supported people contract income		11,303	-	(10,242)	1,061
Other		161	-	(35)	126
First tranche shared ownership sales		12,628	(9,826)	(1,405)	1,397
<b>Non Social Housing Activities</b>					
Market rents		29	-	-	29
Commercial rents		129	-	(37)	92
Properties and facilities management		-	-	(141)	(141)
		<b>127,550</b>	<b>(9,826)</b>	<b>(71,994)</b>	<b>45,730</b>

**Bromford Housing Association Limited**

**Notes to the Financial Statements  
For the year ended 31 March 2015**

**3. Income and Expenditure from Social Housing Lettings**

	2015				2014
	Housing Accommodation £'000	Supported Housing £'000	Shared Ownership £'000	Total £'000	Total £'000
<b>Income</b>					
Rent receivable net of voids	87,869	7,067	3,152	98,088	92,539
Service charges	2,870	4,027	631	7,528	7,526
Charges for support services	21	244	-	265	270
<b>Net rents receivable</b>	<b>90,760</b>	<b>11,338</b>	<b>3,783</b>	<b>105,881</b>	<b>100,335</b>
<b>Expenditure</b>					
Services	(3,705)	(3,900)	(523)	(8,128)	(8,281)
Care and support costs	(30)	(230)	(1)	(261)	(289)
Management	(13,064)	(1,674)	(1,011)	(15,749)	(15,695)
Routine maintenance	(12,283)	(1,106)	(273)	(13,662)	(13,312)
Planned maintenance	(737)	(529)	(100)	(1,366)	(1,097)
Major Repairs expenditure	(3,349)	(786)	(257)	(4,392)	(5,366)
Rent losses from bad debts	(475)	(132)	(17)	(624)	(834)
Depreciation and impairment	(13,197)	(378)	(519)	(14,094)	(11,919)
<b>Total expenditure on social housing lettings</b>	<b>(46,840)</b>	<b>(8,735)</b>	<b>(2,701)</b>	<b>(58,276)</b>	<b>(56,793)</b>
<b>Operating surplus on social housing lettings</b>	<b>43,920</b>	<b>2,603</b>	<b>1,082</b>	<b>47,605</b>	<b>43,542</b>
<b>Rent losses from voids</b>	<b>(555)</b>	<b>(337)</b>	<b>(5)</b>	<b>(897)</b>	<b>(893)</b>

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

4. Accommodation in Management	2015 Number	2014 Number
<b>Social Housing</b>		
General needs	17,310	17,338
Affordable rent	1,077	749
Supported housing	1,657	1,681
Shared ownership	1,238	1,200
Leasehold	691	673
<b>Total social housing units</b>	<b><u>21,973</u></b>	<b><u>21,641</u></b>
<b>Non Social Housing</b>		
Staff accommodation	8	9
Market rent	13	7
Commercial units	129	111
Retained freeholds	402	377
<b>Total non social housing units</b>	<b><u>552</u></b>	<b><u>504</u></b>
<b>Total units</b>	<b><u>22,525</u></b>	<b><u>22,145</u></b>
Owned and managed	21,623	21,217
Owned and managed by others	438	491
Managed for others	464	437
<b>Total units</b>	<b><u>22,525</u></b>	<b><u>22,145</u></b>
<b>Garages / parking spaces</b>	<b><u>1,538</u></b>	<b><u>1,531</u></b>

### 5. Surplus on Ordinary Activities Before Taxation is stated after crediting / (charging):

	2015 £'000	2014 £'000
Operating lease rentals:		
office land & buildings	(568)	(721)
vehicles	(1,008)	(1,021)
Surplus on sale of:		
housing properties not developed for outright sale	2,916	2,313
Depreciation of housing properties	(12,498)	(11,809)
Depreciation of tangible owned fixed assets	(1,792)	(282)
Auditor's remuneration (excluding VAT):		
in their capacity as auditors	(19)	(18)
	<b><u>(19)</u></b>	<b><u>(18)</u></b>

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

<b>6. Interest Receivable and Similar Income</b>	<b>2015</b>	2014
	<b>£'000</b>	£'000
Interest receivable from cash and money market deposits	<u>608</u>	<u>1,151</u>
<b>7. Interest Payable and Similar Charges</b>	<b>2015</b>	2014
	<b>£'000</b>	£'000
Interest on loans, overdraft and other financing:		
by instalments	22,493	22,534
other	<u>737</u>	<u>712</u>
	<b>23,230</b>	23,246
Other finance charges	133	155
Finance costs / amortised premium	92	71
Interest payable capitalised on housing properties under construction 5.2% (2014: 5.2%)	<u>(973)</u>	<u>(1,144)</u>
	<b>22,482</b>	22,328
Interest on pension scheme liabilities	885	896
Expected return on employer assets	<u>(818)</u>	<u>(710)</u>
	<b>22,549</b>	<u>22,514</u>

### 8. Staff Costs

Colleagues in the Group are employed on a joint and several basis by the Group and its members. Details of colleague numbers and cost are available in the Group accounts.

### 9. Directors' Emoluments

Emoluments to directors are paid through Bromford Housing Group and are disclosed in the Group Accounts.

One Non-Executive Director of the Board received emoluments for their services as director of Bromford Housing Association Limited during the year - J. Jones £500 (2014 £2,000). J. Jones retired as a Director on 31st July 2014.

### 10. Taxation on Surplus on Ordinary Activities

No charge arose from any surplus on non-charitable activities relating to the year ended 31 March 2015 (2014: £20k - in respect of the year ended 31st March 2013).

# Bromford Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2015

### 11. Tangible Fixed Assets - Housing Properties

	Housing Properties held for letting	Housing Properties under Construction	Completed Shared Ownership Housing Properties	Shared Ownership Properties under Construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2014	1,160,121	40,799	75,836	9,371	1,286,127
Additions	992	32,700	527	7,682	41,901
Replacement of components	10,140	-	-	-	10,140
Transferred on completion	48,396	(48,396)	8,452	(8,452)	-
Disposals	(1,788)	-	(2,972)	-	(4,760)
Components disposed	(8,536)	-	-	-	(8,536)
Transfers to group association	-	-	34	-	34
Other Recategorisation	-	-	-	-	-
At 31 March 2015	<u>1,209,325</u>	<u>25,103</u>	<u>81,877</u>	<u>8,601</u>	<u>1,324,906</u>
<b>Less:-</b>					
<b>Depreciation and Impairment</b>					
At 1 April 2014	135,718	-	1,393	-	137,111
Charge for the year	12,087	-	411	-	12,498
Disposals	(8,441)	-	(85)	-	(8,526)
At 31 March 2015	<u>139,364</u>	<u>-</u>	<u>1,719</u>	<u>-</u>	<u>141,083</u>
<b>Social Housing Grant</b>					
At 1 April 2014	447,510	5,452	20,369	393	473,724
Received	741	1,540	70	288	2,639
Transferred on completion	6,775	(6,775)	459	(459)	-
Recycled	(827)	-	(613)	-	(1,440)
Other recategorisation	(1,627)	1,627	222	(222)	-
At 31 March 2015	<u>452,572</u>	<u>1,844</u>	<u>20,507</u>	<u>-</u>	<u>474,923</u>
<b>At 31 March 2015</b>	<u>617,389</u>	<u>23,259</u>	<u>59,651</u>	<u>8,601</u>	<u>708,900</u>
<b>At 1 April 2014</b>	<u>576,893</u>	<u>35,347</u>	<u>54,074</u>	<u>8,978</u>	<u>675,292</u>
				<b>2015</b>	2014
				£'000	£'000
Housing property net book value in respect of long leaseholds				1,875	1,900
Housing property net book value in respect of freeholds				707,025	673,392
				<u>708,900</u>	<u>675,292</u>
Total depreciation charge				12,498	11,809
Component depreciation within the total depreciation charge				9,285	8,963
Development administration costs capitalised during the year				2,191	2,338
Estimated open market value of housing properties				2,549,502	2,424,279
Value of properties on charge for the security of loans				954,959	954,826
Total accumulated SHG receivable at the balance sheet date from capital and revenue sources				<u>524,616</u>	<u>520,622</u>

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

#### 12. Expenditure on work to existing properties

	2015 £'000	2014 £'000
Replacement of components	10,140	8,518
Amounts charged to income and expenditure account	4,392	5,366
	<u>14,532</u>	<u>13,884</u>

#### 13. Tangible Fixed Assets - Investments

	2015 £'000	2014 £'000
Bromford Assured Homes plc	4,000	4,000
Igloo Insurance PCC Limited (Cell BR04)	<u>220</u>	<u>220</u>
	<u>4,220</u>	<u>4,220</u>

The investment in Bromford Assured Homes plc represents the fair value of the assets when purchased reviewed for impairment. The investment in Igloo Insurance PCC Limited (Cell BR04) (incorporated in Guernsey) comprises 100% of the ordinary shares.

Bromford Housing Association Limited has seven subsidiaries. The companies' details are disclosed in note 30.

**Bromford Housing Association Limited**

**Notes to the Financial Statements  
For the year ended 31 March 2015**

**14. Tangible Fixed Assets - Other**

	Freehold Offices	Fixture & Fittings, & Equipment	Computer Equipment & Software	Leasehold Offices	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 April 2014	5,266	2,105	245	137	119	7,872
Additions	26	18	1,190	-	48	1,282
Disposals	(11)	(1,510)	(3,284)	-	(119)	(4,924)
Transfer from group company	-	-	9,715	-	-	9,715
At 31 March 2015	<u>5,281</u>	<u>613</u>	<u>7,866</u>	<u>137</u>	<u>48</u>	<u>13,945</u>
<b>Depreciation and Impairment</b>						
At 1 April 2014	1,729	2,059	231	57	119	4,195
Charge for the year	79	51	1,648	2	12	1,792
Disposals	(19)	(1,497)	(3,282)	-	(119)	(4,917)
Transfer from group company	-	-	7,832	-	-	7,832
At 31 March 2015	<u>1,789</u>	<u>613</u>	<u>6,429</u>	<u>59</u>	<u>12</u>	<u>8,902</u>
<b>Net Book Value</b>						
At 31 March 2015	<u>3,492</u>	<u>-</u>	<u>1,437</u>	<u>78</u>	<u>36</u>	<u>5,043</u>
At 1 April 2014	<u>3,537</u>	<u>46</u>	<u>14</u>	<u>80</u>	<u>-</u>	<u>3,677</u>

**15. Stocks and Work in Progress**

	2015 £'000	2014 £'000
Consumable stock	208	253
Cost of first tranche element of shared ownership properties	<u>1,691</u>	<u>1,646</u>
	<u>1,899</u>	<u>1,899</u>
Shared ownership properties:		
Completed	510	257
Under construction	<u>1,181</u>	<u>1,389</u>
	<u>1,691</u>	<u>1,646</u>

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

<b>16. Debtors</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Rent arrears	4,110	3,703
Less provision for bad debts	(1,476)	(808)
	<u>2,634</u>	<u>2,895</u>
Trade debtors	1,141	308
Other Debtors	1,289	930
Prepayments and accrued income	884	1,003
Due from group companies	<u>2,595</u>	<u>5,116</u>
Amounts falling due within one year	<u>8,543</u>	<u>10,252</u>
Shared equity loans	234	97
Amounts due from group companies	<u>26,914</u>	<u>26,663</u>
Amounts falling due after more than one year	<u>27,148</u>	<u>26,760</u>
<b>17. Current Asset Investments</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Money market deposits	<u>8,413</u>	<u>7,999</u>

Money market deposits includes monies held by lenders in support of bond finance. These monies are placed in accounts charged to the lenders.

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
The analysis of these monies is:		
Dexia Bond	2,734	2,718
Haven Bond	5,199	4,802
	<u>7,933</u>	<u>7,520</u>

<b>18. Creditors: amounts falling due within one year</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Prepaid rental income	2,357	2,078
Housing Loans (Note 19)	5,675	9,743
Trade creditors	1,762	2,346
Amounts due to group companies	583	379
Balances with Supported Housing partners	3,120	3,217
Funds held on trust	2,620	2,199
Recycled Grant Fund	550	38
Stock Issue premium (due within 1 year)	133	133
Accruals and deferred income	9,937	11,606
Payments received on account from subsidiary for property purchase	1,280	1,174
	<u>28,017</u>	<u>32,913</u>

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

#### 19 Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
Housing loans	464,342	479,410
Other loans	426	581
Stock issue premium	2,794	2,926
Other creditors	105	106
Recycled capital grant fund	3,876	2,997
Disposals proceeds fund	21	40
	<u>471,564</u>	<u>486,060</u>

#### Loans repayable by instalments and not wholly repayable within five years :

Repayable within one year	5,675	9,743
Repayable between one and two years	11,394	7,509
Repayable between two and five years	34,979	34,526
After five years	347,429	367,139
Less : loan finance costs	(3,034)	(3,183)
	<u>396,443</u>	<u>415,734</u>

#### Amounts repayable otherwise than by instalments and not wholly repayable within five years:

Repayable between one and two years	2,500	-
Repayable between two and five years	8,500	10,500
Repayable after five years	63,000	63,500
	<u>74,000</u>	<u>74,000</u>

Housing loans from banks, building societies, and registered social landlord public issue stock are secured by specific charges on housing properties and are repayable at varying interest rates.

Loans due after more than one year include the Dexia and Haven bonds. As set out in Note 17, the Dexia bond is supported by cash held in a charged bank account. The Haven bond is supported by a debt service reserve, which is cash deposited with the bond trustees and reinvested by them on our behalf.

	2015 £'000	2014 £'000
Loans as stated above	470,443	489,734
Less : Dexia charged cash deposit	(2,734)	(2,718)
Less : Haven debt service reserve	(5,199)	(4,802)
Loans net of related cash deposits	<u>462,510</u>	<u>482,214</u>

Interest charged to the Income and Expenditure Account on the Dexia bond is net of interest earned on the Dexia charged cash

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

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

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	22	20 March 2029	4.50	15,000
Lloyds TSB	25	12 January 2032	4.04	10,000
Lloyds TSB	25	21 July 2031	4.31	12,500
Lloyds TSB	25	27 October 2031	4.17	10,000
Lloyds TSB	15	13 September 2022	4.66	20,000
				<b>80,000</b>

The interest rate risk profile of loan liabilities are as follows:

	2015 £'000	2014 £'000
Floating rate - average 0.84% (2014 0.82%)	76,188	90,589
Fixed rate - average 6.13% (2014 6.22%)	397,289	402,328
	<b>473,477</b>	<b>492,917</b>

Undrawn committed borrowing facilities (all secured) at 31 March were as follows:

	2015 £'000	2014 £'000
Expiring within one year	10,000	-
Expiring between one and two years	65,900	65,900
Expiring between two and five years	-	-
Repayable after five years	-	-
	<b>75,900</b>	<b>65,900</b>

#### 20. RCGF and DPF Creditors

	2015 £'000	2014 £'000
<b>a) Recycled Capital Grant Fund</b>		
As at 1st April 2014	3,035	959
Inputs to reserve:		
Grants recycled	1,440	2,396
Interest accrued	22	6
Transfers to other Group members	(63)	(69)
Utilised	(9)	(257)
	<b>4,426</b>	<b>3,035</b>
As at 31st March 2015		
<b>b) Disposal Proceeds Fund</b>		
As at 1st April 2014	40	40
Utilised	(19)	-
	<b>21</b>	<b>40</b>
As at 31st March 2015		

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

#### 21. Called Up Share Capital

	2015	2014
	£	£
<b>Allotted, issued and fully paid</b>		
At 1 April 2014	5	5
Cancelled during the year	(3)	-
Allotted during the year	<u>3</u>	<u>-</u>
<b>At 31 March 2015</b>	<u><u>5</u></u>	<u><u>5</u></u>

Each Non-Executive Director of the Board and the Group Parent hold one share in the Association. The shares do not have a right to any dividend or distribution in a winding up, and are not redeemable. Each share has full voting rights.

#### 22. Reserves

	Revaluation Reserve: Investments £'000	Income & Expenditure Account £'000
At 1 April 2014	614	231,372
Surplus for the financial year	-	36,996
Actuarial loss on pension scheme	-	(2,239)
Unrealised surplus on revaluation of investments	<u>148</u>	<u>-</u>
<b>At 31 March 2015</b>	<u><u>762</u></u>	<u><u>266,129</u></u>

#### 23. Reconciliation of Operating Profit To Net Cash Inflow from Operating Activities

	2015	2014
	£'000	£'000
Operating surplus for the year	50,087	45,730
Depreciation	14,290	12,091
Decrease/(Increase) in stocks and work in progress	-	1,015
Decrease in debtors	1,813	2,224
(Decrease)/increase in creditors	(3,493)	1,706
FRS17 pension operating cost	<u>(137)</u>	<u>(65)</u>
<b>Net cash inflow from operating activities</b>	<u><u>62,560</u></u>	<u><u>62,701</u></u>

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

	2015 £'000	2014 £'000
<b>24. Reconciliation of Net Cashflow to Movement in Net Funds</b>		
Decrease in cash	(16,119)	(13,979)
Cash inflow from increase in debt and lease financing	19,383	14,409
Change in net debt resulting from cashflows	<u>3,264</u>	<u>430</u>
Revaluation of investments	148	(321)
Amortisation of premium/loan costs	41	62
<b>Movement in net debt in the year</b>	<u>3,453</u>	<u>171</u>
<b>Net funds at 1 April</b>	<u>(456,744)</u>	<u>(456,915)</u>
<b>Net funds at 31 March</b>	<u><u>(453,291)</u></u>	<u><u>(456,744)</u></u>

### 25. Analysis of Changes in Net Debt

	At 1 April 2014 £'000	Cashflows £'000	Amortisation of premium/ loan costs £'000	Revaluation of Investment £'000	Movement In Creditors Timing £'000	At 31 March 2015 £'000
Cash at bank and in hand	28,050	(16,385)	-	-	-	11,665
Short term investments	7,999	266	-	148	-	8,413
	<u>36,049</u>	<u>(16,119)</u>	<u>-</u>	<u>148</u>	<u>-</u>	<u>20,078</u>
Other loans:						
Housing loans < 1 year	(9,743)	-	-	-	4,068	(5,675)
Housing loans > 1 year	(479,991)	19,383	(92)	-	(4,068)	(464,768)
Stock issue premium	(3,059)	-	133	-	-	(2,926)
	<u>(456,744)</u>	<u>3,264</u>	<u>41</u>	<u>148</u>	<u>-</u>	<u>(453,291)</u>

### 26. Statement of Grant Movements

	2015 £'000	2014 £'000
Balance at 1 April	473,724	471,487
SHG received	2,716	4,769
SHG taken to Profit & Loss Account	(77)	(136)
Recycled SHG	(1,440)	(2,396)
<b>Balance at 31 March</b>	<u><u>474,923</u></u>	<u><u>473,724</u></u>

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

#### 27. Capital Commitments

	2015 £'000	2014 £'000
Capital expenditure contracted for but not provided in the financial statements	<u>68,602</u>	<u>69,526</u>
Capital expenditure authorised but not yet contracted for in the financial statements	<u>33,192</u>	<u>10,536</u>

These commitments are to be financed by the receipt of Social Housing Grant and a mixture of loan finance and reserves, as follows:

Social housing grant	326	2,594
Loans and reserves	<u>101,468</u>	<u>77,468</u>
	<u>101,794</u>	<u>80,062</u>

#### 28. Other Financial Commitments

The annual commitments under operating leases are as follows:

	Land and Buildings		Vehicles		Total Leases	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Operating Leases which expire:						
Within 1 year	61	86	77	61	138	147
Within 2 to 5 years	270	270	734	965	1,004	1,235
After 5 years	149	149	-	-	149	149
	<u>480</u>	<u>505</u>	<u>811</u>	<u>1,026</u>	<u>1,291</u>	<u>1,531</u>

#### 29. Sale of Properties not Developed for Outright Sale and Other Fixed Assets

	Proceeds of Sales £'000	Cost of Sales £'000	Surplus £'000
Further tranches	3,271	(2,693)	578
Right to buy	692	(541)	151
Right to acquire	230	(182)	48
Other property disposals	4,052	(1,913)	2,139
<b>Total 2015</b>	<u>8,245</u>	<u>(5,329)</u>	<u>2,916</u>
Total 2014	<u>7,967</u>	<u>(5,654)</u>	<u>2,313</u>

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

#### 30. Related Party Transactions

There were gift aid receipts in the year as follows:

	2015 Gift Aid Received £'000	2014 Gift Aid Received £'000
Bromford Assured Homes PLC	479	512
Bromford Housing Group	-	908
Bromford Home Ownership Limited	5,300	5,880
Street Services Limited	155	152
	<u>5,934</u>	<u>7,452</u>

The Association's ultimate parent undertaking and controlling party is Bromford Housing Group Limited.

The Association is a wholly owned subsidiary and advantage has been taken of the exemption provided by FRS 8 not to disclose related party transactions with other group companies.

Copies of the Group financial statements for Bromford Housing Group Limited are available from Wolverhampton Business Park, Wolverhampton, WV10 6AU.

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

Trading companies:	Registrar of Co's Number	Date of Incorporation	Intergroup Arrangement	Type of Transaction
Bromford Assured Homes PLC (100% owned).	2677730	09-Jan-92	BHA provides administrative services to BAH	Administrative recharges
Street Services Limited (100% owned).	3711394	11-Feb-99	Property management company for BHA	Rental Income
Riverside Mews Management Company Limited (66.7% owned).	2953846	29-Jul-94	Management company for leasehold schemes in BHA ownership	n/a
Strand Services (Whitchurch) Limited (75% owned).	2645753	16-Sep-91	Management company for leasehold schemes in BHA ownership	n/a

#### Dormant companies:

Bromford Carinthia Homes Limited (100% owned).	2625632	01-Jul-91
Queen Street Management Company (Lichfield) Limited (100% owned).	1764379	25-Oct-83
Project Note Limited (100% owned).	3716147	19-Feb-99

#### 31. Post Balance Sheet Event

On 1st April 2015 Bromford Housing Association Limited amalgamated with Fosseyway Housing

## **Bromford Housing Association Limited**

### **Notes to the Financial Statements For the year ended 31 March 2015**

#### **32. Pension obligations**

##### **Social Housing Pension Scheme (SHPS)**

Bromford Housing Association participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

The estimated employer debt that would have arisen had BHA withdrawn entirely from the SHPS scheme at 30<sup>th</sup> September 2014 was £71,933,751.

##### **Growth Plan – BHA**

Until September 2013 Bromford Housing Association participated in The Pensions Trust's Growth Plan 3 (the Plan).

As at the balance sheet date there were 0 active members of the Plan employed by Bromford Housing Association. The Plan was closed by The Pensions Trust in September 2013, is not open to new or old entrants and accrued benefits have been frozen.

At the last triennial valuation a shortfall of assets compared with the value of liabilities of £148 million was revealed, equivalent to a funding level of 84%. To fund this deficit, employer contributions will be increased by £15,883 from 1 April 2015.

Bromford Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2014. As of this date the estimated employer debt for Bromford Housing Association was £196,519.

From October 2013 Bromford Housing Association contributes to Growth Plan 4 which is a defined contribution plan.

## Bromford Housing Association Limited

### Notes to the Financial Statements

#### For the year ended 31 March 2015

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

Bromford Housing Association also participates in the Staffordshire County Council pension scheme.

Scheme	Social Housing Pension Scheme (SHPS)	Staffordshire
Participating Employer	BHA	BHA
Active members 1/3/15	891	57
Scheme type	Defined benefit	Defined multi-employer benefit scheme administered under the Regulations governing the Local Government Pension Scheme
Status	Final salary –closed to new entrants CARE –open Growth plan (Series 3) – closed Growth plan (Series 4)-open Defined contribution - open	Closed to new entrants
Actuarial gain / (loss) shown in STRGL £'000	-	(2,239)
Pension Liability £'000	SHPS defined benefit scheme is a multi-employer scheme and it is not possible to allocate the net pension liability between employers. Accordingly, the scheme is accounted for as if it were a defined contribution scheme	9,359
Contributions £'000		
Year to 31/3/15	2,274 <sup>Note1</sup>	592 <sup>Note 2</sup>
Year to 31/3/14	2,194	503
Basis of charge to profit		So as to spread the cost of pensions over employees' working lives with the Company.

## Bromford Housing Association Limited

### Notes to the Financial Statements For the year ended 31 March 2015

#### Note 1

The SHPS pension contribution breaks down as:

Scheme	Employer Contribution Rate	Employer contribution £'000
Past service deficit*	Lump sum	1,383
Future service		
Final salary* and Care	6.1%	656
Defined contribution	1%, 3% or 8% depending on length of service	235
<b>Total</b>		<b>2,274</b>

#### Note 2

The Staffordshire County Council pension contribution breaks down as:

Scheme	Employer Contribution rate	Employer contribution £'000
Past service deficit	Lump sum	212
Future service	22%	380
<b>Total</b>		<b>592</b>

## Local Government Pension Schemes

### Valuation and liabilities

Scheme	Staffordshire		
	2015	2014	2013
Last full actuarial valuation	31 <sup>st</sup> March 2013		
Valuation frequency	Every 3 years		
<b>Valuation Assumptions</b>	<b>2015</b>	2014	2013
Salary increase rate %	<b>4.3</b>	4.6	5.1
Pension increase rate %	<b>2.4</b>	2.8	2.8
Discount rate for scheme liabilities %	<b>3.2</b>	4.3	4.5
Expected return on assets %	<b>3.2</b>	6.1	5.3

**Bromford Housing Association Limited**

**Notes to the Financial Statements  
For the year ended 31 March 2015**

Scheme	Staffordshire		
	2015	2014	2013
<b>Market Value £'000</b>			
Equities	<b>11,881</b>	9,990	10,512
Bonds	<b>1,720</b>	1,732	1,597
Properties	<b>1,251</b>	1,066	1,065
Cash	<b>782</b>	533	133
<b>Total</b>	<b>15,634</b>	13,321	13,307

Return	Staffordshire		
	2015	2014	2013
Equities	<b>5.7%</b>	6.7%	5.7%
Bonds	<b>2.6%</b>	4.1%	3.6%
Properties	<b>3.9%</b>	4.8%	3.9%
Cash	<b>2.6%</b>	3.7%	3.0%

Scheme	Staffordshire		
	2015	2014	2013
<b>Net Pension Liability £'000</b>			
Market value of assets	<b>15,634</b>	13,321	13,307
Present value of liabilities	<b>(24,821)</b>	(20,342)	(19,693)
	<b>(9,187)</b>	(7,021)	(6,386)
PV of unfunded liabilities	<b>(172)</b>	(169)	(158)
<b>Total</b>	<b>(9,359)</b>	(7,190)	(6,544)

**Recognition in income and expenditure**

Scheme	Staffordshire			
	2014		2013	
	£'000	% Pay	£'000	% Pay
Current service cost	<b>464</b>	<b>26.8</b>	447	26.3
<b>Charge to operating surplus</b>	<b>464</b>	<b>26.8</b>	361	20.6

**Bromford Housing Association Limited**

**Notes to the Financial Statements  
For the year ended 31 March 2015**

Scheme	Staffordshire			
	2015		2014	
	£'000	% Pay	£'000	% Pay
Interest on scheme liabilities	885	51.1	896	52.7
Expected return on assets	(818)	(47.2)	(710)	(41.8)
Past Service cost	-	-	-	-
<b>Charge to other finance costs</b>	<b>67</b>	<b>3.9</b>	186	10.9

<b>Total charge</b>	<b>531</b>	<b>30.7</b>	633	37.2
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<b>Actual return on employer assets</b>	<b>2,018</b>	1,061
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Scheme	Staffordshire	
	2015	2014
<b>Actuarial Losses £'000</b>		
Experience (losses)/gains on assets	1,200	(907)
Changes in financial assumptions underlying present value of scheme liabilities	(3,439)	382
<b>Losses recognised in STRGL</b>	<b>(2,239)</b>	(525)

Scheme	Staffordshire	
	2015	2014
<b>Movement in Deficit £'000</b>		
Pensions liability b/fwd	(7,190)	(6,544)
Employer contributions	592	503
Contributions for unfunded benefits	9	9
Current service cost	(464)	(447)
Net return on assets	(67)	(186)
Actuarial losses in STRGL	(2,239)	(525)
<b>Pension liability c/fwd</b>	<b>(9,359)</b>	(7,190)

**Bromford Housing Association Limited**

**Notes to the Financial Statements  
For the year ended 31 March 2015**

Scheme	Staffordshire				
	2015	2014	2013	2012	2011
<b>History of Experience Gains and Losses</b>					
Experience gains/ (losses) on assets	<b>1,200</b>	(907)	1,065	(264)	(730)
Fair Value of Assets	<b>15,634</b>	13,321	13,307	11,374	10,790
% of assets	<b>7.7%</b>	(6.8)%	8.0%	(2.3)%	(6.7)%
Experience gains / (losses) on liabilities	<b>170</b>	1,357	23	(210)	1,695
Present value of liabilities	<b>24,993</b>	20,511	19,851	16,487	14,797
% of liabilities	<b>0.7%</b>	6.6%	0.1%	(1.3)%	11.4%
Actuarial (losses)/gains in STRGL	<b>(2,239)</b>	(525)	(1,393)	(1,092)	2,560
Present value of liabilities	<b>24,993</b>	20,511	19,851	16,487	14,797
% of liabilities	<b>(9.0)%</b>	(2.6)%	(7.0)%	(6.6)%	17.3%