

A photograph of two women standing outdoors in front of a light-colored house with a brown tiled roof. The woman on the left has short blonde hair and is wearing a pink floral top. The woman on the right has long blonde hair and is wearing a dark blue floral top. They are both smiling and looking at each other. A wooden fence is in the foreground.

Bromford.

Bromford Housing Group Annual Report and Financial Statements for the Year Ended 31 March 2018

Co-operative and Community Benefit Society
Registration Number **29996R**
Homes and Communities Agency Registration
Number **L4449**

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Board Members

The Board members who served from 1 April 2017 up to date of approval of these financial statements were as follows:



Jonathan Simpson-Dent

Chair
Non-Executive Director

Jonathan is currently EMEA CEO at Williams Lea Tag and chair of Just Ask, a facilities management business providing services to the housing sector; backed by Bridges Fund Management an impact investor. He was previously CEO of Cardtronics International, the world's largest ATM operator, and Chief Commercial Officer of their global business, as well as serving on the Link Board which is the payment scheme governing the UK's ATM network. He is an experienced leader having previously held senior positions at PWC, McKinsey and PepsiCo as well as being CEO of Evander and Cardpoint Services.

Jonathan is a Fellow of the Institute of Chartered Accountants.



Steve Dando

Non-Executive Director

Steve is currently Chief Executive Officer (Interim) and Chief Financial Officer of Punch Taverns, one of the UK's leading independent pub companies with an estate of 1,300 pubs. His particular areas of expertise include M&A, business restructuring, integration and financing, and multi-site retailing and asset management. Most recently Steve led the restructure of Punch Taverns following the successful sale of the business to Patron Capital and Heineken.

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

Steve is a member of the Institute of Chartered Accountants.

Steve is a member of the following committees:

- Audit and Risk
- Treasury (Chair)



Oke Eleazu

Non-Executive Director

Oke is currently Chief Operating Officer of Bought By Many, an Insurtech start-up. He is responsible for all the operational elements of the organisation including customer service and programme delivery.

Oke is also a Non-Executive Director at the Institute of Customer Service.

Oke is a member of the following committee:

- Nominations and Remuneration Committee



Balvinder Heran

Independent Non-Executive Director

Balvinder is the Director of ICT for Hounslow Council, having previously worked at Stratford District Council where she successfully negotiated and implemented shared ICT and business development services across Stratford-on-Avon, South Northamptonshire, Cherwell and South Staffordshire councils.

Balvinder has a real passion for transforming services shaped around individual needs through the effective use of ICT, digital solutions and service re-design. She has also played a lead role in developing customer services, performance management and improvement, smarter working and community consultation. She lives in Leamington and is very involved in local community activities.



Philippa Jones

Chief Executive

Philippa became Chief Executive in January 2015 after holding leadership roles across Bromford for over 26 years.

She describes herself as a calm revolutionary, someone who is fascinated by people and passionate about seeing them unlock their own potential.

Philippa's philosophy is to continue to take brave decisions as we have done over our 50-year history, something she refers to as 'courageous continuity.' Her early management career was in retail, followed by the Citizens Advice Bureau. She moved into the housing sector in 1988, joining Bromford as an area housing manager and holding a variety of roles before establishing our supported housing business and more recently leading our new homes activity. Philippa holds an MBA in public service management.

Philippa is a member of the following committee:

- Nominations and Remuneration Committee (for Nominations matters only).



Lee Gibson

Executive Director of Finance

Lee joined Bromford in May 2016 and was appointed Executive Director of Finance on 1st August 2016. Before joining Bromford, Lee was the Finance and Commercial Director at Serco Group Plc and brings with him a wealth of experience in delivering better services for less.

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

Outside of work he enjoys spending time with his young family and is a keen sportsman including skiing, sailing, running marathons, cycling, swimming and triathlons.

Lee is a member of the following committee:

- Treasury

The Board members who were appointed on 2 July 2018 to date of approval of these financial statements were as follows:



Vivienne Horton
Vice Chair and Senior Independent Director
Non-Executive Director

Vivienne's professional background is as a solicitor. She was employed in a number of local authorities in senior legal roles before becoming Director of

Resources and then Chief Executive of Macclesfield Borough Council where her five key roles were strategic management, community engagement including partnership working, service delivery, performance management and organisational development.

After that role she held a number of positions including Director of Risk at Standards for England – a national strategic regulator responsible for councillor conduct and Director and Head of the Public Sector team at Kennedy Cater, a legal costs consultancy.

Vivienne was appointed to the Merlin board in November 2012 and served as Chair from April 2017 until the Merlin partnership with Bromford Housing Group in July 2018.

Vivienne is a member of the following committee:

- Remuneration and Nominations (Chair)

Vivienne was appointed to the Board on 2 July 2018



Richard Bird
Non-Executive Director

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

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

Richard was appointed to the Merlin board in October 2016.

Richard is a member of the following committee:

- Audit and Risk

Richard was appointed to the Board on 2 July 2018



Richard Penska
Non-Executive Director

Richard has extensive experience of contract management. He is currently Assistant Director of Corporate Services at North Somerset Council. Before joining North Somerset Council, Richard held a variety of positions within the electricity supply

industry and the Department of Health and Social Security.

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

Richard was appointed to the Merlin board in November 2012.

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

Richard is a member of the following committee:

- Audit and Risk (Chair)

Richard was appointed to the Board on 2 July 2018



Neil Rimmer
Non-Executive Director

Neil is an experienced entrepreneur and board member with over 25 years' experience within international and UK companies. Most recently he was a founder and Commercial Director of a retirement village development/operations enterprise and managing director of a care home group.

As well as bringing board experience from within the leisure, debt recovery and property sectors Neil also has a strong background in technology having owned a Microsoft Gold Partnership software development business.

Recognising the true value of community, Neil is Chair of both his local village hall and pre-school committees.

Neil was appointed to the Merlin board in July 2017.

Neil is a member of the following committees:

- Treasury.
- Remuneration and Nomination.

Neil was appointed to the Board on 2 July 2018



Robert Nettleton
Chief Executive Designate

Robert joined Bromford as Chief Executive Designate in July 2018. He will take up the role as Chief Executive of Bromford upon the retirement of Philippa Jones.

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

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

Robert is a member of the following committee:

- **Remuneration and Nominations (for Nominations matters only)**

Robert was appointed to the Board on 2nd July 2018

The Board members who served from 1 April 2017 up to 2 July 2018 were as follows:



Christine Baldwin
Non-Executive Director

Christine is currently Head of Portfolio Management for Landsec, the UK's largest REIT. Christine has worked for over 20 years in commercial property, in the portfolio management field, previously for private equity investors (JER Partners, MGPA) and in the operator/developer field for McArthurGlen Group and as a freelance for a variety of owners and investors. Prior to this, Christine worked for the Foreign and Commonwealth Office and for a variety of performing arts companies. Christine is a surveyor (MRICS), a RICS Assessor, and a member of the Investment Property Forum.

Christine was a member of the following committee:

- Treasury

Christine retired from the Board on 2 July 2018



Sally Higham
Non-Executive Director

Sally is a high-energy social entrepreneur and founder/CEO of the multi award-winning RunAClub, a national digital platform supporting community clubs and groups.

Sally is committed to supporting communities, education, youth services, charities, social enterprises and social housing and has experience in UK housing as NED for the Aster Group where she chairs the Risk and Compliance Committee; as well as formerly being NED of Sarsen and Chair of ASK, a parenting charity. She also chairs the Access (Social Investment Foundation) Impact for Growth committee and is a Fellow of the RSA.

Sally was a member of the following committee:

- Audit and Risk.

Sally retired from the Board on 2 July 2018



Nick Cummins
Executive Director for Operations

Nick is responsible for delivering services to Bromford's customers, developing and delivering our localities and neighbourhood coaching approach and leading our business transformation programme.

Having joined Bromford as Housing Services Director in 1991, Nick's particular strengths include leadership coaching and business change. Nick is a Fellow of the Chartered Institute of Housing.

Nick retired from the Board on 2 July 2018

General Information

Advisors:

External Auditors:

KPMG LLP,
One Snowhill,
Snow Hill Queensway,
Birmingham,
B4 6GH.

Business Assurance Provider:

Mazars LLP,
45 Church Street,
Birmingham,
B3 2RT.

Bankers:

Barclays Bank plc,
15 Colmore Row,
Birmingham,
B3 2BH.

Taxation Advisor:

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

Offices:

Registered Office

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

North Midlands Office - Wolverhampton

1 Venture Court,
Broadlands,
Wolverhampton,
WV10 6TB.

North Midlands Office - Lichfield

5 Stowe Road,
Lichfield,
WS13 6WA.

South Midlands Office

1st Floor,
Friars Gate,
1011 Stratford Road,
Shirley,
Solihull,
Birmingham,
B90 4BN.

South West Office

Units 1-6,
Cirencester Office Park,
Tetbury Road,
Cirencester,
GL7 6JJ.

Report from the Chair.



Our vision and strategy

This has been a pivotal year for Bromford. We have continued to deliver successful results throughout the year and have achieved one of our key strategic objectives, through inorganic growth, with the strategic partnership with Merlin Housing Society that will see us stronger and ensure we sustain our strong financial position as we invest in the future.

The continued and challenging economic climate, due to the potential impact of Brexit, and the outcome/consequence from the Grenfell Tower tragedy, means that the demand for safe, quality and affordable social housing continues to grow, and our responsibilities as a financially resilient Registered Provider means we must do all we can to positively contribute to this agenda. The impact of service cuts across the public sector means that our work in localities continues to be of great importance to our customers helping them identify and unlock their own potential to become the very best that they can be in the face of increasingly difficult circumstances.

This was a momentous year in many respects, taking significant steps to drive the operational transformational changes we will need to turn our strategic vision and ambition to reality.

Joining with another provider, to contribute towards these plans for growth, has been a Board priority for a number of years; however, we know that the right relationship is important for our customers we also knew that the right partner was crucial in this respect too. I was therefore delighted that we were able to announce a strategic partnership with Merlin Housing Society who share both our values and ambition.

The partnership brings together two innovative and exceptionally strong organisations and means that Bromford now has more than 40,000 homes and our geographical area extends along the M5 and M40 corridors and links the West Midlands conurbation with Bristol and the West of England.

We have undertaken a comprehensive due diligence exercise and are confident that through our combined balance sheets we will create greater impact. Through the synergies and operational efficiencies created by our partnership we intend to invest significantly in the ongoing new homes programme. Our aim is to create the largest sustainable development programme in the area of operation, capable of investing £1.5bn over the next decade to develop 14,000 new homes. The vast majority of these homes will be affordable – social rent, affordable rent, shared ownership and outright sale – and will include supported housing too. We will also invest further in neighbourhood coaching.

Merlin is now a subsidiary of Bromford Housing Group (effective 2 July 2018) but this is a true partnership. Coterminous boards and a single Executive Team will ensure streamlined governance.

You will see from the pages of this report that we have appointed a new Board which became effective on 2 July when the legal partnership became operational. We have gone through a rigorous process to make sure that the membership of our new Board has the right mix of skills and expertise to continue to lead and provide strategic direction and grow our business.

In the run up to the formal partnership, both Bromford and Merlin carried out an independent board effectiveness review to scrutinise our performance and effectiveness. We will use this information to build an action plan for the future and to support our new board induction and development.

I would like to welcome Richard Bird, Vivienne Horton, Richard Penska and Neil Rimmer. They will join Steve Dando, Oke Eleazu, Balvinder Heran and myself on the new Bromford Board. More information about our new Board can be found in the Board Members section, starting on page 3.

As this report mainly reflects the activity that was carried out in the 2017/18 financial year by our former board, you will also see details of the two of our NED's who have left the Bromford Board on 2nd July. I would like to place on record my appreciation and thanks to Christine Baldwin and Sally Higham for their contribution and commitment over the past few years.

The partnership also contributes to our Executive succession planning. We have undertaken a review of our senior Executive team and have implemented a new structure at Executive and Functional Director level that will see us move towards full integration.

We are also making plans for our leadership at the highest level. In 2018 Philippa Jones, Chief Executive, will have completed 30 years of service with Bromford and we have been giving thought to how we make sure we have continuity on her retirement. These will be difficult shoes to fill but I am also very pleased that Robert Nettleton, currently Chief Executive of Merlin, has joined Bromford as Chief Executive Designate.

We also hope that Severn Vale Housing, with around 4,000 homes and based in Tewkesbury, will become part of the Group in 2019. This will further strengthen our leading presence in Gloucestershire as well as increasing our ability to roll out our neighbourhood coaching approach in a really effective way.

Governance and Risk Management

Our business as usual activity over the past year has seen us continue to ensure value for money, respond to changes in the environment, and to make sure that we are better equipped and fit for the future.

We have continued to focus on improving risk management throughout the year and have undertaken a review of our risk management processes so that they are more closely aligned with strategy. We have held a number of Board workshops which have helped us define our risk appetite and consider our top risks. The Audit and Risk Committee has oversight of this work and considers, in more detail, the controls and mitigating actions we have in place.

The tragic events at Grenfell Tower have brought to the fore the importance of managing the risks associated with customer health and safety. The Board have received detailed reports of the work Bromford does to ensure that we are truly providing the right home for customers.

We know that our work is greatly informed by feedback from our customers and our Customer and Communities Network (CCN) has an extremely important role to play in this respect. I am pleased that, as part of our partnership work, we are looking to develop this model into a new, enhanced, Customer Influence Model.

During the year we have also given the green light to our business transformation project, programmeOne, which will underpin our operating model. This will provide easy-to-use systems for customers and colleagues alike. It will create an attractive proposition for future partnership growth at the appropriate time.

Thanks

Our work continues and we have a big agenda. In particular, we will develop a new corporate strategy in the second half of 2018. This work is only possible due to the enthusiasm and passion from our leaders and colleagues.



Jonathan Simpson Dent

Chair

24 July 2018

Report from the Chief Executive.



A year of change and transition

It is fair to say the past year has been one of significant change and by the time these accounts are published we expect to be operating as the new Bromford following the successful partnership transition with Merlin Housing Society, as well as the imminent merger with Severn Vale. The new-look organisation is framed around four pillars which are: customers and community; our new homes programme; business transformation; and opportunities for colleagues, which will ultimately help us be better equipped both to face the challenges of the external environment and to enable our customers to build and rebuild their own lives.

In that vein, the full mobilisation of localities across our operating area is allowing us to get to know and inspire more people than ever before to be their best. This is reflected in the numbers of customers who tell us that Bromford's service is improving, with an impressive 90 per cent of customers saying they would recommend us to a friend. In addition, 91 per cent recommend our repairs services, 94 per cent recommend our gas services and the number of customers happy with their experiences in reporting anti-social behaviour (ASB) to us has risen by seven percent.

And as we reach what feels like an important milestone in Bromford's history, I am pleased to report that our financial performance remains strong across the board with a year-end turnover of £174m as well as the particularly pleasing news that we retained our sector-leading A1 credit rating with ratings agency Moody's. It's that financial strength that enables us to continue to invest in homes and services for our customers.

With the UK housing crisis still high on the political agenda, we are delighted that the completion of our partnership with Merlin will allow us to deliver 14,000 new homes over the next ten years, providing desirable homes that people truly want to move to and are also affordable to live in and run. Our debut public bond issue of £300 million, secured at excellent fixed-rates just after year end, is again testament to our financial prowess and will enable us to press ahead with this accelerated housebuilding programme.

This resilient financial base is also allowing us to make real inroads with the five-year business transformation programme which will turn our vision for a new organisation into reality. All of the planning, preparation and recruitment has been concluded as we start to now look into the practical ways we can build more simple and streamlined services for customers before embedding them across the organisation.

As we move forward in shaping a business that is fit for the future, the increasingly volatile external environment both politically and economically makes it even more critical for us to have a strategy that's based on a very clear sense of our social purpose but has enough flexibility to respond quickly to external pressures. Naturally some of this uncertainty can be attributed to Britain's decision to leave the European Union and whilst the full impact on the housing market is still unclear, the continuous revising up and down of economic forecasts is a good indicator of the unpredictability we are operating within.

Where there has definitely been more clarity is around the post-2020 rent settlement announced by the government in October 2017 which gives the sector greater certainty on investing in land to build more new homes. There was more positive news after the government decided to shelve plans to cap housing benefit around Local Housing Allowance (LHA) rates following a persuasive and coordinated campaign of opposition from the sector, including Bromford, as we argued the devastating impact it could have on existing and future supported housing schemes.

Our investment in more face-to-face contact with our customers through neighbourhood coaching within much smaller patches is enabling us to be proactive in guiding customers through the Universal Credit journey. Rollout does continue to be a challenging time for us and we are working closely with partners, including the Department for Work and Pensions, to make sure we are on the front-foot with the changes. By the end of this calendar year, Universal Credit will have rolled out across all our localities and we will have a complete picture of how this new benefit is impacting on our customers and how we can best support them through the changes.

Right Relationship

With others cutting back in the face of increasing volatility, 2017 has been a year where our coaching approach was embedded across six new locality areas with plans well underway to extend this rollout across our new homes in South Gloucestershire as part of our partnership transition.

During my time on the road with locality teams, I've been really impressed not only with how existing colleagues have adapted and risen to the challenge of this new way of working but also hearing about the vast wealth of talent we have brought into the business through external recruitment to some of these roles. With colleagues bringing transferable skills from professions such as the police service, probation and teaching, this is really enabling them to hit the ground running in their new communities and add real value to their colleagues and customers.

We have significantly engaged more customers and although it is early days there are already indications that it is having a positive impact on the success of tenancies. We are seeing more customers in credit, a fall in the number of failed tenancies and a decline in the frequency that anti-social behaviour cases are taken to court as our relationship with customers continues to evolve.

Right home

The appalling Grenfell Tower tragedy continues to have a profound impact and for us it brought into sharp focus why providing each customer with the right home is such a fundamental part of our strategy. Our commitment to fire safety and security was demonstrated in July 2017 as we completed a joint initiative with Staffordshire Fire & Rescue Service with the installation of a state-of-the-art sprinkler system that was installed at two medium-rise buildings in Lichfield. In February we decided to fit automatic sprinkler systems in every one of our new MyPlace supported housing schemes.

Of course sprinkler systems are just one of the ways we've been investing in existing homes with £12.7m also invested in 5,575 upgrades over the course of the year to help improve the energy efficiency and affordability of customers' homes, a 47 per cent increase on last year. Our feedback programme tells us that 91 per cent of customers believe they are living in the right home for them and their family which is really satisfying to see.

Our regeneration programme where we consider existing homes are no longer the 'right home' has expanded to include a further nine sites on top of the initial five. Construction of 22 new homes at our first regeneration site in Lichfield will shortly be completed and in total we expect 181 new, energy efficient homes to be put back into our communities across phase one of the programme, which represents a 34 per cent increase on what was there before.

This year we've made great progress with our supported housing transition plan with 16 colleagues transferring to new support providers as we ended the delivery of support services in some areas such as Northamptonshire as well as transferring young families' services to local specialist agencies in Wolverhampton, Sandwell and Swindon. This followed a strategic decision in November 2014 to move away from this type of supported housing service. It has enabled us to manage the risks of continued involvement in support services commissioned by local authorities, transfer floating support services to more local providers, and focus on the needs of our most vulnerable customers in areas where we still offer support.

Services were remodelled at Beacon Park Village in Lichfield and five new MyPlace schemes were handed over offering brand new supported housing for people with learning disabilities or mental health support needs. We're proud of our continued commitment to building new supported housing at a time when most providers are stepping away from this.

Increasing the supply of the right homes

Our drive to rebalance the programme away from a significant reliance on s106 and an increased land-led approach to development has materialised slightly more slowly than expected. We have, however, had increased success in the land market this year and have secured 335 plots that will feed into new homes completions from 2019-20 onwards. This land will enable us to deliver a broad range of housing solutions from general needs housing, our MyPlace model and also some additional mixed tenure schemes to generate profit to re-invest in future development. This pace of land activity continues and will see even greater levels of land-led development as the programme moves forward.

Several significant section 106 contracts were signed during the year with 105 homes including 61 for shared ownership being produced at Bovis Homes' Fire College site in Moreton-on-Marsh and another 59 homes at Oxfordshire's Graven Hill which is set to become the UK's largest self-build community.

It was a memorable year for our retirement living programme with the completion of our inaugural scheme in Stourport-on-Severn shortly after year end, providing 60 one and two bedroom homes, whilst our second site in Banbury made significant progress ahead of an expected January 2019 opening.

Shared ownership sales have been strong this year with the team working on over 40 different sites across our geography. Values and first tranche sales have held up well with increases to appraisal expectations being consistently achieved. We saw our first outright sale scheme at Lichfield come close to completion. Early indications are that sales will be strong, with interest and off-plan sales from first-time buyers and down-sizers.

Transforming Bromford

One of the key objectives throughout our partnership transition with Merlin was to bring our existing transformation plans together under one comprehensive project which has become programmeOne. The first 12 months looked at the business with a blank piece of paper to say "if we could design one Bromford in an ideal world, what would it look like?" as well as ensuring we had the right colleagues in place to help us deliver on that vision.

Now that we have successfully on-boarded our Merlin colleagues, completing the initial 'common design' phase by pooling our high level processes to match systems, I am pleased to report that we will soon start realising the first tangible outcomes. Smaller day-to-day improvements have already been implemented and we anticipate that our new finance system will go live in November of this year. It is from this point that we will all start to see the true transformational value of programmeOne and our mission to create one organisation and one experience for all.

In summary

This has been the year that the process of shaping a new, stronger Bromford has got underway, with exciting new beginnings being worked on through programmeOne. We've seen our neighbourhood coaching approach through the localities programme realised and, with colleagues in South Gloucestershire now being supported to adopt the same way of working, we are all set to enable even more people to realise their aspirations.

In what feels like a watershed year in Bromford's history, colleagues have remained positive and agile as we shape a new Bromford equipped to meet the challenges of the future head on whilst remaining financially strong in the face of the unpredictable economic climate.

It's been a big year for me personally too as I celebrated my 30th anniversary with Bromford in May 2018, inevitably reflecting on the huge changes we have seen in those three decades. As I now prepare to hand over the reins to my successor Robert Nettleton who will become CEO later this year, I know I'll be leaving the organisation in safe hands and very well-placed for the next chapter of the Bromford story.



Philippa Jones

Chief Executive

24 July 2018

A man with tattoos, wearing a grey polo shirt and a high-visibility yellow vest, is kneeling in a warehouse. He is smiling and looking towards the camera. In the foreground, there are large rolls of material, possibly insulation or cardboard, which are slightly out of focus. The background shows warehouse shelving units filled with various items.

Board and strategic report.

“The Board is committed to embedding strong and effective governance practices and the highest ethical standards into everything we do and every decision we make. It’s this strong governance and focus on risk management that gives us the confidence to make brave decisions to invest in new homes and our neighbourhood coaching approach at a time when others are cutting back on frontline services.”

Jonathan Simpson-Dent, Chair

Role of the Board

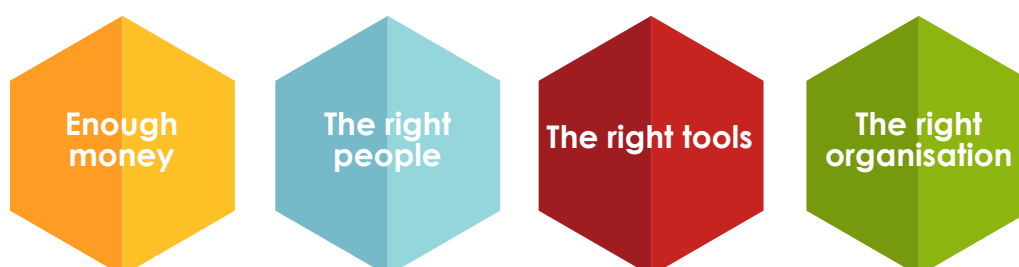
Strong, focused governance, underpinned by our organisational culture, is an integral part of Bromford's success as we continue to deliver innovative and insightful new services for our customers. The Board recognises the need to set and uphold Bromford's Statement of Strategy, organisational values and culture and ensure that Bromford has systems and processes in place which mean that the highest standards of behaviour can be established, demonstrated and maintained in all activities.

Our Statement of Strategy, our purpose, vision and values guide our decision-making of the Board, set the operational direction for Executives and senior leaders, and guide the behaviour of colleagues to promote responsible and ethical behaviours whatever their role. We have used these principles to identify and create our strategic partnership with Merlin Housing Society.

When we asked ourselves what we needed to do to achieve our purpose of inspiring people to be their best, there were three key things that we needed to get right – we call these our strategic objectives. We need to ensure that we offer:



Of course to deliver these we need to also ensure we have the following four strategic enablers:



Together, these seven strategic objectives and enablers form the framework of our strategy. Every priority, colleague target, risk or measure of success should link back to them and ultimately back to our purpose of inspiring people to be their best.

The Board ensures that effective leadership and Executive competencies are in place and that appropriate resources are available to achieve our strategic objectives, whilst maintaining a keen focus on value for money (VfM). The Board checks the organisation is functioning as it should by monitoring and testing the execution of strategy and the performance of approved plans, budgets and controls. It continually identifies and monitors the risks that may impact our ability to deliver our strategic objectives and ensures that frameworks for internal delegation and control, including financial control, are established and monitored so that these risks can be controlled and mitigated.

All the powers of the organisation that are not reserved to the Board are exercised on behalf of the Board by its committees and by the Chief Executive. The Board receives reports from Board committees on their activities and from the Chief Executive and Executive Directors, explaining how and when their delegated authorities have been used.

We operate coterminous, unitary Boards across our three main entities – our parent, Bromford Housing Group Ltd and our main operating subsidiaries Bromford Housing Association Ltd and Bromford Home Ownership Ltd. As at 31st March 2018, the Bromford operating structure was as set out in **Fig 1.1** below. On 2nd July 2018, Merlin Housing Society Ltd joined the Bromford Housing Group Ltd, our new operating structure is set out in **Fig 1.2** below.

All members of our Board – Executive and Non-Executive – make decisions by working together and achieving a general consensus.

Pre-partnership operating structure



Fig. 1.1 - Bromford's operating structure

Bromford operating structure from 2 July 2018



Fig. 1.2 - Bromford's operating structure

Board composition

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

From the 2nd July 2018, our Board comprises 11 members – three Executive Directors (our Chief Executive, Chief Executive Designate and Executive Director of Finance) and eight NEDs.

Board Member to 1st July 2018	Board members from 2nd July up to the date of the approval of the financial statements
Non-Executive Directors	Non-Executive Directors
Jonathan Simpson-Dent (Chair)	Jonathan Simpson-Dent (Chair)
Oke Eleazu (Vice Chair and SID)	Vivienne Horton (Vice Chair and SID)
Christine Baldwin	Richard Bird
Steve Dando	Steve Dando
Balvinder Heran	Oke Eleazu
Sally Higham	Balvinder Heran
	Richard Penska
	Neil Rimmer
Executive Board Members	Executive Board Members
Philippa Jones (Chief Executive)	Philippa Jones (Chief Executive)
Nick Cummins (Executive Director)	Robert Nettleton (Chief Executive Designate)
Darren Lee Gibson (Executive Director)	Darren Lee Gibson (Executive Director)

Fig. 2 - Board members to 1 July and from 2 July 2018

BHG Board Year ended 31 March 2018

NEDs	66.7%
Executive Directors	33.3%
Women	44.4%
Men	55.6%
Ethnic Minorities	22.2%
Board Members under 55	77.8%
Board Members over 55	22.2%

Fig. 3 - Key Diversity Statistics

BHG Board from 2 July 2018 up to the date of approval of the financial statements

NEDs	72.7%
Executive Directors	27.3%
Women	27.3%
Men	72.7%
Ethnic Minorities	18.2%
Board Members under 55	54.5%
Board Members over 55	45.5%

Fig. 3.1 - Key Diversity Statistics

All of our NEDs are independent in nature, character and judgment and had no prior links or associations with Bromford before their appointment. The longest serving member of our Board, our Chair, has been with us for approximately six years and was due to retire in 2018. The Board unanimously agreed that the Chair be re-appointed to serve until March 2019 to facilitate the smooth transition of the Bromford and Merlin Partnership.

During the financial year:

In November 2017, the Board discussed the potential benefits of a partnership with Merlin Housing Society Ltd (Merlin), in terms of efficiency and opportunities that could be captured for Bromford customers, colleagues and other recipients of its services. The Board decided that a partnership with Merlin would make good financial sense but would also enable Bromford to inspire more people to be their best and build and maintain more high quality homes. The Bromford and Merlin Partnership was announced in December 2017.

Interviews were conducted in January and February 2018 for the NEDs who would serve on the board designate and executive roles. The outcome of the interview process are set out on page 48.

The role of our Non-Executive Board members

Our Board members are recruited for their broad skills and experience and for the value and insight they can bring as a result of their leadership and operational experience in their respective fields. More information about each of our Board member's background and expertise can be found in the [Board Members Section](#), starting on page 3.

All NEDs 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.

All the members of our Board are expected to contribute to a culture of clear and open debate so that informed and prudent decision-making can take place. The Board monitors the performance of leaders and the business via KPIs and performance and progress monitoring and constructively challenges proposals where this is appropriate or necessary.

All Board members are expected to keep developing and refreshing their knowledge and skills so they can continue to make informed and positive interventions and contributions to Board discussions. Board meetings usually include a themed workshop or strategy presentation from colleagues and this helps to continually improve the operational knowledge of the Board, providing the information and context they need to inform their decision-making. Bromford supports this by offering access to professional experts and/or external advisors, and helps to supplement their knowledge of technical, legal, audit or accountancy matters. The Board is also encouraged to participate in training events and spend time out in the business to understand how it operates and how our team work and interact with each other.

Time commitment and NED's other significant commitments

The time commitment required from NEDs is currently between 12 and 15 days a year. This includes attendance at Board and Committee meetings, preparation for meetings and participation in away days and experience it days. [Fig. 4](#) shows each Board member's attendance at meetings during the financial year.

Meeting Attendances*

Board Member	BHG Board	Audit and Risk	Treasury	Nominations and Remuneration
Jonathan Simpson-Dent	6 out of 7			2 out of 2
Christine Baldwin	6 out of 7		3 out of 3	2 out of 2
Nick Cummins	7 out of 7			
Oke Eleazu	7 out of 7			2 out of 2
Philippa Jones	7 out of 7			2 out of 2
Steve Dando	7 out of 7	4 out of 4	3 out of 3	
Lee Gibson	7 out of 7		3 out of 3	
Sally Higham	7 out of 7	4 out of 4		
Balvinder Heran	7 out of 7			

*Meeting attendances reflect the number of meetings attended by the Board member out of the total number of meetings the Board member was eligible to attend.
The Chief Executive is a member of the Nomination Committee only.

Fig. 4 - Each Board member's attendance at meetings during the financial year.

The other significant commitments of the Chair, Jonathan Simpson-Dent, and NEDs were disclosed to the Board before their appointment and are summarised in the **Board Members** section, starting on page 3. There were no occasions during the financial year where the Board considered that the Chair's or a NED's external commitments interfered with or impeded their ability to exercise their duties and responsibilities on behalf of Bromford. Conflicts of interest are noted at the start of each Board meeting and Board members abstain from discussions or decision-making where an actual or perceived conflict may exist. Conflict of interest is reviewed annually by the Board and a register is maintained by the Governance team.

The Board usually meets six times a year but in 2017/18 there was an additional meeting. Each Board committee meets as many times as necessary to discharge their duties and responsibilities under their terms of reference. Each Board meeting has a planned agenda which allows enough time to discuss key areas such as strategy and risk management.

Board and committee decision-making

Strategy, financial viability and risk management are important factors in the management and performance of the organisation. Our Governance and Delegations Framework helps us to achieve this by making sure that decisions are made by the right people or groups by specifying which matters are reserved for the Board, its committees and senior management. For reports from our committees refer to pages 40 to 48.

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). The objectives of the regulatory standards are set out in **Fig. 5**.

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

As part of being regulated by the RSH, Bromford has been given a rating for governance, as assessed against the Governance and Financial Viability Standard. Bromford maintains a G1 governance and V1 financial viability rating, the highest ratings on the scale throughout the financial year ended 31st March 2018.

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

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

Following our annual review of compliance, the Board are pleased to confirm that during the year ended 31st March 2018 we consider that Bromford has complied with all applicable outcomes and specific expectations of the Governance and Financial Viability Standard and its accompanying Code of Practice and with the outcomes and requirements of all the other economic and consumer standards.

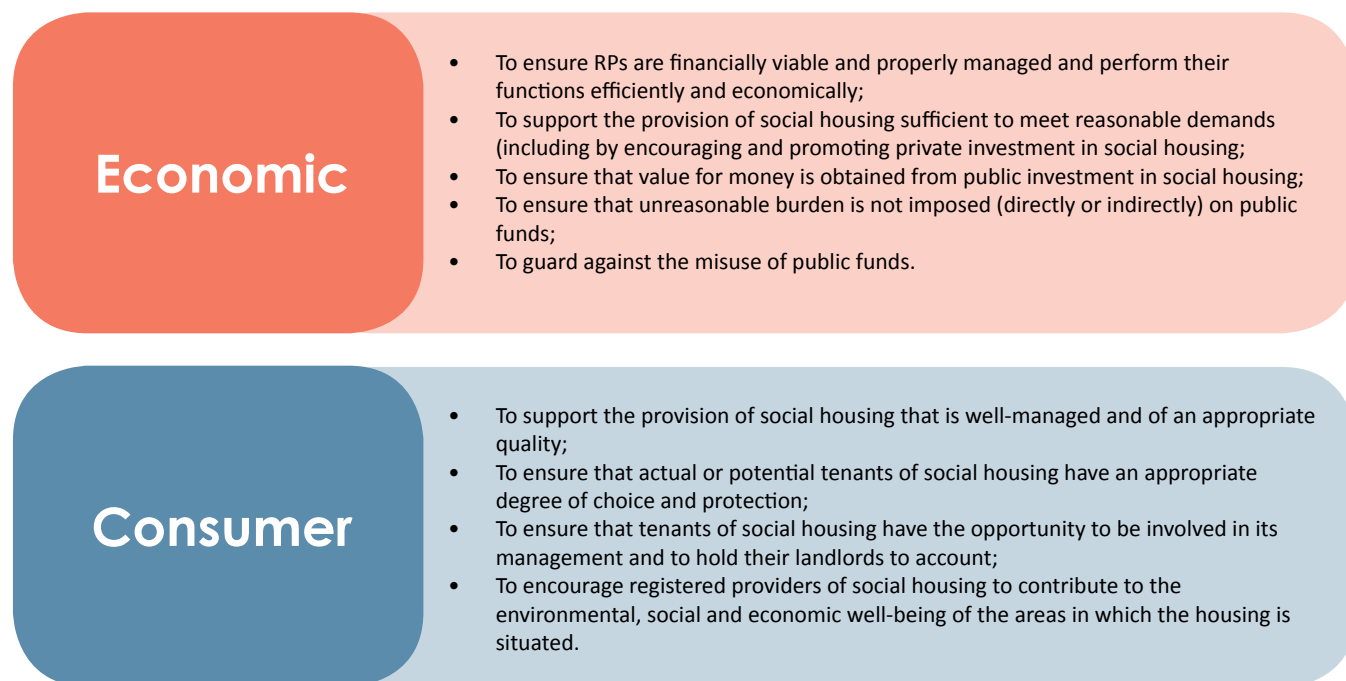


Fig. 5 - The objectives of the Regulatory Standards

Statement of compliance with our code of governance

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

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

Mergers

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

Each year the Board reviews compliance with the UK Code and during the financial year ended 31st March 2018 we consider that Bromford has complied with all relevant principles and provisions of the UK Code.

Governance effectiveness review

Each year the Board carries out a formal evaluation of Board, committee and individual director performance. Every three years, as recommended by the UK Code, this evaluation is facilitated by an external advisor to provide an independent perspective. During the period November to February 2018, Altair, an external advisor carried out a review of the Governance Effectiveness Framework. A report has been prepared which will be used as the basis of the Board Induction and Development Plan for the new Bromford Board.

Openness and Transparency

We believe in being open and transparent – not only because it helps to 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. Our approach to openness and transparency is set out in

Fig. 6.

The 'Get to know us' section of our website contains copies of our key policies and procedures, alongside copies of our statement of strategy, Governance Framework and Probity Policy.

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, Instagram, LinkedIn and Twitter. Customers respond 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, which we set up in 2013, is one way customers can get involved in developing what we do. The Lab provides customers with online information about the latest projects we have in the pipeline and gives them the opportunity to contribute their own ideas and suggestions.

This reflects the position as at year ended 31 March 2018, these are being reviewed as part of the partnership with Merlin came into force on 2 July 2018



Set an example of good business practice by explaining what we do and why we do it and by taking responsibility for our actions.



Explain our decisions and show people that we're careful about how we spend money and that we spend it wisely



Set an example for our sector by sharing as much information as we can and, where possible, more than we're legally required to.



Create business relationships based on mutual trust and respect so people want to work with us or be our customer.

Fig. 6 - Openness and transparency

Fig. 6 reflects the position as at year ended 31 March 2018, these are being reviewed as part of the partnership with Merlin which came into force on 2 July 2018.

We have continued to evolve our localities approach, with new neighbourhood coaches working closely with customers to ensure we offer them the right relationship as well as the right home, giving people the best chance to build resilience and achieve more. All customer feedback we receive helps to shape our plans for continuous improvement and allows us to deliver the best customer service we can. Performance feedback is reported quarterly on our website.

Risk management and internal control

Risk management is key to the delivery of our strategy. We know that as well as presenting opportunities, all activity carries some risk. Our approach is to be risk aware but not risk averse. We identify and manage risks – not avoid them.

We have adopted a robust approach to risk management which helps us to:

- Protect our customers and our assets;
- Make sure that we remain financially strong;
- Meet our obligations to funders and other partners;
- Continue to provide excellent service to our customers; and
- Provide colleagues with a great place to work.



With support from the Audit and Risk Committee, the Board has responsibility for safeguarding against risks to our strategy and that an appropriate and effective framework of internal controls is in place to manage and reduce the risks associated with delivery. The Board Performance Report, which is considered at each meeting, shows how the Executive is managing and controlling risk within the organisation.

The Board is constantly horizon scanning and receives an update from the Chief Executive at each meeting. In September 2017 the Board also considered the Sector Risk Profile and in light of the tragic events at Grenfell the Board has also continued to monitor fire and customer safety throughout the year.

During the year we have continued to refine our approach to risk management. A new Risk Management Policy was adopted by the Board in November 2017 which provides clarity about the risk management responsibilities throughout the organisation. Our risk register is closely aligned to our strategic objectives and key enablers. We have developed a new style risk report and a new risk scoring matrix which considers likelihood and a range of impacts. Our risk appetite schedule is now embedded in our risk scoring and has been revisited during the year. It allows us to better understand and assess the risks we face. This provides assurance to the board that we are alert to, and managing risks and opportunities appropriately

The Board has delegated authority to the Audit and Risk Committee to keep under review, and make recommendations to the Board in relation to, the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems. ARC undertake risk 'deep dives' into different functional areas to provide support to this work.

The Chief Executive has delegated responsibility for risk management on an operational level. She ensures that there is a risk management policy and that this is supported by an appropriate risk management framework. Under the CE's delegated authority, this responsibility has been shared with the Executive Directors. The CE and ED's have a duty to ensure that the business is protected as much as it can be against potentially harmful risks in relation to financial, regulatory, statutory, reputational and operational risk. This is done with the support of colleagues and having appropriate internal controls in place.

Functional Directors (FD's) have responsibility for reviewing and updating the risk register to ensure that it is complete; that the scoring is correct; and, to ensure that the right controls have been identified. This takes place at each meeting of the Executive Board.

Through the completion of a Quarterly Assurance Statement they provide assurance that controls are in place and working. FD's also maintain an overview of the more operational risks as part of their business as usual and project management activity.

All colleagues have a responsibility for risk management. Appropriate, effective and proportionate systems of internal control are integral to risk management and again, the implementation and operation of these systems is a responsibility of all colleagues.

Delivery of the strategy requires us to understand our key risks and these are identified as:

The Right Home for Every Customer

Customer safety remains at the heart of our asset management. We carefully monitor all areas of asset compliance in order to ensure that we remain compliant with our legislative responsibilities.

The risks are that:

- Our homes are not safe;
- Our 'home standard' does not provide a springboard for our customers;
- We do not match customers with the right home;
- When homes become barriers we don't take action;
- We don't invest proactively in our existing homes.

Our controls are:

- Monitoring plans in place (both existing and new homes), including repair and replacements (planned and emergency), budgets, planned investment and regular MOT reviews;
- Inspections at each stage of the property/tenancy lifecycle (pre, post, annual reviews etc);
- Surveys completed on stock conditions, including communal areas;
- Business cases for A&A work where grant funded;
- Key performance indicators to monitor progress;
- Affordability assessments, Getting to Know You surveys and regular communication through NC's to ensure adequate support and relationship with customers and Local Authority partners to find suitable solutions;
- Processes and policies in place for asset data, including disposals, voids and stock conditions;
- Safety monitoring programmes in place for all regulatory compliance checks including fire, asbestos, gas etc;
- New technology adopted in new homes where applicable and relevant monitoring of compliance carried out;
- Training provided to all colleagues on health and safety;
- Internal and external audit with benchmarking exercises.

We have invested almost £30m in our properties, including grant of £3.3m; improving the quality, security, safety and thermal efficiency of our customer's homes. We have completed almost 15,000 separate pieces of improvement work, including the replacement of windows, kitchens, bathrooms and roofs, plus the installation of more effective and fuel-efficient heating systems that make it easier and cheaper for our customers to stay warm.

We have installed insulation, modernised electrical wiring, improved areas of hard landscaping, and upgraded our sewerage treatment plants, invested in estate improvements and installed aids and adaptations to customer's homes in order to make them easier to live in. We update our 30 year business plan each year, ensuring that sufficient funds are made available to maintain and improve the quality of our customer's homes.

An Increasing Supply of Homes

The risks are that:

- We fail to deliver the target completions in the New Homes Plan;
- We fail to deliver the right affordable homes for our customers;
- We are unable to sell our properties – impacting on cash flow and our ability to implement the new homes plan;
- We fail to make robust New Homes investment decisions resulting in unsustainable investments;
- We fail to construct our new homes to agreed cost time and quality;
- We fail to construct our new homes safely;
- We fail to acquire appropriate S106 properties at the right cost, time and quality.

Our controls are:

- Comprehensive new homes plan;
- A sufficient pipeline of new land led schemes;
- Having the right people resource;
- Constant monitoring of the programme;
- Monitoring the external commercial operating environment, for example the housing market, mortgage availability and Government policy;
- Product overview and feedback;
- Researching and monitoring construction techniques;
- Sales products, incentives and performance monitored and reviewed .

The Right Relationship with Each Customer

The risks are that:

- No reduction in the demand for support services therefore benefits of the Localities Plan not met;
- Not making the best use of customer or community assets;
- Third party contractors damage our relationship with our customers;
- Bromford carries out consumer credit activities that we are not licenced for;
- We are not safeguarding our customers.

Our controls are:

- Every customer has a neighbourhood coach and encouraged to provide feedback;
- Investment in coaching skills through NC, Learning and Development Pathway and Academy;
- Supporting our customers into work, skills development and volunteering;
- Supporting customers with money and debt advice via trained Money Advisors and the Income team;
- Reduced patch sizes;
- Robust procurement and monitoring process of third party contractors;
- Monitoring of key performance indicators;
- Reviews of all progress at Customer and Communities Network half yearly;
- Raising awareness of safeguarding and our policy and procedures.

Enough Money

The risks are that:

- We fail to maximise income from agreed disposals affecting the delivery of our strategy;
- Reputational and financial loss from lack of control over payments, balance sheet, assets and liabilities, poor security of cash and cheques, insurance, financial authorisation levels and standing orders, recycle funds under deadline from Recycled Capital Grant Fund (RCGF);
- Inaccurate forecasting of cash for existing homes investment;
- We fail to maintain liquidity policy levels;
- We fail to access new borrowing or unable to access capital markets at a reasonable cost;
- Bromford fail to meet debt liabilities;
- We fail to protect our existing funding facilities;
- The bond is issued at a coupon rate outside of expected planning parameters.

Our controls are:

- Plans in place for funding we have on each supported housing scheme including contribution consultations with MPs etc;
- Affordability assessments and review meetings including offering money advice and support via trained advisors and for NC's through the training academy;
- Account Management Plans to ensure that our changing relationship with customers is not detrimental to income collection including reduced (Neighbourhood coach) NC patch sizes and the provision of collecting rents via direct debit;
- Maintain good working relationships with LA's to ensure restrictions are removed that may affect our sales programme;
- Numerous policies in place to ensure income collection and programmed progress (build and sales), as well as monitoring for external housing market changes to enable us to respond rapidly to any potential impact, lender appetites, market incentives and investment decision making on land and scheme acquisitions;
- External and internal audit of processes including annual budget setting, regular monitoring and forecasting processes with stress testing, including covenant compliance, project plans for pension solutions, major change projects, major investment projects, build cost inflation, valuations and horizon scanning of the economy; this is monitored under the Vfm targets and our business plans. We undertake annual regulatory reporting;
- Review of progress at Treasury Committee on a quarterly basis in line with the Treasury Policy and monitoring of market pricing and Moody's sector ratings. Advice from treasury specialists with expertise. Maintenance of a liquidity buffer at all times and stress testing for bond coupon price changes.

We also manage the risks associated with ensuring that we have the right people, right tools and right organisation. We have a comprehensive project plan with its own formal governance arrangements and risk management to deliver our transformation programme – programmeOne.

(Our activity to be the right organisation will see, by the time this report is published, a new Bromford following our partnership with Merlin Housing Society.) This has been the subject of close scrutiny by the Board and robust project and risk management.

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

Internal control

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

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

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

Some key elements of our internal control framework include:

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

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

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

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

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

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

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31st March 2018, 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.

Summary of financial performance for the year

Statement of financial performance for the year	17/18	16/17	15/16
	£m	£m	£m
Core turnover ⁴	152	151	155
1st tranche & similar sales	22	16	15
Turnover	174	167	170
Cost of sales	(17)	(11)	(11)
Operating costs (excluding pension cessation debt cost)	(94)	(89)	(90)
Pension cessation debt recognition	(5)	-	-
Surplus on disposals	11	8	7
Movement in fair value of investment properties	-	1	-
Operating surplus	69	76	76
Net interest charge	(25)	(26)	(27)
Surplus	44	50	49
Movement in fair value of financial instruments	5	-	-
Surplus before taxation	49	50	49

Statement of financial position	17/18	16/17	15/16
	£m	£m	£m
Housing property at cost	1,964	1,879	1,809
Depreciation	(247)	(233)	(220)
Net book value	1,717	1,646	1,589
Other fixed assets	24	22	25
Current assets - excluding cash and investments	60	31	17
Current liabilities - excluding loans and grant	(42)	(35)	(32)
Assets less net current liabilities	1,759	1,664	1,599
Reserves	672	634	584
Pension	27	10	11
Deferred capital grant	434	440	442
Other long term liabilities	56	52	54
Net debt ¹	570	528	508
Funding	1,759	1,664	1,599

Operating cash flow	76	91	99
Cash surplus (operating cash less interest)	50	64	72

Financial Ratios	17/18	16/17	15/16
Social Housing letting operating margin	42%	45%	48%
Total operating margin - statutory accounts format	40%	46%	45%
EBITDA interest cover	3.65	3.62	3.52
Cash conversion ²	110%	120%	130%
Net debt / cash surplus	11.4	8.2	7.1
Asset gearing	29%	28%	29%
Gearing ³	52%	49%	49%

Notes

1. Net Debt is debt less cash at bank and in hand and investments
2. Cash conversion compares operating cash flow to operating surplus
3. Gearing compares net debt to reserves plus capital grant under previous UK GAAP and do not reflect changes under FRS102
4. Core turnover relates to all housing activities excluding first tranche sales and open market sales

Group financial performance

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

We continue to focus on two main areas: cost control within a value for money framework and strong cash generation from core activities, allowing us to invest in our existing and new homes and in our services to customers. Our principle financial ratios show exceptional performance in both areas. Social housing activities are the core of Bromford's business and contributed 99% in 2017/18 (2016/17: 99%) of turnover and, including surplus on disposal of fixed assets, 99% of operating surplus (2016/17: 98%). Turnover from social housing lettings was £146m, up 1.4% from £144m in 2016/17. Social Housing operating margin, the operating margin on social housing lettings, our lead financial efficiency measure, was 42%, slightly lower than the 45% for the previous year, reflecting the growth in some operating costs and the effect of rent reductions for the majority of our homes.

The surplus before taxation of £49.3m is another strong financial performance for Bromford (2016/17: £49.8m). Operating surpluses were at £69.5m (2016/17: £76.1m), £6.6m lower than previous year, these have been reduced by one-off pension cost of £5.3m, see further details below.

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

Shared ownership sales

Shared ownership and shared equity sales income for the year was £22m (2016/17: £16m). We sold 216 shared ownership homes, at an average 100% sales value of £227k (2016/17: 164 homes, 100% value: £204k). The average first tranche share sold decreased slightly to 45.7% (2016/17: 47%).

Costs

Cost control is a core deliverable across the business. The Regulator of Social Housing's analysis of costs across the sector has validated that our costs are comparatively low using 2016/17 as the benchmark. Success in controlling costs drives our excellent social housing lettings operating margin which at 42% (2016/17: 45%) remains one of the strongest in the sector.

Our strong 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.

Our operating costs for other social housing activities (see note 2 on page 70) includes our social value investment activities where we have invested in localities. During the year we spent £1.1m (2016/17: £1m) on these added value activities, coaching and supporting our customers and implementing new service delivery models.

Over the last year we have seen an increase of 12% in our total operating costs per the Statement of Comprehensive Income from £89m in 2016/17 to £99m in 2017/18. This was due to several factors, including growth in new homes and sales activity, investment in localities and preparing for transformation and other changes such as pension provision for colleagues. The business case for these changes was approved by the Board and included a detailed benefit analysis, with future efficiency and cost reduction built into our business plans. Operating costs for the year also include the one off cessation cost of £5.3m relating to the recognition of a deficit on the closure of one of Bromford's LGPS pension schemes. This cost accounts for 50% of the increase in the operating costs of the year.

Disposals

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

Property disposal profits in the year were higher than usual for 2017/18 at £11.4m (2016/17: £8.2m), mainly due to the completion of a stock transfer of our Powys stock which had a profit of £4m. Other disposals included staircasing £3.5m (2016/17: £3.8m) and our void and strategic disposal programme £3.4m (2016/17: £4.8m). During the year, 99 homes staircased and four homes were repossessed. Disposals generated cash of £30.1m and £2m in recycled grant (2016/17: £18.8m and £2.3m).

Corporation tax

We continue the policy of gift aiding taxable surpluses from non-charitable Group members to charitable Group members. The corporation tax credit for the year is £109k (2016/17: £97k).

Fixed assets

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

Investment in our homes

In 2017/18 we invested £25m (2016/17: £23m) in major repair and refurbishment programmes and £90m (2016/17: £64m) in new homes.

Sales exposure

Exposure to unsold shared ownership stock is not a material issue for us, neither is potential impairment of property values. Due to the growth in our new homes programme and the timing of handovers in the months up to March 2018, the number of completed unsold shared ownership homes rose to 140 at March 2018 (March 2017: 36). The market value of unsold homes at year end was £31.4m (2016/17: £6.1m). As at June 2018, 45 of these homes have sold and a further 44 are now reserved.

We had no unsold outright sales stock at the year-end.

The detail of stock and work in progress is shown in note 18, with two retirement living schemes in progress, stock and work in progress has increased from £24m at March 2017 to £49m at March 2018. The first of our retirement living schemes at School Gardens, Stourport, completed in April 2018 and the first lettings and sales have now completed, with good interest in the homes remaining for sale.

Arrears

Gross arrears, for current and former tenants combined, increased slightly in the year. The arrears represent 13.2 days of rental income (2016/17: 12.2 days) and as a percentage of income was 3.62% (2016/17: 3.33%). Net arrears (taking prepaid rent into account) also increased slightly but remains low at only 0.73% (2016/17: 0.25%), this is due to more customers paying rent in advance.

Pension provisions and liabilities

On 31st March 2018 Bromford closed its existing defined benefit pension schemes to future accrual and all employees were offered membership of a new Bromford pension scheme. Bromford's share of assets and liabilities within the Social Housing Pension Scheme (SHPS) were transferred to the new Bromford defined pension scheme. Further detail is disclosed within **note 38**. The exiting from the SHPS scheme resulted in a credit to other comprehensive income of £11.5m and the creation of the new scheme resulted in a charge to other comprehensive income of £24.5m. The assumptions behind the pension liability of £24.5m as at 31st March 2018 are set out in **note 38**.

The closure of the Gloucestershire LGPS scheme resulted in the recognition of an additional termination liability of £5.3m within operating costs, this increased the pension deficit liability to £7.2m at March 2018. This liability was settled in full in June 2018.

Effects of material estimates and judgements within these financial statements

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

Further details of key estimations can be found within our accounting policies on page 60.

Capital structure, treasury and cashflow

The following table highlights our position on key indicators:

	17/18	16/17
Borrowing	£627m	£567m
Undrawn facilities	£132m	£154m
Cash and cash equivalents	£38.3m	£20m
Fixed rate borrowing	82%	84%
Cost of borrowing	4.16%	4.39%
Interest cover covenant	3.65 times	3.61 times
Asset gearing covenant (66.67% max)	29%	28%

Cash, liquidity and funding

Rigorous control of cash is a key focus for us. Operating cash flow was again strong at £76m (2016/17: £91m) and represents 109% of operating surplus – a strong cash conversion performance. Cash from operations was topped up by £76.5m of net cash from borrowing to fund our investment activities. Liquidity was strong with £38.3m of cash and cash equivalent balances and £132m of undrawn facilities. EBITDA interest cover is 3.65 times and gearing and asset gearing continue at a steady level.

Liquidity remains a key focus and at March 2018 we had:

- Cash and cash equivalents of £38.3m;
- £132m in undrawn loan facilities (including Revolving Credit Facilities);
- £515m of security from uncharged properties, £316m of which was utilised for the Group bond issue in May 2018;
- In addition Bromford holds security with its funders in excess of their asset cover requirements.

This provides the business with a comfortable level of cash and undrawn available facilities, covering more than 18 months of planned expenditure.

We ended the year with fully secured facilities of £759m, with drawn borrowing of £627m (2016/17: £567m).

Borrowing was initially increased due to the £55m THFC loan in August 2017 and £53.5m of drawings from the Lloyds revolving credit facility (RCF), then reduced by the repayment of revolving credit facilities (RCFs) of £35m and £14m of scheduled capital repayments on term loans. Our repayment profile spans the period to 2047 with no single year representing more than 15% of the overall loan repayment exposure, mitigating refinance risk.

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

Cash balances not within RCFs were placed on deposit in line with our treasury deposit policy. Our treasury policy also requires a minimum of £5m immediately available funds and a further £20m available within two business days (including RCFs), highlighting the importance we place on liquidity in our management of risk.

Interest rate management and mark to market position

We use fixed rate borrowings to manage our exposure to increases in interest rates and 82% of our borrowings are at fixed rates (2016/17: 84%). This strikes a balance between managing medium-term rate risk and benefiting from current low short term rates.

The average cost of borrowing was 4.16% (2016/17: 4.39%). The slight fall came from scheduled repayment of variable rate loans, RCF repayments and fixed loans maturing to variable.

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

The full MtM value of the cancellable swaps at year-end was £25.4m which was lower than last year's level of £30.7m, the movement in fair value of these financial instruments of £5.3m has been credited to the Statement of Comprehensive Income. Other movements in the MtM value was due to increases in the yield curve and long term rates. At year end the MtM call amount over our contracted threshold levels decreased to £5.4m (2016/17: £10.7m) mainly as a result of movement in the yield curve.

Security

Bromford has a healthy level of available uncharged security. Our £132m of undrawn facilities are all fully secured. In addition we have £22m pre-charged security ring-fenced to cover any further movements in our MtM exposure over and above our substantial contractual thresholds.

Further security charging is at various stages of completion. £25m is held by our Security Trustee and is available subject to renewing searches, together with our as yet uncharged security, these pools are being managed in line with future funding plans, funder security covenant requirements and market changes to the extent they effect security valuations.

Covenants

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



Value for money

Within the Value for Money Standard 2018 issued by the Regulator of Social Housing, there is a specific expectation for registered providers to publish evidence within their statutory accounts to enable stakeholders to understand the provider's performance against its own value for money targets and any metrics set out by the regulator, and how its performance compares to peers.

The metrics required by the regulator were published in March 2018 and are set out below for the last three years. Bromford is a member of two benchmarking groups, the Sector Scorecard (administered by Housemark) and Vantage. These clubs are collating sector metrics information and other PIs for 2017/18 from members and these will be published in September 2018. Therefore we are unable to publish any benchmarking of these metrics in these financial statements.

Metric set by the regulator	Target 2018*	Actual 2018	Actual 2017	Actual 2016
Reinvestment in new supply %	7.3%	5.5%	4.5%	3.5%
New supply delivered %				
Social housing %	3.4%	3.0%	1.6%	1.6%
Non-social housing %	0%	0%	0%	0%
Gearing %	31.0%	29.0%	28.0%	28.7%
Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) Interest cover %	226%	208%	249%	262%
EBITDA MRI (excluding one-off pension closure cost)		227%		
Headline social housing cost per unit.	£3,024	£3,036	£2,885	£2,863
Operating margin %				
Social Housing lettings %	41.6%	41.9%	45.2%	48.1%
Overall %	36.7%	33.3%	40.6%	40.5%
Overall % (excluding one-off pension closure cost)		36.4%		
Return on capital employed (ROCE) %	4.1%	3.9%	4.5%	4.6%
ROCE (excluding one-off pension closure cost)		4.2%		

*Targets are calculated for the 2017/18 approved budget

Following the approval of our New Homes plan in March 2017, we have now been able to significantly improve the two metrics associated with new supply compared to the two previous years. Measured as £ reinvested compared to total cost of properties at year end, we have improved from 4.5% to 5.5%. For numbers of new homes completed, we have nearly doubled the number of new social homes completed from 460 in 2016/17 (1.6% of total social homes) to 867 completions for 2017/18 (3.0% of social homes). Our target for the year was slightly higher at 989 completions, but our first retirement living scheme of 60 homes was delayed slightly and completed in April 2018.

This reinvestment in new supply has led to new funding requirements, with net borrowing growing by £42m during 2017/18; this increased our gearing metric from 28% to 29%.

The social housing cost per unit measure, which includes capitalised major repairs, has been maintained at around £3,000, the increase in cost compared to 2016/17 reflects redirecting costs to frontline services of localities and major repairs in line with our strategy.

EBITDA MRI, overall operating margin % and ROCE metrics have been stated above including our one off cost of closure of a LGPS scheme of £5.2m which is part of operating costs. By excluding this cost we can monitor the underlying performance from normal operating activity in comparison with targets, therefore we have presented both measures.

Internal VfM targets	Target 2018*	Actual 2018	Actual 2017	Actual 2016
Central team overheads as a % of turnover	Less than 10%	11.0%	9.9%	8.9%
Total arrears %	4.50%	3.62%	3.33%	4.19%
Customer advocacy. Customers would recommend Bromford %	92%	90%	91%	87%
Matching the right home to the right customer: New customers that say their home is right for them %	97%	98%	98%	96%

*Targets are calculated for the 2017/18 approved budget

Our long term target is to maintain central team overheads as a % of turnover at below 10%. During 2017/18, actual central overheads were 1% over the 2017/18 target, mainly relating to the costs of change for pension provision and supporting growth across localities and New Homes.

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

Our customer advocacy is still strong at 90%, but was 2% below our challenging target for the year.

For our new customers we measure whether we have matched the right home to the right customer, 98% of our new customers in 2017/18 felt we had done so.

Looking forward we will be refreshing our vfm targets following the completion of our partnership with Merlin and potentially Severn Vale. These targets will reflect our renewed strategy which is being revised in detail post partnership.

Board Compliance Statements

Public benefit Entity

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

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

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

Statement of Board's responsibilities in respect of the Annual Report and the financial statements

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

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

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

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

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

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

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the Board to assess the group'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 Group's auditors are unaware. We have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Going concern

In preparing the financial statements, the board members have reviewed BHG's financial plan for 2018/23 and has a reasonable expectation that Bromford has adequate resources to continue in operational existence to at least January 2019. Accordingly, the financial statements set out on pages 55 to 102 have been prepared on a going concern basis.

Viability statement

As required by the provisions of the UK Corporate Governance Code, the Board has undertaken an assessment of the future prospects of Bromford taking into account its current position and principal risks.

This incorporates the impact of the partnership with Merlin Housing Society Limited.

This assessment was made using the following core business processes:

Five-year financial plan (FP) – the board reviews the FP each year as part of its strategic planning process. This process includes detailed stress testing of the FP which involves flexing a number of assumptions underlying the forecast both individually and together under particular scenarios.

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

Liquidity – based on the output of the FP and regular reforecasting of cashflows, the Board reviews the liquidity position of the Group ensuring funding is secured in accordance with Bromford's treasury policy. On 3 May 2018, The Group issued their debut public bond. The bond issue amount was £300m.

The Group successfully issued its debut public bond in May 2018, securing £300m of new funding to the Group to meet its corporate objectives.

In undertaking this assessment, a period of three years has been selected. For the initial year of this three year period there is a greater level of certainty because detailed annual budgets are prepared and regularly reforecast. Quarterly cashflow forecasts are reviewed by the Board covering a rolling 24 months period, and are used to ensure sufficient facilities are in place. The largest single area of spend is the development programme and the bulk of the committed programme completes within a two year time frame. 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 time frame.

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

Appointment of Auditors

In 2017, KPMG LLP were appointed as Bromford's external auditors for a period of up to five years to 2021.

The Board and Strategic Report was approved on 24th July 2018 and signed on its behalf by:



Jonathan Simpson Dent

Chair

24 July 2018

Audit and Risk Committee.

"I joined the BHG Board on 2 July 2018 when the partnership with Merlin Housing Society was approved by the FCA. At that time the Board adopted a new Governance Framework and committee structure. This included a new Audit and Risk Committee which I will Chair.

As former Chair of the Merlin Audit and Risk Committee I hope that the new Committee will build on the work carried out across two organisations."

Richard Penska,
Chair of the Audit and Risk Committee



Role and Purpose

Composition and Role of the Audit and Risk Committee

During the 2017/18 financial year the Audit and Risk Committee (formerly Assurance and Audit Committee) comprised Chair Steve Dando and Sally Higham. Both were independent Non-Executive Directors, and brought considerable knowledge of the group's strategy and operations and also from their respective external employment.

Further information on their background and experience can be found in the Board Members Section, starting on page 3.

From 2 July 2018 the Audit and Risk Committee comprises Richard Penska, Chair (NED); Steve Dando (NED) and Richard Bird (NED).

Driven by its terms of reference the Committee carries out work to provide the Board with assurance on the effectiveness of the risk management and internal control processes and frameworks to ensure that the operational and strategic risks do not materialise. The Committee also oversees the internal and external audit functions.

The Committee is supported by key colleagues from across Bromford and by professional audit and business assurance advisors from KPMG and Mazars. It also has access to financial resources to obtain additional independent professional advice if necessary. In this way, access is provided to the most relevant and insightful technical expertise to help it discharge its duties.

Risk management and Internal Controls

The Committee continues to monitor its operating environment and a number of significant external events have influenced the work of the Committee during the year. These include the continued uncertainty in the housing market and economy due to Brexit; the increased cyber threat to businesses; and the Grenfell Tower disaster. Bromford's own ambitious plans have also played a key part in the work of the Committee and include the impact of - the partnership with Merlin Housing Society; the continued roll out of Localities; programmeOne our transformation programme; and implementation of our New Homes plan.

The Committee considers a range of risk and assurance information. This includes:

- Monitoring and reviewing the risk report and considering the mitigating controls and assurances that are in place;
- Approving the annual audit plan and reviewing and tracking the outcomes of the business assurance process and significant risk reviews;
- Reviewing the Quarterly Assurance Statements provided by the Functional Directors and considering and recommending actions in respect of any issues that have been raised.

During the year the Committee reviewed the Risk Management Policy which sets out roles and responsibilities for risk management across the business.

Probity

During the year the Committee reviewed its probity arrangements, including the arrangements for money laundering, fraud and confidential reporting (whistle blowing). These have been revised to adhere to good governance and regulatory practice, and to implement changes from the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 which came into force on 26 June 2017. These policies were again reviewed by the Board on 2 July 2018 when it confirmed its partnership governance arrangements.

The **Board and Strategic Report**, starting on page 15, sets out what the organisation considers its principal risks to be, and provides details of how these risks are being controlled and mitigated.

Internal audit and business assurance

The Committee monitors the internal audit and business assurance service provider, Mazars, who was appointed for a period of three years to March 2019. Representatives of Mazars attend all meetings of the Committee.

Mazars carry out quarterly compliance tests on key internal controls to monitor performance and also undertake a series of 'Significant Risk Reviews' which provide an in-depth review of particular internal controls. In 2017/18 Significant Risk Reviews covered Treasury, Contractor Health and Safety, Safeguarding and GDPR preparations.

The Committee ensured that Mazars independence was not impaired, taking into account relevant professional and regulatory requirements. Mazars do not provide any other services to Bromford and the Committee was satisfied that the key personnel involved in delivering the service demonstrate the appropriate levels of objectivity. Each year the Committee meets with Mazars without management present. During 2017/18, no recommendations were raised as a result of the quarterly compliance testing or significant risk review process which represented a significant cause for concern for the Committee or the Board.

Prior to the completion of the formal partnership Merlin Housing Society had appointed PwC as its internal auditors for the period 2018/19. To ensure that our work is co-ordinated and managed the Audit and Risk Committee is overseeing a schedule of audit work across the entities for the remainder of this period using both Mazars and PwC.

External audit

KPMG was appointed as external auditor in January 2017 for a period of up to five years to December 2022. The contract allows for a review, and in July 2018 it was agreed that the contract be extended for a further year.

KPMG met with the Committee throughout the year to provide progress updates against the annual external audit plan and once a year meet without management present. This allows the Committee to independently assess the effectiveness of our audit arrangements and obtain an independent view of the strength of our financial controls.

On an annual basis, the Committee reviews the effectiveness of the external audit function by scrutinising the external auditor's performance and evaluating service delivery. The independence of the external auditor is also assessed, to make sure that the operational team remains independent in nature, character and judgment and that our relationship with them remains objective, reasonable and proportionate.

The external auditor also provided non-audit services in the form of tax advice during 2017/18 but will not do this in 2018/19 following the recent bond issue.

Significant issues considered by the Audit and Risk Committee for the year ended 31st March 2018

Significant issues were discussed with management and KPMG in November 2017 when the Audit and Risk Committee reviewed KPMG's Audit Planning Memorandum and at the conclusion of the audit when the financial statements were reviewed in July 2018. The Audit Planning memorandum identified several audit risks which are considered below.

Development assumptions and judgements

Bromford has a significant development programme, which was expanded by the approval of the new homes business plan in March 2017. The accounting for these development schemes contains a number of assumptions and judgements relating to the recovery of work in progress, capitalised costs and the contractual relationships with third party contractors and partners. Consideration also needs to be given to impairment on significant developments due to time delays, increases in contractor costs and /or budget overruns. There is a risk that appropriate valuation and accounting treatment is not applied to development transactions. Management gave assurances to the Audit and Risk Committee that appropriate assumptions and judgements had been used in the accounting for development schemes. KPMG explained their audit testing of these assumptions and judgements. The Audit and Risk Committee questioned management and KPMG on the work performed and were satisfied that there was no material misstatement in terms of the accounting for development schemes.

Valuation of Local Government Pension Scheme (LGPS) liabilities

Bromford partakes in two LGPS pension schemes and recognised the results of the 2016 valuation in the 2016/17 financial statements. As at March 2018 the valuation of the two LGPS schemes rely on a number of actuarial assumptions which can differ depending on the actuarial firm involved in the valuation. For the Gloucestershire LGPS the basis of valuation was changed to cessation debt on closure.

Management gave assurances to the Committee that the actuaries used appropriate assumptions which were based on the most recent valuation and are derived on a consistent basis, year on year. KPMG explained their audit testing of the LGPS liabilities. The Committee questioned management and KPMG on the work performed and were satisfied that there was no material misstatement in terms of LGPS Pension liabilities.

Pension valuation – closure of SHPS schemes and creation of Bromford pension scheme

Following consultation with colleagues, Bromford concluded its closure of the SHPS defined benefit and defined contribution schemes on 1st April 2018. These have been replaced with the Bromford defined benefit and defined contribution pension plans. There is a risk that Bromford do not recognise all of the appropriate costs of closure of the schemes in the financial year to 31st March 2018. The valuation of the assets and liabilities transferred to the new schemes was carried out by third party actuaries. Management gave assurances to the Committee that the actuaries used appropriate assumptions which were based on the most recent valuation. KPMG explained their audit testing of the Bromford liabilities. The Committee questioned management and KPMG on the work performed and were satisfied that there was no material misstatement in terms of Bromford Pension liabilities.

Valuation of financial instruments

Bromford's financial instruments include a number of interest rate swaps accounted for as non-basic financial instruments. The valuation and accounting treatment of financial instruments is inherently complex, with potentially large movements in value being recognised at the year-end valuation.

Management gave assurances to the Audit and Risk Committee that appropriate independent and professionally qualified valuations were obtained for these non-basic financial instruments, and the resulting change in fair value recognised in the financial statements. KPMG explained their audit testing of these fair value valuations. The Audit and Risk Committee questioned management and KPMG on the work performed and were satisfied that there was no material misstatement in terms of valuation of Financial Instruments.

Revenue recognition and fraud risk

Although KPMG consider fraud risk from revenue recognition on social housing lettings is not regarded as significant, there is still a significant risk for other areas of income such as property sales.

Management reported to the Audit and Risk Committee that they were not aware of any material misstatements in the recognition of income and that all known fraud/potential fraud issues had been reported to the Audit and Risk Committee at each of its meetings.

KPMG explained their audit testing in this area. The Committee questioned management and KPMG on the work performed and were satisfied that there was no material misstatement in terms of revenue recognition and fraud risk.

Risk of management override of controls

KPMG explained that the risk of management override of controls was highlighted as management is typically in a unique position to perpetrate frauds because of its ability to manipulate accounting records and override controls, but that KPMG had not identified any additional risks of management override relating to Bromford. KPMG explained the work carried out over testing and substantive procedures, including over journal entries, accounting estimates and significant transactions outside the normal course of business. Management confirmed it had not overridden controls. The Committee questioned management and KPMG on the work performed and the control process and was satisfied that there was no material misstatement resulting from overriding controls in financial statements.

Richard Penska, Chair of the Audit and Risk Committee



Treasury Committee

“The purpose of the Treasury Committee is to support the Board by providing oversight of treasury activities by formulating and reviewing treasury policies and funding plans to manage and mitigate risk. These activities encompass managing existing funding lines, derivative exposure, excess cash and arranging new funding, secured by our unencumbered assets, in line with business plan requirements. ”

Steve Dando, Committee Chair

The committee is supported by specialist external treasury advisors, who help to critically review treasury policies and strategy, to ensure they remain relevant, effective and best practice for the sector. The committee can also commission additional expertise as necessary.

During the year 2017/18 the committee met three times. As well as the work done in compliance with its terms of reference, there have been additional delegations to the Treasury Committee by the Board to oversee the issue by Bromford Housing Group of its first public bond. The work of the committee also includes:

- Exercising powers as delegated by the Board, for our debut £300m public bond;
- Overviewing the funding structure and proposed loan portfolio for the partnership with Merlin Housing Society and Severn Vale Housing Association;
- Renewal and restructuring of revolving credit facilities with funders;
- Reviewing proposals to settle the cessation and ongoing deficits associated with the closure of the LGPS pension schemes;
- Overviewing treasury risks;
- Reviewing and updating treasury policies and framework to ensure that they remain fit for purpose.

The committee is also pleased to report that we have a strong financial rating in the sector, maintaining a Moody's A1 rating and augmenting this with a second rating from Standard and Poor's A+. This was particularly important as we launched our debut public bond to provide funding for our ambitious development strategy of delivering 14,000 homes over the next 10 years.

Steve Dando, Committee Chair

Remuneration and Nominations Committee

“This has been a significant year for the Bromford Housing Group (BHG). I joined the BHG Board on 2 July 2018 when the partnership with Merlin Housing Society was approved by the FCA. At this time the Board adopted a new Governance Framework and committee structure. This included a new Remuneration and Nominations Committee which, as Senior Independent Director, I will Chair. The Committee will build on the work carried out by the former BHG Nominations and Remuneration Committee.”

Vivienne Horton, Chair, Nominations and Remunerations Committee



Composition and Role of the Remuneration and Nominations Committee

During the 2017/18 financial year and up until 2 July 2018 the Nominations and Remuneration Committee was Chaired by Oke Eleazu (the Senior Independent Director) and also included Jonathan Simpson-Dent (the BHG Chair) and Christine Baldwin (NED). Philippa Jones, Chief Executive, also attended as a member of the Committee for nominations matters.

From 2 July 2018 the Remuneration and Nominations Committee comprises – Vivienne Horton (the Senior Independent Director); Oke Eleazu (NED); and Neil Rimmer (NED). Philippa Jones, Chief Executive and Robert Nettleton, Chief Executive Designate, also attend as members for nominations matters.

The role of the old and new Committee is to make recommendations to the Board on matters relating to the appointment, removal or remuneration of independent Non-Executive Directors (NEDs) and Executive Directors. This includes dealing with any matters relating to the structure, size or composition of the Board and succession planning to ensure that an appropriate balance of skills and experience is maintained.

The Committee also makes sure that there is an appropriate remuneration policy in place which allows for reasonable and proportionate levels of pay for both NEDs and Executive Directors

Remuneration and Nominations Activity

During 2017/18 the Committee dealt with matters that supported the creation of the partnership with Merlin Housing Society and dealt with a number of issues relating to executive remuneration.

At such a significant time the BHG Board and Board Designate also took a direct and active role in remuneration and nominations activity. Supported by Altair they undertook a rigorous process to bring together the two Boards of the Bromford Housing Group and Merlin Housing Society to create a new Board and to appoint a Chief Executive Designate, to succeed Philippa Jones on her retirement, and a new combined Executive Team. As part of this process Altair:

- Undertook a benchmarking exercise to support the development of an appropriate level of remuneration for both the Non-Executive and Executive Directors;
- Created new role descriptions for the Board;
- Developed a draft succession plan and skills matrix to ensure that the board continues to maintain the right balance of skills and experience.

Reappointment to the Board is not automatic and it is important that NEDs continue to satisfy both performance and independence criteria in order to remain objective. However, outside of the Governance Framework, and in order to ensure continuity through such a significant period of change, the Board agreed that the appointments of Jonathan Simpson Dent, Chair, and Oke Eleazu, be extended beyond six years and that both be reappointed to 31st March 2019.

During the year the Board also extended the contract for consultancy services from one of our former NEDs, Fiona Underwood. As an expert in the sector, the Board wished to continue to benefit from Fiona's specialist knowledge and agreed to extend an existing consultancy contract with her company, Altair, for a further year. Fiona retired from the Board in March 2016.

During 2017/18 the BHG Chairman's other commitments did not interfere with the day to day performance of his duties for Bromford.

Vivienne Horton, Chair, Remuneration and Nominations Committee

Independent auditor's report to Bromford Housing Group Limited

1 Our opinion is unmodified

We have audited the financial statements of Bromford Housing Group Limited ("the Association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and of the association as at 31 March 2018 and of the income and expenditure of the group and of the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

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

Triennial valuation of LGPS pension liabilities

Value of LGPS Pension Liability = £2.28million (2017: £10.29 million)

Refer to page 41 (Issues considered by the Audit and Risk Committee section of the Report of the Board Committees), page 67 (accounting policy) and pages 90 to 100 (financial disclosures)

The risk

Subjective Valuation

The Group participates in the Local Government Pension Schemes. The total net liability on the Statement of Financial Position comprises the Group's obligation and the Group's share of the pension fund assets. The Group is allocated a share of the assets within the overall fund under the Local Government Pension Scheme rules, based on an allocation performed by the Scheme actuary, taking into account the share of liabilities.

Small changes in the assumptions and estimates used to value the pension obligation would have a significant effect on the Group's overall net pension liability. In addition, changes in the asset allocation by the Actuary, could have a significant effect on the Group's overall net pension liability.

Our response

Our procedures included:

Subjective Valuation

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

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

Valuation of the SHPS pension liabilities

Value of SHPS Pension Liability = £24.48 million (2017: £13.43 million)

Refer to page 41 (Issues considered by the Audit and Risk Committee section of the Report of the Board Committees), page 67 (accounting policy) and pages 90 to 100 (financial disclosures)

The risk

Subjective Valuation

The Group initiated the staff consultation process for the closure of SHPS defined benefit and defined contribution schemes in April 2018. The Group subsequently received an actuarial valuation of the scheme assets and liabilities attributable to the Group.

As this information was not previously available, the accounting for the SHPS pension liability was previously restricted to the 'deficit contribution payments' only. As the Group had access to a full actuarial valuation of the scheme assets and liabilities, it was required to account for this as a defined benefit scheme under FRS102 for the year ended 31 March 2018.

Small changes in the assumptions and estimates used to value the pension obligation would have a significant effect on the Group's overall net pension liability. In addition, changes in the asset allocation by the Actuary, could have a significant effect on the Group's overall net pension liability.

Our response

Our procedures included:

Subjective Valuation

Assessing valuers credentials – obtaining the qualification credentials of the Scheme actuary to assess that they are one of the small number of experienced, skilled advisors, appointed to undertake the Social Housing Pension Scheme valuations, as we place reliance on the Actuary for both the asset and obligation of the overall liability.

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

Development assumptions and judgements

Value of Stock = £49.36 million (2017: £24.12 million)

Value of Assets under Construction = £84.21 million (2017: £59.05 million)

Refer to page 41 (Issues considered by the Audit and Risk Committee section of the Report of the Board Committees), pages 64 to 66 (accounting policy) and pages 77 to 80 (financial disclosures)

The risk

Subjective estimate

The Group has a significant development programme, which was expanded in the New Homes Business plan issued in March 2017. There were 1,135 properties under development as at 31 March 2018 as well as 3,002 shared ownership properties, a proportion of which are held for sale. The carrying amount of these schemes contains a number of assumptions and judgements relating to capitalised costs and recoverability.

Judgements used in the capitalisation of staff costs and borrowing costs and in the recoverability of assets held for sale would have a significant effect on the carrying amount of Stock (assets held for sale) and Assets under Construction.

Our response

Our procedures included:

Tests of detail

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

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

Assessing the recoverability of Stock (assets held for sale) by comparing the carrying value of assets to the expected sales proceeds. We did this by checking a sample of sales undertaken during 2017/18 and post year end to completion statements and bank statements to determine whether carry values exceeded sales proceeds.

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

The materiality for the Group financial statements as a whole was set at £2.6 million (2017: £2.5 million), determined with reference to a benchmark of Group turnover, of which it represents approximately 1.5% (2017: 1.5%).

Materiality for the Association financial statements as a whole was set at £0.2 million (2017: £0.19 million), determined with reference to a benchmark of Association turnover, of which it represents approximately 1.5% (2017: 1.5%).

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

We reported to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £125,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 7 reporting components, we subjected all 7 to audits for group reporting purposes. These audits accounted for 100% of Group revenue, 100% of Group profit before tax and 100% of Group total assets.

The work on all 7 components was performed by the Group audit team.

4 We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Association's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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

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

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

Board and Strategic report

Based solely on our work on the other information:

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

Disclosures of principal risks and longer-term viability

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

- the Board's confirmation within the Viability Statement (page 39) that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Board's explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

7 Respective responsibilities

Board's responsibilities

As more fully explained in their statement set out on page 38, the association's Board is responsible for the preparation of financial statements which give a true and fair view; 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; assessing the group and 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 it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

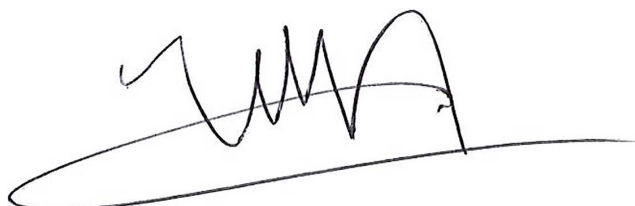
Auditor's responsibilities

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

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

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

This report is made solely to the association 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 it 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 as a body, for our audit work, for this report, or for the opinions we have formed.



Harry Mears

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

2 August 2018



Statement of Comprehensive Income - Group and Association

For the Year Ended 31 March 2018

	Notes	Group		Association	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Turnover	2	174,248	167,241	15,055	13,432
Cost of sales	2	(16,756)	(11,442)	-	-
Operating costs (including recognition of LPGS cessation debt)	2	(99,399)	(88,824)	(14,552)	(12,982)
Gain on disposal of property, plant and equipment (fixed assets)	2, 35	11,386	8,194	-	-
Increase in valuation of investment properties	2, 13	9	947	-	-
Operating surplus	2	69,488	76,116	503	450
Interest receivable	6	384	512	52	-
Interest and financing costs	7	(25,870)	(26,381)	(55)	-
Movement in fair value of financial instruments	34	5,250	(446)	-	-
Movement in fair value of investments	20	(73)	(40)	-	-
Surplus before tax	5	49,179	49,761	500	450
Taxation	10	109	(97)	(7)	(106)
Surplus for the year after tax		49,288	49,664	493	344
Actuarial gain / (loss) relating to pension scheme	38	1,288	(380)	-	-
Closure of Multi employer defined benefit pension scheme (SHPS)	38	11,513	-	-	-
Defined benefit pension scheme (TPT)	38	(24,478)	-	-	-
Total comprehensive income for the year		37,611	49,284	493	344

The Group and association's results relate wholly to continuing activities.

The financial statements on pages 56 to 102 were approved and authorised for issue for the Board on 24 July 2018 and were signed on its behalf by:



Jonathan Simpson-Dent
Chair



Philippa Jones
Chief Executive




John Wade
Company Secretary

Statement of Financial Position - Group and Association as at 31 March 2018

		Group		Association	
	Notes	2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible fixed assets - housing properties	11	1,716,819	1,645,599	-	-
Investment properties	13	8,566	9,106	-	-
Tangible fixed assets - other	14	11,025	11,855	-	-
Intangible Fixed Assets	15	2,915	92	-	-
Investments - other	16	125	-	125	-
Homebuy loans receivable	17	1,093	1,402	-	-
		1,740,543	1,668,054	125	-
Current Assets					
Stocks	18	49,359	24,120	-	-
Trade and other debtors : receivable within one year	19	10,706	6,892	11,773	2,089
Investments	20	14,537	15,570	-	-
Cash and cash equivalents	21	38,324	19,974	140	37
		112,926	66,556	11,913	2,126
Creditors: Amounts falling due within one year	22	(68,833)	(50,118)	(11,986)	(2,567)
Net current assets/(liabilities)		44,093	16,438	(73)	(441)
Total assets less current liabilities		1,784,636	1,684,492	52	(441)
Creditors: Amounts falling due after more than one year					
Loans	23	(600,232)	(552,635)	-	-
Interest rate swaps	23	(22,308)	(27,182)	-	-
Deferred Capital Grant	25	(429,385)	(435,454)	-	-
Other Creditors	23	(34,092)	24,679	-	-
		(1,086,017)	(1,039,950)	-	-
Provisions for liabilities					
Pension liability	27, 38	(26,760)	(10,294)	-	-
Total net assets		671,859	634,248	52	(441)
Reserves					
Called up share capital		-	-	-	-
Income and expenditure reserve		589,078	550,180	52	(441)
Revaluation reserve		82,781	84,068	-	-
Total reserves		671,859	634,248	52	(441)

The financial statements on pages 56 to 102 were approved and authorised for issue by the Board on 24 July 2018 and were signed on its behalf by:


Jonathan Simpson-Dent
Chair


Philippa Jones
Chief Executive


John Wade
Company Secretary

Changes in Reserves - Group and Association as at 31 March 2018

Group

	Income and expenditure reserve	Revaluation reserve
	£'000	£'000
Balance at 1 April 2016	498,549	85,921
Surplus from Statement of Comprehensive Income	49,284	-
Transfer in respect of depreciation	1,392	(1,392)
Transfer in respect of deemed costs disposals	461	(461)
Consolidation of Igloo subsidiary	494	-
Balance at 31 March 2017	550,180	84,068
Surplus from Statement of Comprehensive Income	37,611	-
Transfer in respect of depreciation	1,252	(1,252)
Transfer in respect of disposals	35	(35)
Balance at 31 March 2018	<u>589,078</u>	<u>82,781</u>

Association

	Income and expenditure reserve	Total
	£'000	£'000
Balance at 1 April 2016	(785)	(785)
Surplus from Statement of Comprehensive Income	344	344
Balance at 31 March 2017	(441)	(441)
Surplus from Statement of Comprehensive Income	493	493
Balance at 31 March 2018	<u>52</u>	<u>52</u>

Statement of Cash Flows - Group

	2018		2017	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities (Note 39)		75,638		90,663
Cash flow from investing activities				
Purchase of tangible fixed assets - new housing properties	(89,589)		(63,682)	
Purchase of tangible fixed assets - existing housing properties	(19,280)		(17,302)	
Purchase of tangible fixed assets - other	(2,489)		(1,260)	
Proceeds from sale of tangible fixed assets - other	-		1,202	
Direct costs of disposal of tangible fixed assets	(1,175)		(1,072)	
Grants received	2,456		-	
Interest received	376		439	
Net cash outflow from investing activities		(109,701)		(81,675)
Cash flow from financing activities				
Interest paid	(27,906)		(27,067)	
New secured loans	55,000		28,900	
Revolving loan facility drawn	53,500		31,249	
Repayment of borrowings	(13,696)		(11,560)	
Revolving loan facility repaid	(35,000)		(68,826)	
Debt issue costs incurred	(1,272)		(215)	
Bond Issue premium receipt	20,924		-	
Bond Issue payment to liquidity reserve fund	(2,884)		(504)	
Transfer from / (to) current asset investment (Nationwide), (THFC)	3,910		(5,105)	
Payments to debt service reserve	(53)		(277)	
Tax paid	(109)		(97)	
Net Cash flow from financing activities		52,413		(53,502)
Net change in cash and cash equivalents		18,350		(44,514)
Cash and cash equivalents at beginning of the year		19,974		64,488
Cash and cash equivalents at end of the year		38,324		19,974

Notes to the Financial Statements

Legal Status

Bromford Housing Group Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 (Registered Society number 29996R) and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing (registration number L4449). The registered office is Exchange Court, Brabourne Avenue, Wolverhampton, WV10 6AU.

The group comprises the following entities:

Name	Incorporation	Registered/ Non-registered
Bromford Housing Group Limited (29996R)	Co-operative and Community Benefit Societies Act 2014	Registered
Bromford Housing Association Limited (7106)	Co-operative and Community Benefit Societies Act 2014	Registered
Bromford Home Ownership Limited (29991R)	Co-operative and Community Benefit Societies Act 2014	Registered
Bromford Assured Homes Ltd (BAH) (Reg No. 02677730)	Companies Act 2006	Non-registered
Bromford Developments Limited (BDL) (Reg. No. 06507824)	Companies Act 2006	Non-registered
Street Services Limited (SSL) (Reg. No. 3711394)	Companies Act 2006	Non-registered
Igloo Insurance PCC Limited	Incorporated in Guernsey	Non-registered
Project Note Limited (Reg. No. 03716147)	Companies Act 2006	Non-registered
Riverside Mews Management Company Limited (Reg. No. 02953846)	Companies Act 2006	Non-registered
Strand Services (Whitchurch) Limited (Reg. No. 02645753)	Companies Act 2006	Non-registered
Bromford Carinthia Homes Limited (Reg. No. 02625632)	Companies Act 2006	Non-registered
Queen Street Management Company (Lichfield) Limited (Reg. No. 017643790)	Companies Act 2006	Non-registered

1. Principal accounting policies

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 2014.

The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group accounts.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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

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

Parent company disclosure exemptions

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

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

Basis of consolidation

The consolidated financial statements incorporate the results of Bromford Housing Group Limited and all of its subsidiary undertakings as at 31 March 2018 using the acquisition method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date upon which the Group obtained control.

Going concern

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

Judgements and key sources of estimation uncertainty

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

- **Development expenditure.** The Group capitalises development expenditure in accordance with the accounting policy described on page 66. Initial capitalisation of costs is based on management's judgement that the development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identified as abortive are charged in the Statement of Comprehensive Income.
- **Categorisation of housing properties.** The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented properties and commercial properties are investment properties.
- **Impairment.** The Group has identified a cash generating unit for impairment assessment purposes during development and construction at a programme level, with subsequent impairment assessment once in management at a property scheme level.

Other key sources of estimation and assumptions:

- **Tangible fixed assets** - Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Revaluation of investment properties** - The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine the fair value at the reporting date. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 13.
- **Categorisation of debt** - The Group's loans have been treated as 'basic' in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Group has fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). On 2 June 2016, The Financial Reporting Council (FRC) issued a statement in respect of such loans and gave no prescriptive direction as to whether they should be classified as 'basic' or 'non basic'. The Group believes the recognition of each loan liability at cost provides a more transparent and understandable position of the Group's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, therefore, the Group has retained its 'basic' treatment of its fixed rate loans following the FRC announcement.
- **Interest rate SWAPs** - Uncertainties in the valuation of interest rate SWAPs include future interest rates and counterparty credit risk. The Group uses a debt and derivative advisory company, regulated by the Financial Conduct Authority, to support the valuation of its derivatives, which are valued by the relevant lender.
- **Pension and other post-employment benefits** - The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 38.

For the year up to 31 March 2018 the Group participated in the multi-employer defined benefit Social Housing Pension Scheme (SHPS) operated by The Pensions Trust and also participates in the Growth Plan as an additional Voluntary Contribution (AVC) vehicle for members of the SHPS scheme. It is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employer on a consistent and reasonable basis and therefore the Group accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to operating expenditure relates to the contributions payable to the scheme for the accounting period. To the extent that payment plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan. Where the payments are not expected to be settled within 12 months the liability is measured at the present value of the contributions payable under the deficit funding agreement. Further detail is given in the accounting policy note on page 68 & 69.

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

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

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

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

The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Group as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include any restructuring activities that the Group is not yet committed to nor any significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Following the assessment of the indicators of impairment no adjustment to impairment was required during the year.

- **Leases** - A review of all leases has been carried out to classify leases as either operating or finance. These decisions depend upon an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- **Rent arrears and bad debt provisions** - The amount of arrears that will not be collected is estimated on past experience of collection of different types of debt. The impact of changes in welfare reform including universal credit and benefit caps have been estimated based on data provided from pilot studies and the Group's experience based on a small population.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other properties developed for outright sale and other income recognised in relation to the period when the goods or services have been supplied.

Rental income (net of voids) is recognised when the property is available for let. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

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

Support income and costs including Supporting People income and costs

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

Service charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge.

Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required, a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issuance costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the gross proceeds at issue after deducting any amortised issuance costs.

Where loans are redeemed during the year, any redemption penalty and any connected loan finance issuance costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Taxation

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

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

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

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

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

Value Added Tax

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group/ Association and is not recoverable.

Tangible fixed assets and depreciation

Housing properties

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

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

Freehold land is not depreciated.

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

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

UEls for identified components are as follows:

	Years
Boilers	15
Heating systems	30
Kitchens	20
Bathrooms	30
Roofs	65
Windows and doors	25
Structure - houses	130
Structure - flats	75
Structure - rooms and bedsits	40

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

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

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

Low cost home ownership properties

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

Capitalisation of interest and administration costs

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

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

Intangible fixed assets

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

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

Property managed by agents

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

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

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

Leasing and hire purchase

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

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

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

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

Investment property

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

HomeBuy

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

On redemption:

- The SHG is recycled;
- The SHG is written off, if a loss occurs, otherwise it is transferred to the Recycled Grant Fund;
- The Group keeps any surplus.

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

Equity loans purchased from house builders

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

Valuation of investments

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

Current asset investments

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

Stock and properties held for sale

Stocks of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

At each reporting date, stock and properties held for sale are assessed for potential write down. If there is evidence of potential write downs, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

Short-term debtors and creditors

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

Non-government 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 as a liability until the performance requirements are met, when the grant is recognised as Turnover.

Social Housing and other Government grants

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

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

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

Recycling of Capital Grant

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

Holiday pay accrual

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

Retirement benefits

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

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

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Group's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 2.06% at 31 March 2016, 1.33% at 31 March 2017 and 1.72% at 31 March 2018. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred. On the 31 March 2018, the Group ceased membership of SHPS and its liability for deferred repayments ceased. The share of assets and liabilities for the Group defined benefit scheme were transferred to a new Bromford standalone defined benefit scheme administered by The Pensions Trust. From this point the pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method.

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

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

Revaluation reserve

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

Financial instruments

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

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

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

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

Financial instruments held by the Group are classified as follows:

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

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

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

Impairment of Financial Assets

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

The following financial instruments are assessed individually for impairment:

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

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

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

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

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

2. Turnover and operating surplus / (deficit) - Group

		2018				
Notes	Turnover	Cost of Sales	Operating Costs	Surplus on disposal	Gain on investment property	Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings						
Housing accommodation	3	123,229	-	(67,024)	-	56,205
Supported housing accommodation	3	13,512	-	(12,037)	-	1,475
Shared ownership accommodation	3	8,909	-	(5,514)	-	3,395
		145,650	-	(84,575)	-	61,075
Other Social Housing Activities						
First tranche shared ownership sales		22,319	(16,447)	(1,645)	-	4,227
Supporting people contract income		2,529	-	(3,152)	-	(623)
Social Value Investment		-	-	(1,146)	-	(1,146)
Agency services		1,582	-	(1,594)	-	(12)
Sales and development		6	-	(1,683)	-	(1,677)
Defined benefit pension charge - remeasurement - impact of any changes in assumptions		-	-	469	-	469
Other		871	-	(129)	-	742
Gain on disposal of property, plant and equipment (fixed assets)		-	-	-	11,386	11,386
Activities other than social housing						
Market rents		457	-	(78)	-	379
Sewerage services		18	-	(149)	-	(131)
Commercial rents		307	-	10	-	317
Properties and facilities management		4	-	(472)	-	(468)
Property development/equity loan sales		505	(309)	-	-	196
Increase in valuation of investment properties		-	-	-	9	9
Recognition of LGPS cessation debt		-	-	(5,255)	-	(5,255)
		174,248	(16,756)	(99,399)	11,386	69,488

		2017				
Notes	Turnover	Cost of Sales	Operating Costs	Surplus on disposal	Gain on investment property	Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings						
Housing accommodation	3	121,533	-	(62,496)	-	59,037
Supported housing accommodation	3	13,725	-	(12,309)	-	1,416
Shared ownership accommodation	3	8,751	-	(4,047)	-	4,704
		144,009	-	(78,852)	-	65,157
Other Social Housing Activities						
First tranche shared ownership sales		15,815	(11,289)	(1,137)	-	3,389
Supporting people contract income		3,891	-	(3,719)	-	172
Social Value Investment		-	-	(1,025)	-	(1,025)
Agency services		1,797	-	(1,789)	-	8
Sales and development		-	-	(1,308)	-	(1,308)
Defined benefit pension charge - remeasurement - impact of any changes in assumptions		-	-	(363)	-	(363)
Other		375	-	(92)	-	283
Gain on disposal of property, plant and equipment (fixed assets)		-	-	-	8,194	8,194
Activities other than social housing						
Market rents		585	-	(73)	-	512
Sewerage services		18	-	(109)	-	(91)
Commercial rents		498	-	(20)	-	478
Properties and facilities management		-	-	(337)	-	(337)
Properties developed for outright sale		-	-	-	-	-
Property development/equity loan sales		253	(153)	-	-	100
Increase in valuation of investment properties		-	-	-	947	947
		167,241	(11,442)	(88,824)	8,194	76,116

No breakdown of turnover and operating costs is provided for the Association. These all relate to administrative recharges and Central Service costs.

3. Income and Expenditure from Social Housing Lettings - Group

	2018				2017
	General Needs Housing £'000	Supported Housing for Older People and MyPlace £'000	Leasehold and Shared Ownership £'000	Total £'000	Total £'000
Income					
Rent receivable net of identifiable service charge	116,030	8,463	7,363	131,856	130,343
Service charge income	3,472	3,996	1,346	8,814	8,757
Charges for support services	4	62	-	66	89
Amortised government grants	3,581	978	200	4,759	4,820
Revenue Grants from others	142	13	-	155	-
Turnover from social housing lettings	123,229	13,512	8,909	145,650	144,009
Operating Expenditure					
Management	(19,554)	(2,432)	(1,718)	(23,704)	(20,471)
Service charge costs	(5,382)	(4,586)	(1,146)	(11,114)	(10,505)
Care and support costs	(6)	(72)	-	(78)	(108)
Routine maintenance	(17,341)	(1,627)	(317)	(19,285)	(17,442)
Planned maintenance	(1,625)	(577)	(166)	(2,368)	(2,388)
Major repairs expenditure	(4,796)	(869)	(393)	(6,058)	(6,058)
Bad debts	(62)	79	(27)	(10)	(509)
Depreciation of housing properties	(18,258)	(1,953)	(1,747)	(21,958)	(21,371)
Operating expenditure on social housing lettings	(67,024)	(12,037)	(5,514)	(84,575)	(78,852)
Operating surplus on social housing lettings	56,205	1,475	3,395	61,075	65,157
Void losses	(428)	(693)	(4)	(1,125)	(1,055)

The Association does not have any housing stock for letting.

4. Accommodation owned, managed and in development

	Group	
	2018	2017
	Number	Number
Under management at end of year:		
General needs housing social rent	20,940	21,059
General needs housing affordable rent	2,174	1,786
Supported housing	2,047	2,027
Low-cost home ownership	3,002	2,789
Leasehold	981	962
Units to be remodelled	144	136
	29,288	28,759
Under development at end of year:		
General needs housing social rent	193	140
General needs housing affordable rent	396	482
Supported housing	30	74
Low-cost home ownership	422	466
Outright sale	94	-
Total Social Housing Units	30,423	29,921
Non Social Housing		
Under management at end of year:		
Staff accommodation	7	8
Market rent	54	62
Commercial units	34	31
Offices and Resource Units	107	106
Retained freeholds	606	544
	808	751
Total units	31,231	30,672
Owned and managed	28,663	28,146
Owned and managed by others	517	515
Managed for others	772	713
Under Development	1,135	1,162
Units to be remodelled	144	136
Total units	31,231	30,672
Garages / parking spaces	1,781	2,690
Garages not lettable (under review)	887	-
	2,668	2,690

The Association does not hold any housing stock.

5. Surplus on ordinary activities

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
The surplus on ordinary activities is stated after crediting/(charging):				
Operating lease rentals -				
office land & buildings	(789)	(711)	-	-
vehicles	(1,738)	(1,371)	(61)	(76)
Surplus on sale of fixed assets	11,386	8,194	-	-
Depreciation of housing properties	(22,094)	(21,487)	-	-
Depreciation of other fixed assets	(1,159)	(1,121)	(1)	(3)
Current Auditor's remuneration, (excluding VAT):				
Audit of the group financial statements	(7)	(7)	(7)	(7)
Audit of subsidiaries	(56)	(45)	-	-
Service Charge certification	(39)	-	-	-
Taxation advisory	(5)	(14)	-	-
Other Services	(17)	-	(10)	-
Fees payable to the company's previous auditor and its associates (excluding VAT):				
Service Charge certification	-	(32)	-	-
Taxation advisory	-	(3)	-	(12)
Other services	-	(5)	(3)	(3)

6. Interest receivable and income from investments

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Interest receivable from cash, deposits and intragroup loans	<u>384</u>	<u>512</u>	<u>52</u>	<u>-</u>

7. Interest payable and similar charges

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Interest on loans, overdraft and other financing:				
On loans repayable within five years	3,236	2,533	-	-
Repayable wholly or partly in more than five years	<u>24,052</u>	<u>24,052</u>	<u>55</u>	<u>-</u>
	<u>27,288</u>	<u>26,585</u>	<u>55</u>	<u>-</u>
Defined benefit pension charge	164	281	-	-
Other finance charges	674	346	-	-
Finance costs / amortised premium	<u>(364)</u>	<u>128</u>	<u>-</u>	<u>-</u>
	<u>27,762</u>	<u>27,340</u>	<u>55</u>	<u>-</u>
Interest payable capitalised on housing properties under construction 4.10% (2017: 4.42%)	<u>(2,141)</u>	<u>(1,313)</u>	<u>-</u>	<u>-</u>
	<u>25,621</u>	<u>26,027</u>	<u>55</u>	<u>-</u>
Interest on pension scheme liabilities	1,304	1,549	-	-
Expected return on employer assets	<u>(1,055)</u>	<u>(1,195)</u>	<u>-</u>	<u>-</u>
	<u>25,870</u>	<u>26,381</u>	<u>55</u>	<u>-</u>

8. Colleague costs

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Wages and salaries	32,732	29,113	6,603	6,249
Social security costs	3,060	2,695	649	569
Other pension costs	<u>6,597</u>	<u>1,951</u>	<u>301</u>	<u>321</u>
	<u>42,389</u>	<u>33,759</u>	<u>7,552</u>	<u>7,139</u>

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

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

	Group		Association	
	2018	Restated 2017	2018	2017
	No.	No.	No.	No.
Asset management	412	359	-	2
Central services	196	177	177	176
Innovation and new business	5	4	-	-
Development, Construction and sales	82	65	-	-
Housing Management and support	<u>464</u>	<u>461</u>	<u>-</u>	<u>-</u>
Total	<u>1,159</u>	<u>1,066</u>	<u>177</u>	<u>178</u>

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

8. Colleague costs (continued)

Number of full time equivalent employees (including Executive Directors) whose remuneration exceeded £60,000 in the period:

	Group	
	2018	2017
	No.	No.
£60,001 - £70,000	21	19
£70,001 - £80,000	13	12
£80,001 - £90,000	14	11
£90,001 - £100,000	3	2
£100,001 - £110,000	1	2
£110,001 - £120,000	8	9
£120,001 - £130,000	2	-
£130,001 - £140,000	-	1
£140,001 - £150,000	-	1
£150,001 - £160,000	-	1
£160,001 - £170,000	2	-
£180,001 - £190,000	1	-
£200,001 - £210,000	1	1
	66	59

9. Directors' and senior executive remuneration

Directors (key management personnel) are defined as the members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

The highest paid Executive Director was the Chief Executive, Philippa Jones, who is an ordinary member of the Social Housing Pension Scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements.

Emoluments (excluding pension contributions) payable to the Chief Executive who is also the highest paid director

	2018	2017
	£'000	£'000
Philippa Jones	199	192
	199	192

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

	2018			
	Salaries	Taxable Benefits	Pension	Total
	£'000	£'000	£'000	£'000
Chief Executive				
Philippa Jones	182	17	9	208
Other Executive Directors:				
Nick Cummins	140	15	7	162
Lee Gibson	153	12	-	165
Executive Directors	475	44	16	536
Christine Baldwin	10	-	-	10
Steve Dando	10	-	-	10
Oke Eleazu	12	-	-	12
Balvinder Heran	10	-	-	10
Sally Higham	10	-	-	10
Jonathan Simpson-Dent	22	-	-	22
Non-Executive Board Directors	74	-	-	74
Total Executive and Non Executive Directors	549	44	16	610

9. Directors' and senior executive remuneration (Continued)

2017

	Salaries £'000	Taxable Benefits £'000	Pension £'000	Total £'000
Chief Executive				
Philippa Jones	178	14	9	201
Other Executive Directors:				
Nick Cummins	137	8	7	152
Andrew Battrum (retired 31st July 2016)	52	8	3	63
Lee Gibson (appointed 1st August 2016)	100	8	-	108
Executive Directors	467	38	19	524
Christine Baldwin	10	-	-	10
Steve Dando	10	-	-	10
Oke Eleazu	12	-	-	12
Jonathan Simpson-Dent	22	-	-	22
Balvinder Heran	10	-	-	10
Sally Higham	10	-	-	10
Non-Executive Board Directors	74	-	-	74
Total Executive and Non Executive Directors	541	38	19	598

A number of the Bromford Housing Group Directors are also Board members of other group companies.

Taxable benefits arise from :-

- i) The provision of company cars, the benefit being assessed from the cost of the car provided.
- ii) Private medical insurance.

2018	2017
£	£

The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director.

The aggregate amount of any consideration payable to Directors for loss of office.

The aggregate amount of any compensation paid to or receivable by current Directors or former Directors during the period of account.

-	-
-	-
-	-

10. Taxation on surplus on ordinary activities

a) Analysis of the charge in the period

The tax charge on the surplus on ordinary activities for the year was as follows:

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Current tax:				
UK Corporation Tax charge for the year	(14)	70	2	91
Under provision in previous years	(94)	16	5	15
Total current tax	(108)	86	7	106
Deferred tax:				
Origination and reversal of timing differences	(1)	11	-	-
Tax on surplus on ordinary activities	(109)	97	7	106
Total tax reconciliation				
Surplus on ordinary activities before tax	49,179	49,761	500	450
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017:20%)	9,344	9,952	95	90
Effects of:				
Items not allowable for tax purposes (primarily depreciation of housing stock)	63	60	7	1
Fixed asset differences	(475)	(616)	-	-
Income not taxable for tax purposes	(17)	(13)	-	-
Chargeable gains	373	511	-	-
Amounts (charged/credited directly to equity or otherwise transferred)	-	(100)	-	-
Current tax (charged)/credited directly to equity	(79)	137	-	-
Difference between equity and I&E tax charge	-	(37)	-	-
Adjust closing deferred tax to average rate	-	3	-	-
Adjust opening deferred tax to average rate	-	(8)	-	-
Deferred tax not recognised	(57)	(74)	-	-
Deferred Tax	(1)	-	-	-
Adjustment in respect of prior years	(95)	16	5	15
Surplus relating to charitable entities	(9,159)	(9,762)	-	-
Group relief received	-	-	(100)	-
Revaluation of properties	(6)	28	-	-
	(109)	97	7	106

11. Tangible fixed assets - housing properties (Group)

	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
Cost					
At 1 April 2017	1,681,494	35,937	138,367	23,115	1,878,913
Additions	3,965	53,868	190	32,345	90,368
Replacement of components	18,633	-	5	-	18,638
Transferred on completion	46,278	(46,278)	14,778	(14,778)	-
Disposals	(1,351)	-	(5,721)	-	(7,072)
Components disposed	(9,206)	-	-	-	(9,206)
Transfers to another association	(7,606)	-	-	-	(7,606)
Reclassification	59	-	(59)	-	-
Transfers from investment property	206	-	-	-	206
At 31 March 2018	1,732,472	43,527	147,560	40,682	1,964,241
Less:- Depreciation and Impairment					
At 1 April 2017	226,313	-	7,001	-	233,314
Charge for the year	21,210	-	884	-	22,094
Disposals	(7,685)	-	(301)	-	(7,986)
At 31 March 2018	239,838	-	7,584	-	247,422
Net Book Value 31 March 2018	1,492,634	43,527	139,976	40,682	1,716,819
Net Book Value 1 April 2017	1,455,181	35,937	131,366	23,115	1,645,599

	2018	2017
	£'000	£'000
Housing property net book value in respect of long leaseholds	100,884	92,312
Housing property net book value in respect of freeholds	1,615,935	1,553,287
	1,716,819	1,645,599

The figures for 2016 have been restated following updated information being made available.

	2018	2017
Total depreciation charge	22,094	21,487
Component depreciation within the total depreciation charge	13,026	12,534
Development administration costs capitalised during the year	2,084	1,976
Aggregate amount of interest and finance costs included in the cost of housing properties	19,857	17,715

Properties held for security

Bromford Housing Group - Registered social housing provider had property pledged as security with a value (EUV-SH and MV-STT) of £1,186m (18,608 units) at 31 March 2018 (2017: £1,288m (20,377 units)).

The Association does not hold any housing stock.

12. Expenditure on work to existing properties

	2018	2017
	£'000	£'000
Replacement of components	18,638	17,302
Amounts charged to Statement of Comprehensive Income	6,058	6,058
	<u>24,696</u>	<u>23,360</u>

13. Investment properties held for letting

	Group	
	2018	2017
	£'000	£'000
As at 1 April	9,106	8,000
Additions	(2)	50
Transfer to tangible fixed assets (housing properties)	(557)	(1,430)
Transfer from tangible fixed assets (other)	19	3,218
Loss on transfer of properties	(108)	(303)
Gain from adjustment in value (commercial)	-	1,094
Gain from adjustment in value (investment)	116	156
Disposals (Commercial)	(8)	(1,679)
As at 31 March	<u>8,566</u>	<u>9,106</u>

Investment properties (commercial and market rent) were valued at 31 March 2018 by professional qualified external valuers.

The valuation of market rent properties was undertaken by Jones Lang Laselle Ltd. in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

In valuing the properties the following significant assumptions were used:

Discount rate	8%
Annual inflation rate	1.5% to 6.5%
Level of long term rent increase	1% - 2%

In the prior year commercial properties have been transferred from other tangible fixed assets into investment properties. The commercial properties were previously accounted for at historic cost.

The properties are now shown at valuation which has been carried out by Bruton Knowles.

The Association does not hold any investment property.

14. Tangible fixed assets - other

Group	Freehold Offices	Fixtures Fittings & Equipment	Computer Equipment	Motor Vehicles	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	12,659	1,588	8,830	98	23,175
Additions	-	47	913	87	1,047
Disposals	-	-	-	-	-
Assets transferred to intangible fixed assets	-	-	(1,878)	-	(1,878)
At 31 March 2018	12,659	1,635	7,865	185	22,344
Depreciation and Impairment					
At 1 April 2017	2,864	1,466	6,895	95	11,320
Charge for the year	300	64	471	3	838
Disposals	-	-	-	-	-
Assets transferred to intangible fixed assets	-	-	(839)	-	(839)
At 31 March 2018	3,164	1,530	6,527	98	11,319
Net Book Value at 31 March 2018	9,495	105	1,338	87	11,025
Net Book Value at 1 April 2017	9,795	122	1,935	3	11,855

The Association does not hold any tangible fixed assets.

15. Intangible Fixed Assets

Group	Software	Architects Fees	Total
Cost	£'000	£'000	£'000
At 1 April 2017	845	162	1,007
Additions	2,083	22	2,105
Assets reclassified from Tangible fixed assets - other	1,878	-	1,878
At 31 March 2018	4,806	184	4,990
Depreciation and impairment			
At 1 April 2017	845	70	915
Charge for the year	279	42	321
Assets reclassified from Tangible fixed assets - other	839	-	839
At 31 March 2018	1,963	112	2,075
Net book value at 31 March 2018	2,843	72	2,915
Net book value at 1 April 2017	-	92	92

The Association does not hold any intangible assets.

16. Investments - Other

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Other Investments	125	-	125	-
	<u>125</u>	<u>-</u>	<u>125</u>	<u>-</u>

17. Homebuy loans

	Group	
	2018	2017
	£'000	£'000
At at 1 April	1,402	1,555
Loans redeemed in the year	(309)	(153)
As at 31 March	<u>1,093</u>	<u>1,402</u>

The Association does not hold any Homebuy loans.

18. Stocks and work in progress

	Group	
	2018	2017
	£'000	£'000
Consumable stock	628	550
Properties developed for outright sale	8,781	761
Properties developed for retirement living	6,231	7,145
Land costs	17,725	7,141
Cost of first tranche element of shared ownership properties	15,994	8,523
	<u>49,359</u>	<u>24,120</u>
Shared ownership properties:		
Completed	3,030	401
Under construction	12,964	8,122
	<u>15,994</u>	<u>8,523</u>
Properties developed for outright sale		
Under construction	8,781	761
	<u>8,781</u>	<u>761</u>
Properties developed for retirement living		
Completed	-	-
Under construction for outright sale	-	3,039
Under construction for shared ownership	6,231	4,106
	<u>6,231</u>	<u>7,145</u>

The Association does not hold any stocks or work in progress.

19. Trade and other Debtors

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts falling due within one year:-				
Rent arrears	5,097	4,637	-	-
Less: provision for bad debts	(1,785)	(1,563)	-	-
	3,312	3,074	-	-
Trade debtors	825	390	-	-
Other debtors	3,585	920	76	43
Prepayments and accrued income	2,832	2,508	349	289
Corporation tax	152	-	35	-
Amounts due from group companies	-	-	11,313	1,757
	10,706	6,892	11,773	2,089

20. Current Asset Investments

	Group	
	2018	2017
	£'000	£'000
Opening fair value at 1 April	15,570	9,643
Addition to Investment	4,005	5,871
Withdrawals from investments	(5,027)	-
Interest	62	96
(Losses) on remeasurement to fair value	(73)	(40)
Fair Value at 31 March	14,537	15,570

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

	Group	
	2018	2017
	£'000	£'000
The analysis of these monies is:		
Dexia Bond	3,039	2,974
Haven Bond	4,964	5,037
Haven Cash Account	706	705
AHF Bond	5,726	1,748
Money held in support of bond finance	14,435	10,464
Other current asset investments	102	5,106
Total current asset investments	14,537	15,570

The Association does not have any Current Asset Investments.

21. Cash and Cash equivalents

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Cash at bank	33,811	15,741	140	37
Cash equivalents	4,513	4,233	-	-
	38,324	19,974	140	37

22. Creditors: amounts falling due within one year

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Prepaid rental income	4,064	4,293	-	-
Loans	21,543	9,941	-	-
Trade creditors	4,858	3,191	17	50
Other taxation & social security	920	773	3	769
Corporation tax	-	70	-	91
Due to group companies	-	-	11,757	913
Balances with supported housing partners	950	949	-	-
Gloucestershire LGPS Cessation Debt	7,232	-	-	-
Staffordshire LGPS	3,526	-	-	-
SHPS pension agreement plan	-	1,928	-	-
Funds held on trust	257	318	-	-
Deferred capital grant	4,882	4,932	-	-
Recycled capital grant fund	3,468	4,381	-	-
Interest rate swaps	3,093	3,469	-	-
Stock issue premium	133	133	-	-
Accruals and deferred income	13,036	14,815	209	744
Other creditors	871	925	-	-
	68,833	50,118	11,986	2,567

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

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans	600,232	552,635	-	-
Stock issue premium	24,169	3,964	-	-
Interest rate swaps	22,308	27,182	-	-
Deferred Taxation	12	12	-	-
Other long term creditors	105	105	-	-
Leaseholder sinking funds	2,873	2,707	-	-
Balances with supported housing partners	2,132	2,132	-	-
SHPS pension agreement plan	-	11,500	-	-
Deferred capital grant	429,385	435,454	-	-
Recycled capital grant fund	4,801	4,259	-	-
	1,086,017	1,039,950	-	-
Loans repayable by instalments				
Repayable within one year	13,043	9,941	-	-
Repayable between one and two years	14,888	10,572	-	-
Repayable between two and five years	51,324	40,638	-	-
After five years	332,658	345,958	-	-
Less : loan finance costs	(4,758)	(4,153)	-	-
	407,155	402,956	-	-
Amounts repayable otherwise than by instalments				
Repayable within one year	8,500	-	10,000	-
Repayable between one and two years	-	8,500	-	-
Repayable between two and five years	45,120	45,120	-	-
Repayable after five years	161,000	106,000	-	-
	621,775	562,576	10,000	-

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

Housing loans from banks, building societies, local authorities 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, Haven and Affordable Housing Finance (AHF) bonds. As set out in Note 20, the Dexia bond is supported by cash held in a charged bank account. The Haven bond is supported by a debt deposited with the bond trustees and the AHF bond is supported by a liquidity reserve fund deposited with the trustee, both of which are invested on behalf of the trustee.

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans as stated above	621,775	562,576	10,000	-
Less : Dexia charged cash deposit (note 20)	(3,039)	(2,974)	-	-
Less : Haven debt service reserve (note 20)	(4,964)	(5,037)	-	-
Less : AHF Liquidity Reserve	(5,726)	(1,748)	-	-
Loans net of related cash deposits	<u>608,046</u>	<u>552,817</u>	<u>10,000</u>	<u>-</u>

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

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

	Period Years	End Date	Rate %	Swap Amount £'000
Barclays	25	20 July 2031	4.31	12,500
Lloyds TSB	15	13 September 2022	4.66	20,000
Lloyds TSB	19	26 October 2026	4.45	6,000
Lloyds TSB	22	20 March 2029	4.50	15,000
Lloyds TSB	25	21 July 2031	4.43	12,500
Lloyds TSB	25	27 October 2031	4.27	10,000
Lloyds TSB	25	17 January 2032	4.18	10,000
				<u>86,000</u>

Interest rate swap creditor profile:

	Group	
	2018	2017
	£'000	£'000
Due within one year	3,093	3,469
Due between one and two years	2,796	3,323
Due between two and five years	7,424	9,021
Due after five years	12,088	14,838
Total	<u>25,401</u>	<u>30,651</u>

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

	2018	2017
	£'000	£'000
Group floating rate - average 0.96% (2017: 0.77%)	112,230	90,143
Group fixed rate - average 4.86% (2017: 5.08%)	514,303	476,586
Association floating rate - average 3.5% (2017: 0%)	<u>626,533</u>	<u>566,729</u>

Undrawn committed borrowing facilities at 31 March were as follows:

	2018	2017
	£'000	£'000
Expiring within one year	46,571	33,500
Expiring between one and two years	25,080	59,857
Expiring between two and five years	37,745	37,745
After 5 years	22,749	22,749
Total	<u>132,145</u>	<u>153,851</u>

Group - all of the £132,145,000 undrawn committed borrowing facilities are currently secured.

Association - all of the £15,000,000 undrawn committed borrowing facilities are currently secured by way of a floating charge.

24. Deferred Tax

	2018 £'000	2017 £'000
As at 1 April	12	-
Origination and reversal of timing differences	-	12
As at 31 March	<u>12</u>	<u>12</u>

Deferred tax liabilities relate to changes in the value of investment properties and short term timing difference. The Association does not have any deferred tax liabilities.

25. Deferred Capital Grant

	2018 £'000	2017 £'000
At at 1 April	440,386	447,316
Grant received in the year	2,456	-
Grants recycled from the recycled capital grant fund and disposal proceeds fund	2,600	55
Grants recycled to the recycled capital grant fund	(2,186)	(2,347)
Transferred to third party	(5,427)	-
Amortised in the year	(4,880)	(4,941)
Amortised grant on disposal	1,319	303
At at 31 March	<u>434,267</u>	<u>440,386</u>
	£'000	£'000
Amount due to be released < 1 year	4,882	4,932
Amount due to be released > 1 year	<u>429,385</u>	<u>435,454</u>
	<u>434,267</u>	<u>440,386</u>

The Association does not hold any deferred capital grant.

26. RCGF and DPF Creditors - Group

	2018 £'000	2017 £'000
a) Recycled Capital Grant Fund		
As at 1 April	8,640	6,324
Inputs to reserve:		
Grants recycled	2,186	2,347
Interest accrued	43	24
Utilised:	(2,600)	-
New build	-	(55)
As at 31 March	<u>8,269</u>	<u>8,640</u>
Amount three years or older where repayment may be required	<u>1,780*</u>	<u>1,734</u>

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

*Consent was received from the Homes England for these funds to be used during 2018/19

The Association does not hold any recycled capital grant or disposal proceeds funds.

27. Provision for liability and charges

	Defined Benefit Pension £'000
Group and Association	
At at 1 April 2017	10,294
Charged to Income and Expense	
- Additions	1,038
- Remeasurement	(1,606)
- Recognition of LGPS cessation debt	5,255
Contributions Paid	(1,941)
Contributions Payable	(3,526)
Transfer Gloucestershire LGPS cessation debt to short term creditors	(7,232)
Transfer of liabilities from SHPS to The Pensions Trust	24,478
As at 31 March 2018	26,760

28. Called Up Share Capital

	2018 £	2017 £
Allotted, issued and fully paid		
As at 1 April	6	6
Cancelled during the year	-	(2)
Allotted during the year	-	2
As at 31 March	6	6

29. Reconciliation of net cashflow to movement in net funds

	Group	
	2018 £'000	2017 £'000
Increase/ (decrease) in cash and cash equivalents per cashflow	18,350	(44,514)
Cash (decrease)/ Increase in investments	(960)	5,967
Revaluation of investments	(73)	(40)
Amortisation of loan costs	364	(128)
Increase in creditor for loan payments	241	37,939
Cash inflow from increase in debt and lease financing	(59,804)	(17,340)
Change in net debt resulting from cashflows	(41,882)	(18,116)
Actuarial (deficit)/ surplus on pension provision	(16,466)	373
Loan premium received	(20,924)	
Amortisation of premium	719	187
Movement in net debt in the year	(78,553)	(17,556)
Net funds at 1 April 2017	(541,423)	(523,867)
Net funds at 31 March 2018	(619,976)	(541,423)

30. Analysis of changes in net funds - Group

	At 1 April 2017 £'000	Cashflows £'000	Amortisation of premium/ loan costs £'000	Loan premium received £'000	Revaluation of Investment £'000	Movement In Creditors Due < 1 Year £'000	At 31 March 2018 £'000
Cash at bank and in hand	19,974	18,350	-	-	-	-	38,324
Short term investments	15,570	(960)	-	-	(73)	-	14,537
	35,544	17,390	-	-	(73)	-	52,861
Housing loans < 1 year	(9,941)	9,941	-	-	-	(21,543)	(21,543)
Housing loans > 1 year	(552,635)	(69,745)	364	-	-	21,784	(600,232)
Change in debt resulting from cashflows	(527,032)	(42,414)	364	-	(73)	241	(568,914)

31. Capital commitments

	Group	
	2018	2017
	£'000	£'000
Capital expenditure contracted for but not provided in the financial statements	<u>122,242</u>	<u>100,883</u>
Capital expenditure authorised but not yet contracted for in the financial statements	<u>24,766</u>	<u>32,438</u>
These commitments are to be financed by the receipt of Social Housing Grant and a mixture of loan finance, reserves and proceeds from the sales of housing properties, as follows:		
Social housing grant	2,168	44
Proceeds from the sale of properties	34,735	31,445
Loans and reserves	<u>110,105</u>	<u>101,832</u>
	<u>147,008</u>	<u>133,321</u>

32. Other financial commitments - Group

The minimum lease payments due under operating leases are as follows:

	Land and Buildings		Vehicles & Office Equipment		Total Leases	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire:-						
Within 1 year	-	217	45	112	45	329
Within 2 to 5 years	1,745	301	1,719	1,531	3,464	1,832
After 5 years	52	203	-	-	52	203
	<u>1,797</u>	<u>721</u>	<u>1,764</u>	<u>1,643</u>	<u>3,561</u>	<u>2,364</u>

The Association has no commitments under non cancellable operating leases.

33. Grant and financial assistance

	Group	
	2018	2017
	£'000	£'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	434,267	440,386
Recognised as income in statement of Comprehensive Income	<u>90,693</u>	<u>87,131</u>
	<u>524,960</u>	<u>527,517</u>

34. Financial Instruments

The Group's and Association's financial instruments may be analysed as follows:

	Group		Association	
		Restated		Restated
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets measured at amortised cost				
- Rent debtors	3,312	3,074	-	-
- Other receivables	4,562	1,778	11,424	1,815
- Investments	125	-	125	-
- Investments in short term deposits	14,537	15,570	-	-
- Cash and cash equivalents	38,323	19,974	140	38
Financial assets that are debt instruments measured at amortised cost				
Homebuy loans	1,093	1,402	-	-
Total financial assets	61,952	41,798	11,689	1,853
Financial liabilities				
Financial liabilities measured at amortised cost				
- Trade creditors	4,858	3,191	17	50
- Other creditors	10,165	23,871	11,760	1,682
- Balances with Supported Housing partners	950	949	-	-
- Funds held on trust	3,130	3,025	-	-
- Loans payable (due within 1 year)	21,543	9,941	-	-
- Loans payable (due after 1 year)	600,232	552,635	-	-
Financial liabilities measured at fair value through statement of comprehensive income				
- Derivative financial instruments	25,401	30,651	-	-
Total financial liabilities	666,279	624,263	11,777	1,732

35. Sale of properties and other fixed assets

	Group			
	Proceeds of Sales	Less: Cost of Sales	Surplus	Capital grant recycled (note 25)
	£'000	£'000	£'000	£'000
Further tranches of shared ownership	9,165	(5,703)	3,462	1,205
Right to Buy	1,762	(1,313)	449	343
Other property disposals	19,181	(11,716)	7,465	638
Other fixed asset disposals	10	-	10	-
Total 2018	30,118	(18,732)	11,386	2,186
Total 2017	20,027	11,833	8,194	2,205

36. Related Parties

Bromford Housing Group Limited is the Parent entity in the Group and ultimate controlling party.

The Group has taken advantage of the exemption available under Section 33 FRS 102 not to disclose transactions with wholly owned and regulated subsidiary undertakings (social landlords)

Transactions with non regulated members of the group

	Group 2018					
	£'000 Management Charges	£'000 Administrative Recharges	£'000 Construction Services	£'000 Rental Income	£'000 Property Purchase	£'000 Insurance Services
Non-regulated entities:						
Bromford Developments Limited	-	2,278	16,433	-	-	-
Bromford Assured Homes Limited	-	149	-	-	-	-
Street Services Limited	-	-	-	183	134	-
Strand Services Limited	4	-	-	-	-	-
Riverside Mews Ltd	2	-	-	-	-	-
Igloo Insurance PCC Limited (Cell BRO4)	-	-	-	-	-	441
	<u>6</u>	<u>2,427</u>	<u>16,433</u>	<u>183</u>	<u>134</u>	<u>441</u>

	2017					
	£'000 Management Charges	£'000 Administrative Recharges	£'000 Construction Services	£'000 Rental Income	£'000 Property Purchase	£'000 Insurance Services
Non-regulated entities:						
Bromford Developments Limited	-	1,490	13,061	-	-	-
Bromford Assured Homes Limited	-	74	-	-	-	-
Street Services Limited	-	-	-	179	131	-
Strand Services Limited	4	-	-	-	-	-
Riverside Mews Ltd	2	-	-	-	-	-
Igloo Insurance PCC Limited (Cell BRO4)	-	-	-	-	-	700
	<u>6</u>	<u>1,564</u>	<u>13,061</u>	<u>179</u>	<u>131</u>	<u>700</u>

	Association			
	2018 £'000 Administrative Recharges	2018 £'000 Inter-group balances	2017 £'000 Administrative Recharges	2017 £'000 Inter-group balances
Non-regulated entities:				
Bromford Developments Limited	327	326	1,434	720
Street Services Limited	-	985	-	869
	<u>327</u>	<u>1,311</u>	<u>1,434</u>	<u>1,589</u>

Administrative Recharges to Bromford Assured Homes are charged on a property number basis.
Administrative Recharges to Bromford Developments are directly rechargeable colleague costs.

Transactions with Directors of the Group

During the year Lee Gibson purchased an item of equipment from the Group at its full market value of £5k. The item was offered for sale to all colleagues within the Group.

37. Group members

Bromford Housing Group Limited is the parent of the Group.

All the Group bodies are incorporated in England and Wales.

The bodies which are HCA Registered Providers and Registered Societies incorporated under the Co-operative and Community Benefit Societies Act 2014 are:

Bromford Housing Group (HCA Reg. L4449) (FCA Reg. 29996R)

Bromford Housing Association Limited* (HCA Reg. 4819) (FCA Reg. 7106)

Bromford Home Ownership Limited*(HCA Reg. L4450) (FCA Reg. 29991R)

(Note Bromford Housing Group Limited exerts dominant influence over these subsidiaries by controlling the composition of their Boards)*

The wholly owned subsidiaries which are all non-regulated and incorporated under the Companies Act 1985 are:

Subsidiary	Ownership	Intergroup arrangement	Type of transaction
Bromford Assured Homes Plc (BAH) (Reg. No. 02677730)	100% Bromford Housing Association Limited (BHA)	BHA provides administrative services to BAH	Administrative recharges
Bromford Developments Limited (BDL) (Reg. No. 06507824)	100% owned by Bromford Housing Group Limited (BHG)	BDL Provides construction services to Bromford Home Ownership Limited (BHO) for outright sales and BHA for affordable schemes. There was no external trading in the year.	Administrative recharges and construction services
Street Services Limited (SSL) (Reg. No. 03711394)	100% owned by BHA	Property management company for BHA	Rental income
Project Note Limited (Reg. No. 03716147)	100% owned by BHA	Dormant company	n/a
Riverside Mews Management Company Limited (Reg. No. 02953846)	58.33% owned by BHA	Management company for leasehold schemes in BHA ownership	Service charges and administrative recharges
Strand Services (Whitchurch) Limited (Reg. No. 02645753)	75% owned by BHA	Management company for leasehold schemes in BHA ownership	Service charges and administrative recharges
Igloo Insurance PCC Limited (Cell BRO4)	100% owned by BHA	Insurance company	Provider of insurance services
Bromford Carinthia Homes Limited (Reg. No. 02625632)	100% owned by BHA	Dormant company	n/a

38. Pension obligations

The Group participated in four schemes, the Social Housing Pension Scheme (SHPS), the Staffordshire County Council pension scheme, the Gloucestershire County Council pension scheme and the Bromford pension scheme. With the exception of the Bromford pension scheme, all of the schemes are multi-employer defined benefit schemes. Bromford Housing Group also participates in the Social Housing Pension Scheme's defined contribution scheme to meet its obligations for auto-enrolment which applied from October 2013. Following a review during the year various changes were made to the pension provision, further details are given under each scheme below.

	2018 £'000	2017 £'000
Creditors due less than one year		
SHPS	-	1,928
LGPS Gloucestershire cessation debt (Note 22)	7,232	-
LGPS Staffordshire (Note 22)	3,526	-
	10,758	1,928
Creditors due greater than one year		
SHPS	-	11,500
	-	11,500
Provisions for Pensions		
LGPS Staffordshire	2,282	6,784
LGPS Gloucestershire	-	3,510
Bromford Pension scheme	24,478	-
	26,760	10,294

Social Housing Pension Scheme (SHPS)

Up to 31 March 2018 the Group participated in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Bromford Housing Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. The total estimated employer debt as at 30 September 2016 is £114m.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017, the actuarial valuation is still to be certified. The last full certified actuarial valuation was carried on 30 September 2014, the actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions	
Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£26.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement, the Group recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

38. Pension obligations (continued)

Preset Values of Provision	31 March 2018 £'000	31 March 2017 £'000	31 March 2016 £'000
Preset value of provision	-	13,355	14,560

Reconciliation of opening and closing provisions

	31 March 2018 £'000	31 March 2017 £'000
Provision at start of period	13,355	14,560
Unwinding of the discount factor (interest expense)	163	279
Deficit contribution paid	(1,920)	(1,845)
Remeasurements - impact of any change in assumptions	(150)	361
Remeasurements - amendments to the contribution schedule	-	-
Unwinding of pension due to transfer of obligation to stand alone scheme	(11,448)	-
Provision at end of period	-	13,355

Statement of Comprehensive Income impact

	31 March 2018 £'000	31 March 2017 £'000
Interest expense	163	279
Remeasurements - impact of any change in assumptions	150	361
Remeasurements - amendments to the contribution schedule	-	-
Contributions paid in respect of future service	1,008	853
Costs recognised in income and expenditure account	1,321	1,493
Unwinding of pension provision due to transfer of obligations to stand alone Scheme - Other Comprehensive Income	11,448	-

Assumptions	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Deficit contributions schedule

Year ending	31 March 2018 £'000s	31 March 2017 £'000s	31 March 2016 £'000s
Year 1	-	1,920	1,845
Year 2	-	1,998	1,920
Year 3	-	2,080	1,998
Year 4	-	1,755	2,080
Year 5	-	1,405	1,755
Year 6	-	1,458	1,405
Year 7	-	1,181	1,458
Year 8	-	883	1,181
Year 9	-	910	883
Year 10	-	468	910
Year 11	-	-	468

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

38. Pension obligations (continued)

Growth Plan

Up to 31 March 2018 the Group participated in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. The total estimated employer debt as at 30 September 2016 is £165k.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m.

To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions	
From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each year on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each year on 1st April)

Unless a concession has been agreed with the Trustee the term to 30 September 2025 applies.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series one and Series two scheme liabilities.

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement the Group recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

38. Pension obligations (continued)

Present values of provision

	31 March 2018 £'s	31 March 2017 £'s	31 March 2016 £'s
Present values of provision	-	73,068	77,170

Reconciliation of opening and closing provisions

	Period Ending 31 March 2018 £'s	Period Ending 31 March 2017 £'s
Provision at start of period	73,068	77,170
Unwinding of the discount factor (interest expense)	907	1,509
Deficit contribution paid	(8,121)	(7,884)
Remeasurements - impact of any change in assumptions	948	2,273
Remeasurements - amendments to the contribution schedule	-	-
Unwinding of pension due to transfer of obligation to stand alone scheme	(64,906)	-
Provision at end of period	-	73,068

Statement of comprehensive income impact

	Period Ending 31 March 2018 £'s	Period Ending 31 March 2017 £'s
Interest expense	907	1,509
Remeasurements - impact of any change in assumptions	(948)	2,273
Remeasurements - amendments to the contribution schedule	-	-
Costs recognised in income and expenditure account	(41)	3,782
Unwinding of pension provision due to transfer of obligations to stand alone Scheme - Other Comprehensive Income	(64,906)	-

Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.71	1.32	2.07

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

38. Pension obligations (continued)

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Deficit contributions schedule

Year ending	31 March 2018 £'s	31 March 2017 £'s	31 March 2016 £'s
Year 1	-	8,121	7,884
Year 2	-	8,364	8,121
Year 3	-	8,615	8,364
Year 4	-	8,874	8,615
Year 5	-	9,140	8,874
Year 6	-	9,414	9,140
Year 7	-	9,696	9,414
Year 8	-	9,987	9,696
Year 9	-	5,143	9,987
Year 10	-	-	5,143

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account ie: the unwinding of the discount rate as a finance cost in the period in which it arises. It is these contributions that have been used to derive the company's balance sheet liability.

Bromford Pension Scheme

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

The company has agreed an interim schedule of contributions with the Trustee and a full schedule of contributions will come into force following the completion of the first actuarial valuation which is expected to be with an effective date of 30 September 2018.

Preset values of Defined benefit obligation, fair value of assets and defined benefit assets (liability)

	31 March 2018 £'000
Fair value of plan assets	64,899
Present value of defined benefit obligation	89,377
(Deficit) in plan	(24,478)
Unrecognised surplus	-
Employer contributions paid	-
Defined benefit asset (liability) to be recognised	(24,478)

Assets

	31 March 2018 £'000
Growth Assets	38,355
Corporate Bonds	2,661
LDI Assets	23,558
Cash	325
Total Assets	64,899

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

38. Pension obligations (continued)

Mortality assumptions adopted at 31/03/18	Life expectancy at age 65 (years)
Male retiring in 2018	22.1
Female retiring in 2018	23.8
Male retiring in 2038	23.5
Female retiring in 2038	25.0
Other Assumptions	31 March 2018 (% per annum)
Discount Rate	2.6
Inflation (RPI)	3.15
Inflation (CPI)	2.15
Salary Growth	4.15
Allowance for revaluation of deferred pensions of RPI of 5% p.a. if less	3.15
Allowance for revaluation of deferred pensions of CPI of 5% p.a. if less	2.15
Allowance for revaluation of deferred pensions of CPI of 2.5% p.a. if less	2.15
Allowance for pension in payment increases or CPI of 5% p.a. if less	2.20
Allowance for pension in payment increases or CPI or 2.5% p.a. if less	1.70
Allowance for pension in payment increases or CPI or 3% p.a. if less	1.90

Staffordshire County Council

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

Contributions for year ended 31 March 2018	£'000
Employee	87
Employer	526
Employer Deficit	3,895
Total	4,508
Agreed contribution rates for future years:	%
Employee (% dependent on salary)	5.5% - 9.9%
Employer	24.8%

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 March 2018 by a qualified independent actuary.

	As 31 March 2018	As 31 March 2017
Rate of increase for pensions in payment / inflation	2.4%	2.4%
Rate of increase in salaries	2.4%	2.8%
Discount rate for scheme liabilities	2.7%	2.6%

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI 2010 model. The model assumes that the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

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

38. Pension obligations (continued)

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

At 31 March 2018	£'000
Fair value of funds assets	24,028
Present value of defined benefit obligation	(26,310)
Pension deficit	(2,282)

At 31 March 2017	£'000
Fair value of funds assets	19,644
Present value of defined benefit obligation	(26,428)
Pension deficit	(6,784)

Reconciliation of Assets and Liabilities

Reconciliation of assets at 31 March 2018

	£'000
Assets at start of period	19,644
Return on plan assets	516
Re-measurements	(59)
Employer contributions paid	895
Employer contributions payable (Note 22)	3,526
Employee contributions	87
Benefits paid	(581)
Assets at end of period	24,028

Reconciliation of liabilities at 31 March 2018

	£'000
Liabilities at start of period	(26,428)
Service cost	(526)
Interest cost	(687)
Employee contributions	(87)
Re-measurements	837
Benefits paid	581
Liabilities at end of period	(26,310)
Actual return on plan assets 01/04/16 to 31/12/17	6.1%
Total return on plan assets 01/04/16 to 31/03/18	2.3%

38. Pension obligations (continued)

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2018

	£'000
Employer service cost (net of employee contributions)	(503)
Past service cost including curtailments	(23)
Re-measurements	318
Total operating charge	(208)
Analysis of pension finance income / (costs)	
Expected return on pension scheme assets	516
Interest on pension liabilities	(687)
Amounts charged/credited to financing costs	(171)

The fair value of the assets at 31 March 2018:

	£'000
Equities	17,541
Bonds	3,364
Property	1,922
Cash	1,201
	24,028

The fair value of the assets at 31 March 2017:

	£'000
Equities	14,536
Bonds	2,554
Property	1,572
Cash	982
	19,644

The fair value of the assets at 31 March 2018:

	£'000
Actuarial gains on pension scheme assets	521
Actuarial (losses) on pension scheme liabilities	(61)
Actuarial gains/(losses) recognised	460

38. Pension obligations (continued)

Movement in deficit during the year

	£'000
(Deficit) in scheme at 1 April 2017	(6,784)
Employer service cost (net of employee contributions)	(503)
Employer contributions paid	895
Employer contributions payable	3,526
Past service cost Including curtailments	(23)
Net interest	(171)
Re measurements Operating Costs	318
Other Comprehensive Income	460
(Deficit) in scheme at 31 March 2018	(2,282)

Gloucestershire County Council

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

The fund balances have been prepared assuming The Group cease participation with the fund on 31 March 2018. It is also assumed no contributions will be paid and no further benefits will be accrued over the next year.

Contributions for year ended 31 March 2018	£'000
Employee	41
Employer	263
Employer Deficit	4,309
Total	4,613
Agreed contribution rates for future years:	%
Employee (% dependent on salary)	5.8% - 8.5%
Employer	18.8%

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 March 2018 by a qualified independent actuary.

	As 31 March 2018	As 31 March 2017
Rate of increase for pensions in payment / inflation	2.4%	2.4%
Rate of increase in salaries	2.7%	2.7%
Discount rate for scheme liabilities	2.6%	2.5%

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI 2010 model. The model assumes that the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners (years)	22.4	24.6
Future Pensioners (years)	24.0	26.4

38. Pension obligations (continued)

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

At 31 March 2018	£'000
Fair value of funds assets	22,719
Present value of defined benefit obligation	(24,696)
Pension deficit	(1,977)

At 31 March 2017	£'000
Fair value of funds assets	21,395
Present value of defined benefit obligation	(24,905)
Pension deficit	(3,510)

Reconciliation of Assets and Liabilities

Reconciliation of assets at 31 March 2018

	£'000
Assets at start of period	21,395
Return on plan assets	539
Re-measurements	411
Employer contributions paid	1,046
Employer contributions payable (Note 22)	7,232
Employee contributions	41
Benefits paid	(713)
Assets distribution on settlement	(29,951)
Assets at end of period	-

Reconciliation of assets at 31 March 2018

	£'000
Liabilities at start of period	(24,905)
Service cost	(263)
Interest cost	(617)
Employee contributions	(41)
Re-measurements	417
Benefits paid	713
Liability extinguished on settlement	24,696
Liabilities at end of period	-
Actual return on plan assets 01/04/16 to 31/12/17	8.1%
Total return on plan assets 01/04/16 to 31/03/18	4.4%

38. Pension obligations (continued)

The fair value of the assets at 31 March 2018:

	£'000
Equities	15,222
Bonds	5,225
Property	1,818
Cash	454
Net Current Asset (Note 22)	7,232
	29,951

The fair value of the assets at 31 March 2017:

	£'000
Equities	15,190
Bonds	4,279
Property	1,498
Cash	428
	21,395

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2018

	£'000
Employer service cost (net of employee contributions)	(263)
Past service cost	-
Loss on settlement	(5,255)
Total operating charge	(5,518)
Analysis of pension finance income / (costs)	-
Expected return on pension scheme assets	539
Interest on pension liabilities	(617)
Amounts charged/credited to financing costs	(78)

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March 2018

	£'000
Actuarial gains on pension scheme assets	411
Actuarial (losses) on pension scheme liabilities	417
Actuarial gains/(losses) recognised	828

Movement in deficit during the year

	£'000
(Deficit) in scheme at 1 April 2017	(3,510)
Employer service cost (net of employee contributions)	(263)
Employer contributions paid	1,046
Employer contributions payable	7,232
Past service cost	-
Net interest/return on assets	(78)
Loss on settlement	(5,255)
Re-measurements Other Comprehensive Income	828
(Deficit) in pension fund scheme at 31 March 2018	-

39. Cash flow from operating activities

	2018	2017
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	49,288	49,664
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	23,253	22,608
Amortisation of Government grant	(4,880)	(4,941)
(Increase) in stock	(24,588)	(14,030)
(Increase) in trade and other debtors	(3,588)	(696)
Increase in trade and other creditors	5,385	4,013
Pension costs less contributions payable	(3,080)	(2,960)
Carrying amount of tangible fixed asset disposals	18,732	11,833
Grant Creditor	(5,427)	-
Loan Fees/Consolidation of Igloo insurance cell	36	716
Adjustments for investing or financing activities:		
Proceeds from sale of tangible fixed assets - other	(10)	(1,202)
Movement on Shared Equity Loans	309	153
Movement in value on swaps	(5,250)	446
Movement in value of investments	73	40
Movement in value of investment property	9	(947)
Interest payable	25,869	26,381
Interest receivable	(384)	(512)
Taxation	(109)	97
Net cash generated from operating activities	75,638	90,663

40. Post balance sheet events

On 3 May 2018, Bromford Housing Group issued their debut public bond. The bond issue amount was £300m. It was issued at a coupon rate of 3.125% and will mature in 2048. This is a non adjusting post balance sheet event. The bond issue will create a £300m liability in the Statement of Financial Position and a £9.375m interest and finance cost in the Statement of Comprehensive Income in 2018/19 and subsequent financial years until maturity. The bond was issued at a discount to par, with a re-offer price of 97.597%

On 2 July 2018, Merlin Housing Society Ltd. joined the Group and became a subsidiary of the Group.