Bromford Housing Group Annual Report and Financial Statements for the Year Ended 31 March 2017

Co-operative and Community Benefit Society
Registration Number **29996R**

Homes and Communities Agency
Registration Number **L4449**

Bromford.

Contents

Board Members

The Board Members who served from 1 April 2016 up to the date of approval of these financial statements were as follows:

Jonathan Simpson-Dent

Chair

Jonathan is the Managing Director of Cardtronics Europe, where he is responsible for corporate strategy, business performance and service delivery, as well as brand, product, customer and market development. Jonathan is an experienced leader and has held senior positions in PricewaterhouseCoopers, McKinsey and PepsiCo. More recently, he served on the Boards of General Healthcare Group, HomeServe plc. and Evander. Jonathan is a fellow of the Institute of Chartered Accountants.

Jonathan is a member of the following committee:
- **Nominations and Remuneration Committee.**

Oke Eleazu

Vice Chair and Senior Independent Non-Executive Director; Chair of the Customer and Communities Network

Oke is the Managing Director of his own consultancy firm, Think Outside In, which helps organisations improve their customer service experience and operational performance. Oke is also an advisor at Fusion Universal, Managing and Creative Director at Catch the Ball Productions and is a Non-Executive Director at the Institute of Customer Service.

Oke is a member of the following committees:
- **Nominations and Remuneration Committee (Chair);**
- **Customer and Communities Network (Chair);**
- **Vice Chair and Senior Independent Director.**

Christine Clarke

Independent Non-Executive Director; Chair of the Treasury Committee

Christine is a Director of her own asset and development management consultancy, Honeychurch Limited. Her particular areas of expertise include portfolio management, strategic planning, procurement and management of third-party finance, due diligence processes and the use and operation of special purpose vehicles.

Having worked as an Executive Director in both the private and not-for-profit sectors, Christine has expertise in investment, governance, taxation and regulatory regimes both in the UK and Europe.

Christine is a member of the following committees:
- **Nominations and Remuneration Committee;**
- **Treasury Committee (Chair).**

Steve Dando

Independent Non-Executive Director; Chair of Assurance and Audit Committee

Steve is Chief Financial Officer of Punch Taverns plc, where he is responsible for finance and IT, legal, risk management, regulatory compliance and property sales. Prior to joining Punch Taverns, Steve previously held a number of senior finance roles with Courtaulds plc. Steve is a member of the Institute of Chartered Accountants of England & Wales and started his career at PricewaterhouseCoopers.

Steve is a member of the following committees:
- **Assurance and Audit Committee; (Chair)**
- **Treasury Committee.**

Balvinder Heran

Independent Non-Executive Director

Balvinder has recently become Director of ICT for Hounslow Council, having previously worked at Stratford District Council where she successfully negotiated and implemented shared IT services across Stratford, South Northants, Cherwell and South Staffordshire councils.

Balvinder has a real passion for developing customer focused ICT and online services shaped around the needs of the user.

Balvinder is a member of the following committee:
- **Customer and Communities Network.**

Sally Higham

Independent Non-Executive Director

Sally is a high-energy social entrepreneur and founder/CEO of the award-winning Run-a-Club, a digital platform for local clubs and community groups. In 2016 Sally won the Innovation award at the Bath and Bristol Women in Business Awards.

Sally is committed to supporting communities, education, youth services, charities, social enterprises and social housing and she has experience in UK Housing as a NED for Aster Group, where she chairs the Risk Committee. She also Chairs the Access (Social Investment Foundation) Impact for Growth committee and is a Fellow of the RSA.

Sally is a member of the following committee:
- **Assurance and Audit Committee.**

Philippa Jones

Chief Executive

Philippa was appointed Chief Executive in January 2015, after holding leadership roles across Bromford for over 26 years. Her early management career was in retail, followed by the Citizens Advice Bureau.

Philippa moved into the housing sector in 1988, joining Bromford as an Area Housing Manager. She held a variety of roles at Bromford before establishing our supported housing business, and then 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).**

Nick Cummins

Executive Director for Operations

Nick is responsible for delivering services to Bromford customers and for developing and delivering the Bromford Deal and its Service Specific Pilots. Nick's strengths are leadership coaching and mentoring and social enterprise development.

A Fellow of the Chartered Institute of Housing, Nick joined Bromford in 1991 as Housing Services Director. His early career was spent working at housing associations and local authorities in Scotland and the North of England.

Nick is a member of the following committee:

- **Customer and Communities Network.**

Lee Gibson

Executive Director of Finance

Lee joined Bromford in May 2016 and was appointed Executive Director of Finance on 1 August 2016. Before joining Bromford, Lee was the Finance and Commercial Director of the local Government division of 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 a member of the following committee:

- **Treasury Committee.**

Lee was appointed to the Board on 1 August 2016

Andrew Battrum

Finance Director

Andrew was Group Finance Director, with a particular focus on financial and treasury management, long-term planning and risk management. He first joined Bromford in 1999, having worked with a variety of multi-national engineering companies for over 15 years.

Andrew qualified as a Chartered Accountant with a city firm of accountants after gaining a Physics degree from St John's College, Oxford.

Andrew was a member of the following committee:

- **Treasury Committee.**

Andrew retired from the Board on 31 July 2016

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.

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

"The Board is committed to supporting Bromford to provide the very best customer-focused service we can. Helping our customers and communities to flourish will always be our highest priority and maintaining excellent corporate governance and the highest ethical standards is fundamental to us being able to deliver this. We are, and always will be, a Board who are driven by a desire to enable people to become the very best they can be."

Jonathan Simpson-Dent, Chair

We face continued challenges and increasing needs across the sector and Bromford is navigating this changing environment by ensuring that our service offer, approach to value for money (VfM) and governance structures support our core purpose whilst delivering our strategic and financial goals. We have continued to strengthen our relationships with customers; improved the quality and functionality of their homes as a result of new and innovative approaches to asset management and added to the United Kingdom's new housing supply through our development activities.

Our vision and strategy

Bromford's core principle is to enable people to become the very best they can be – a commitment to listen to our customers and support them to achieve their potential through a focused, inspired and exceptional team. The Board firmly believes that this ethos must be lived and demonstrated from the top down, with all members of the Board working alongside leaders to be ambassadors for the values that we helped to shape.

During 2016, the Board reviewed Bromford's strategy, reflecting our latest thinking and approach to working with customers. Our restated strategy, set out in Fig. 1, is designed like an eco-system with each strategic objective connecting and enabling each other. The **Board and Strategic Report** gives more details of how these Strategic Objectives were developed, and how they depend on one another.

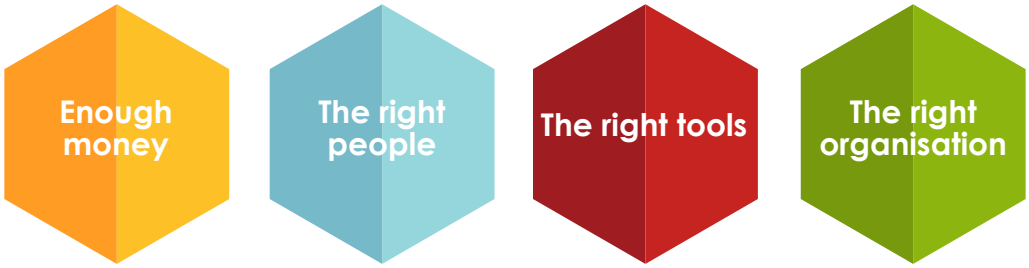
Our new **localities** approach to delivering services is a cornerstone of this strategy – an innovative way of working more closely with our customers and communities than ever before, as described in Philippa's **Report from the Chief Executive** starting on page 10. The Board has visited some of the first areas to go live in Birmingham and Staffordshire to see the potential of the localities approach for our customers and is committed to investing in these services as they are fully mobilised in the year ahead.

In addition to this deeper approach to customer service, the Board is also focused on utilising our financial strength to play our part in addressing the United Kingdom's need for more affordable housing. We have developed an ambitious new homes plan that will see us increase our output from 2,715 homes over the last five years to 5,311 homes over the next five years. The Board will continue to work closely with the Executive team to ensure appropriate risk management and delivery of this expanded development programme.

Fig. 1 - Strategic objectives

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 role of the Board

The last year has seen a continuing renewal of the Bromford Board. Andrew Battrum has retired after 17 successful years as Group Finance Director. Andrew has overseen our growth from a moderately-sized business with an annual turnover of £26.5m to today's organisation of £167m. He played a pivotal role in our value for money journey, driving efficiencies and simplifying operating structures to result in strong operating margin improvements together with a robust balance sheet. Andrew leaves a legacy of tight controls, business resilience and financial robustness and he has the Board's very best wishes for his retirement.

Lee Gibson took the helm as Executive Director of Finance in May 2016, joining the Board in August 2016. He brings a wealth of knowledge and experience of leading finance functions in growing and complex organisations, most recently at Serco plc, and he has already become a valued contributor to the Finance team, the Executive leadership team and the Board.

The Board has also welcomed two new independent Non-Executive Directors, Sally Higham and Balvinder Heran, enriching the composition of the Board through their skills and experiences across local government, the housing sector, technology and business leadership. More information about our new Board members and their backgrounds can be found in the **Board Members** section, starting on page 3.

I am fully committed to ensuring that the Bromford Board remains balanced and independent, whilst continuing to grow our skills and experiences required for the opportunities and challenges ahead. We are proceeding with our succession plans by recruiting two new members to succeed Non-Executive Directors coming to the end of their second term in 2018. More information about our focus on Board composition and development can be found in the **Board and Strategic Report** and about our recruitment process in the **Report of the Remuneration and Nominations Committee.**

Our governance and risk management focus

The housing sector is becoming increasingly squeezed between rent cuts, welfare reforms and the socio-economic uncertainties of Brexit, together with the ever-growing housing need across the United Kingdom. The Board's focus is to ensure that Bromford responds to the changing environment appropriately and remains fit for the future. Our activities are driven by a relentless focus on Value for Money, effective risk management, Bromford's continuing financial health and carefully balancing the pace of new development against increasing housing need.

We have continued our focus on improving risk management throughout the year. In April 2016, the Board commissioned a review of our risk management processes in parallel with the review of our strategy. This review was overseen by our Assurance & Audit Committee, resulting in a more in-depth assessment of the key risks which could affect our operational and strategic objectives together with effective control and mitigation processes. This review is covered in more detail in the **Board and Strategic Report** and **Report of the Assurance & Audit Committee.**

In addition, the Board undertakes an annual Governance Effectiveness Review to scrutinise our performance and effectiveness. We build an action plan for the year ahead to continue to develop and improve, ensuring that we play a value-adding role in building the 'right organisation'. In recent years, this review has led us to enhance the Board's composition, governance structures and monitoring systems. The results of our Governance Effectiveness Review and the accompanying action plan are set out in the **Board and Strategic Report**, starting at page 15.

In response to the HCA's de-regulatory measures the Board anticipates and welcomes greater operational freedoms for Registered Providers to organise group structures efficiently and use assets to the most beneficial effect. As an organisation we remain committed to the HCA's high operational and governance expectations and the Board will continue to seek assurance that requirements set out in the HCA's Regulatory Standards are met, and exceeded wherever possible. In addition and having grown successfully through mergers in the past, the Board has adopted the principles of the NHF Voluntary Code on Mergers, Group Structures and Partnerships and our Position Statement on this is set out on page 50.

With thanks

Bromford's continued progress towards our strategic objectives (Fig.1) is only possible with the passion, resourcefulness and dedication of our colleagues, leaders and partners. In particular, I'd like to recognise our customer representatives on our Customer and Communities Network, whose valuable insights and guidance allow us to understand evolving customer needs and to become the best we can be. On behalf of the Board I'd like to thank all Bromford colleagues and partners for their commitment to delivering our strategic objectives and making a real difference to peoples' lives.

Jonathan Simpson Dent

Chair

24 July 2017

Report from the Chief Executive

"We are at our best when we are resilient and in control and as we move into ever more challenging times this will become increasingly important. This ambition, which we have for both ourselves and our customers, sits as an important cornerstone of our business strategy and it will continue to drive us forward in the year ahead"

Philippa Jones, Chief Executve

Solid performance

The past year has been challenging, yet we have continued to see our colleagues step up to face that challenge head-on by delivering new or improved services that are making a difference to the lives of the customers we serve.

More customers than ever before are telling us that Bromford's services are improving, with an outstanding 91% of customers saying they would recommend us to a friend, an increase of 4% on last year and more than 98% of customers tell us that their home is right for them (up 2% from April 2016).

Our financial performance also remains strong, as we again report a sector leading operating margin of 45.5% with an operating surplus of £76m, demonstrating our continued focus on embedding a value for money culture. Although we are delighted with this result, the amount itself is not what we should celebrate. Instead we recognise that this financial strength offers us a real opportunity to make strategic choices that help us to achieve our purpose of inspiring people to be their best.

Whilst others are cutting back in the face of an increasingly challenging environment, over the last year this strong financial foundation has enabled us to invest more in a radical new way of delivering local services through our neighbourhood coaching approach as well as completing over 460 affordable homes for rent and shared ownership against a target of 436.

Challenges

One of the main challenges we've faced is ongoing uncertainty in the external environment. Some of this uncertainty is as a result of decisions that affect us all as UK citizens, like the referendum result to leave the European Union where the impact on the housing market is yet unknown. Others are more specific to our sector.

For instance we have yet to get a clear answer on the introduction of a Local Housing Allowance (LHA) Cap on supported housing. The 'cap' that was first announced in the Government's Comprehensive Spending Review in 2015 means that all housing benefit for social housing tenancies will be capped in the same way as private rents. Whilst we appreciate the intention of fairness behind this, the reality is that it threatens the current and future viability of supported living because rents and service charges in these schemes have to cover higher costs and extra facilities, such as more intensive housing management, communal lounges, white goods, lifts and enhanced fire safety provisions. Following intensive campaigning by Bromford and others in the sector, the Government applied a one-year exemption for supported housing while a review is conducted into a different approach to funding such services but the latest proposals do not offer any reassurance of a viable solution.

More generally, we are still awaiting an announcement on what the future rent-setting policy for social housing will be since the government turned away from the ten year deal that was negotiated in 2014. Not knowing what rents we will be allowed to charge after 2020 is a major constraint when we are deciding to invest in buying land to build more new homes.

Universal Credit is also in its infancy and the impact of the changes have yet to fully hit our customers. The roll out of Universal Credit has taken place in only four of our operating areas, affecting around 400 customers so far. Early indications have highlighted the need for proactive work to be carried out with each customer before payment is received, as some customers are experiencing a waiting period of 42 days for their first award payment. Our strategic objective of developing the right relationship with customers through a coaching approach will put us in the best position to support customers through this transition and we continue to develop our relationship with the DWP to provide feedback on the application and administration of this new initiative.

Opportunity

With challenge comes opportunity and in the face of this uncertainty the message in our new strategy is still that we will remain resilient and in control.

Launched in August 2016 the new statement of strategy sets out the objectives and enablers that we need to focus on to achieve our core purpose of inspiring people to be their best. A diagram of this can be found on page 7 in The Report from the Chair. Alternatively you can read more about our strategy at: https://www.bromford.co.uk/media/7929/strategy-external.pdf.

The redevelopment of our business strategy has led us to review a number of associated streams of activity to ensure we have a very coherent picture of where we are and where we're going. We re-examined Bromford's measures of success to ensure they accurately reflect whether we were achieving our purpose. As a result performance reporting to both our Customer and Communities Network and the Board have been improved to make it easier for these groups to scrutinise our performance.

Our risk management has also been reviewed over the past year to ensure our approach to risk and opportunity is also completely aligned with the new strategy. You can read more about this in the Report of the Assurance & Audit Committee, starting on page 54.

It's early days but progress against the strategy is going well and we are seeing early signs of success across our business. I'd like to take this opportunity to reflect on some of this progress, whilst looking forward at some of the projects and opportunities in the coming year.

Right relationship

We have made significant progress in the mobilisation of our Localities approach that was revealed in last year's annual report. The Localities approach https://www.bromford.co.uk/get-to-know-us/what-we-do/the-right-relationship/ aims to completely transform the relationship we have with our customers. We aim to shake off the traditional housing association/ customer relationship that's paternal and focuses on fixing problems. Instead we will focus on what people can do, what they can bring to their community and how they can make the most of their talents. This approach isn't about doing things for people, it's about empowering them to get what they want out of life. The benefits of this approach is long-term sustainable communities that fix things for themselves –reducing dependency on the welfare state and improving society for all.

At the heart of this approach are our Neighbourhood Coaches, who each work with around 175 households. This is a big change from traditional housing management patches of 500-600 households. The aim of our coaches is to develop strong and productive relationship with each customer to help them identify and achieve their aspirations. The coaches will be part of the community, connecting customers with local services and each other to help build thriving neighbourhoods and resilient customers. Around 140 Neighbourhood Coaches will help bring our communities to life and although recruitment is well underway we don't expect to have everyone recruited and 'patch ready' until September 2017.

Of course the Localities initiative is just one of the ways we're looking to improve the relationship we have with customers. The coaching approach runs through our entire business and is evident in other new initiatives like the starting well engineer pilot and in our customer service centre. The focus on developing a coaching approach will be a key feature of our work in the coming year.

Feedback from our customers suggests that the new approach colleagues are taking is improving the service experience. We are now listening to customers more which is enabling us to get things right first time, we're reducing repeat visits and calls and we are resolving complaints much faster. 89% of customers are telling us that they would recommend Bromford to a friend (up 2% on last year).

Right home

We have continued to invest in our existing homes over the past year with the main focus of spending on heating systems, in an effort to reduce the number of D, F and G rated homes by April 2018. In May of this year the Board gave approval to deliver an accelerated five-year plan that would increase our investment in home improvements by approximately £16m, with a particular focus on reducing the back log of components that deliver the greatest social value return such as heating system and boiler upgrades. This accelerated programme is being delivered by an in-house team and they will install circa 1,900 systems per year.

Where our existing homes are no longer viable as the 'right home' we have launched a programme of regeneration. Five sites suitable for regeneration were initially signed off by the Board and we have made great progress on the first in Lichfield having gained planning permission for 22 new homes in early 2017. We are currently in consultation on a further three sites which we will continue to work through next year. Together these four sites should result in around 120 new homes.

Our repairs service has seen a 10% increase in recommendation by customers over the past year (up to 91%) as the team continue to focus on both incremental improvements and new service developments.

Increasing the supply of the right homes

Our new homes programme performed well in 2016/17, with more homes starting to be developed on-site than originally planned. Overall we started on site with 778 new homes against a target of 600 and we completed 460 homes this year compared to an initial target of 436.

Our land buying activity has progressed securing sites for 172 homes. Additionally we have had offers accepted and are progressing legal agreements on a further 333 homes over eight sites. We are becoming increasingly successful, securing a greater percentage of the sites we submit offers on and we're seeing our reputation within the land market improve significantly.

Three MyPlace schemes – our product for adults with learning disabilities or mental health problems - have started on site this year and we have secured planning on a fourth that should start on site early in the next financial year. In addition we have started to construct outright sales apartments in Lichfield and two fabulous retirement living schemes in Stourport and Banbury.

In March 2017 the Board signed off a revised new homes plan that will deliver 5,311 new homes over the next five years for a total investment of £501m. This plan focuses on making a real difference by building homes that otherwise may not be built, a balanced land led and s106 programme. And in the year we mark the 50th anniversary of 'Cathy Come Home' – we also remember our roots, as building affordable homes for rent and shared ownership is still the main focus of our activity, 4,582 of these planned new affordable homes will be managed by Bromford.

Continuing with a strong land led approach will give us control over what and where we build these new homes. With this approach we can not only ensure that homes are delivered within our existing Localities, benefiting from the Neighbourhood Coach approach, but we can also ensure that the new homes we provide meet our customers' requirements and remain as affordable as possible in the context of the changing welfare environment.

Enabling our strategy

In addition to the three strategic objectives we've already detailed (Fig.1 page 7), it was important to us in this latest review of our statement of strategy that we were explicit about how every part of the business has a role to play in delivering the strategy. As the name suggests the strategic enablers are the things we need in order to deliver our objectives. They are: enough money, the right people, the right tools and the right organisation.

Whilst we've touched on many of these already and through this year's annual accounts you can read more about some of our progress and investment, one of the key areas of focus and investment is our business transformation programme that launched in September 2016. The transformation programme is providing us with a platform to change our processes and systems so that we can deliver simple ways of working that put the customer first. This five year programme is like starting with a blank piece of paper to say "if we could design our business in an ideal world; what would that look like?" And with that we are removing the barriers and the shackles that often prevent us from tackling some of these issues we face in our daily working lives.

The vision of the transformation programme is to create a business that has simple, customer-centred processes and services that are as easy as possible for colleagues to deliver – this will be a key focus for us in the year ahead.

Finally it would only be right for me to specifically update you on the people element of these enablers, as I absolutely believe that it's our colleagues who make the difference for our customers and our business.

Over the past year we have continued to invest in our colleagues' development. There's been lots of internal promotion, with many customer service and other colleagues moving into the new Neighbourhood Coach roles. We have delivered a new High Performance Leadership programme to our 37 heads of service. The focus of this programme is to reinforce the Bromford approach and the need to be agile and high performing. Our Grow Your Own academy, for talent in the business, has also gone from strength to strength this year. This Academy is part of our blended learning approach that consists of classroom and digital sessions.

To support the mobilisation of Localities we have invested in the development of a learning pathway for Neighbourhood Coaches to support both existing colleagues with the transition from their current roles and for new colleagues coming into the business. To develop colleagues' coaching skills we have successfully commissioned support from Coaching Inside and Out:, a specialist charity that seeks to challenge and support people convicted of offences through life coaching. They have helped to shape and deliver our coaching programme and this will be developed further as we learn from the mobilisation and deployment of the programme.

In summary

This has been the year when all our research and pilots have led to the exciting implementation of our Localities programme. I'm really looking forward to the year ahead as we start to see the full mobilisation and realisation of our neighbourhood coaching approach and how this starts to weave into other areas of our business like new homes development and maintenance.

Like many organisations we face more challenges than ever before; but with our strong and improving performance, the golden thread of our redefined statement of strategy and an overwhelmingly committed and motivated set of colleagues I am very confident that we will continue to transform our business so that our customers can transform their lives.

Philippa Jones

Chief Executive

24 July 2017

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 like increasing our new homes programme to 1,000 homes p.a. and investing in our neighbourhood coaching approach at a time when others are cutting 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.

In March 2016, the Board reviewed our Statement of Strategy and refreshed our purpose, vision and values - these are described on page 7. Our restated Strategy guides the decision-making of the Board, sets the operational direction for Executives and senior leaders and guides the behaviour of colleagues to promote responsible and ethical behaviours whatever their role.

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 receive 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 and our main operating subsidiaries Bromford Housing Association and Bromford Home Ownership (see **Fig.2** for our group operating structure). All three are Registered Providers registered with the HCA and they are also Registered Societies and exempt charities registered with the Financial Conduct Authority. All members of our Board – Executive and Non-Executive – make decisions by working together and achieving a general consensus.

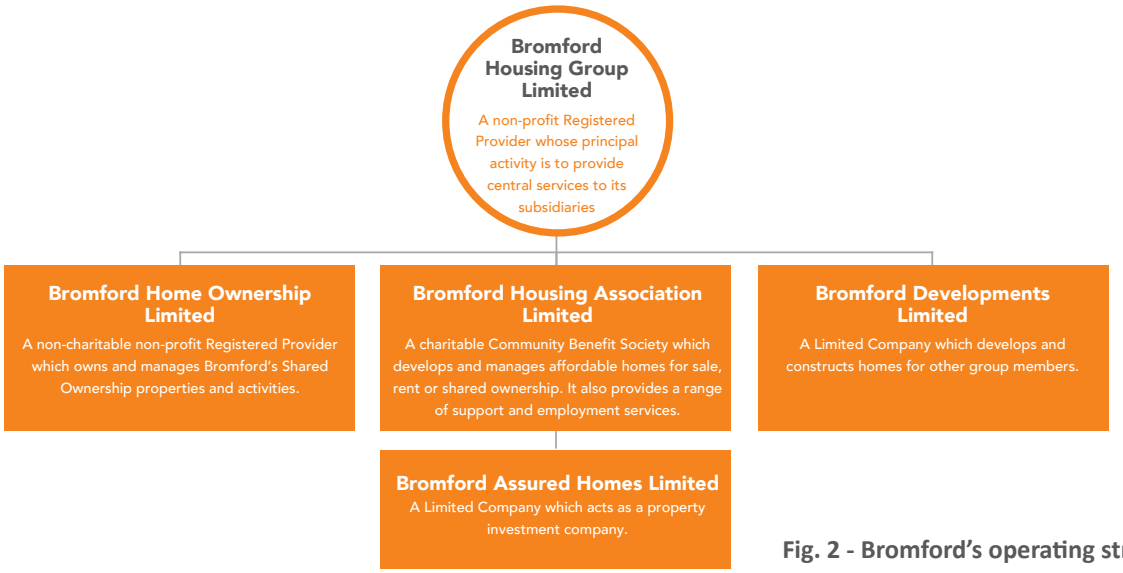


Fig. 2 - Bromford's operating structure

Board Composition

Our Board has 9 members - 3 Executive Directors (our Chief Executive, Executive Director of Operations and Executive Director of Finance) and 6 Non-Executive Directors (**NEDs**). Some key statistics regarding the composition of our Board can be found in **Fig.3.**

All of our NEDs are independent in nature, character and judgment and had no prior links or associations with Bromford prior to their appointment. The longest serving member of our Board, our Chair, has been with us for approximately 5 years and is due to retire in 2018. Work will be undertaken by the Board's Nominations and Remuneration Committee during 2017/18 to identify and appoint a successor. More information about how we plan to do this can be found in the **Report of the Nominations and Remuneration Committee**, starting at page 61.

The Bromford Board in Numbers

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

During the financial year:

- Two Non-Executive Directors were appointed on 1 April 2016; Sally Higham and Balvinder Heran. More information about these appointments can be found in the **Report from the Chair**, starting on page 6 and more information about Sally and Balvinder's backgrounds and experience can be found in the **Board Members** section, starting on page 3;
- One Executive Director retired from the Board; Andrew Battrum retired in July 2016 after 17 years spent as our Group Financial Director. The Board extend their thanks and gratitude to Andrew for the contributions made whilst he was in office and our Chair pays tribute to Andrew for his hard work in the **Report from the Chair**, starting on page 6;
- Lee Gibson was appointed as Executive Director for Finance in May 2016 and was appointed to the Board on 1st August 2016. More information about Lee's background, skills and experience can be found in the **Board Members** section, starting on page 3 and in the **Report from the Chair**, starting on page 6. Lee has attended all meetings of the Board (four) and Treasury Committee (two) held during the financial year since his appointment.

The role of our 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. Bromford supports this by offering access to independent professional advice and by encouraging Board members to participate in training events, away days and 'experience-it days' - days spent out in the business to understand how it operates and how our teams work and interact with each other. More information about the value this adds can be found in the **Report from the Chair**, starting on page 6.

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.

Membership and meeting attendances*

Board Member	BHG Board	Assurance and Audit	Treasury	Nominations and Remuneration
Jonathan Simpson-Dent	6 out of 6		1 out of 1	3 out of 3
Andrew Battrum	2 out of 2		1 out of 1	
Christine Clarke	6 out of 6		2 out of 2	3 out of 3
Nick Cummins	6 out of 6			
Oke Eleazu	5 out of 6			3 out of 3
Philippa Jones	6 out of 6			3 out of 3
Steve Dando	6 out of 6	4 out of 4	1 out of 1	3 out of 3
Lee Gibson	4 out of 4		2 out of 2	
Sally Higham	6 out of 6	2 out of 4		3 out of 3
Balvinder Heran	6 out of 6			3 out of 3

*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.

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 are actively managed by the Board and Secretariat, with Board members abstaining from discussions or decision-making where an actual or perceived conflict may exist

The Board meet six times a year and 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. 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. Input from professional experts and/or external advisors is also sought by the Board when necessary and helps to supplement their knowledge of technical, legal, audit or accountancy matters.

Board and committee decision-making

Strategy, financial viability and risk management are an important factor 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. Fig 5 shows the flow of delegations around our Board committee and senior management structure.

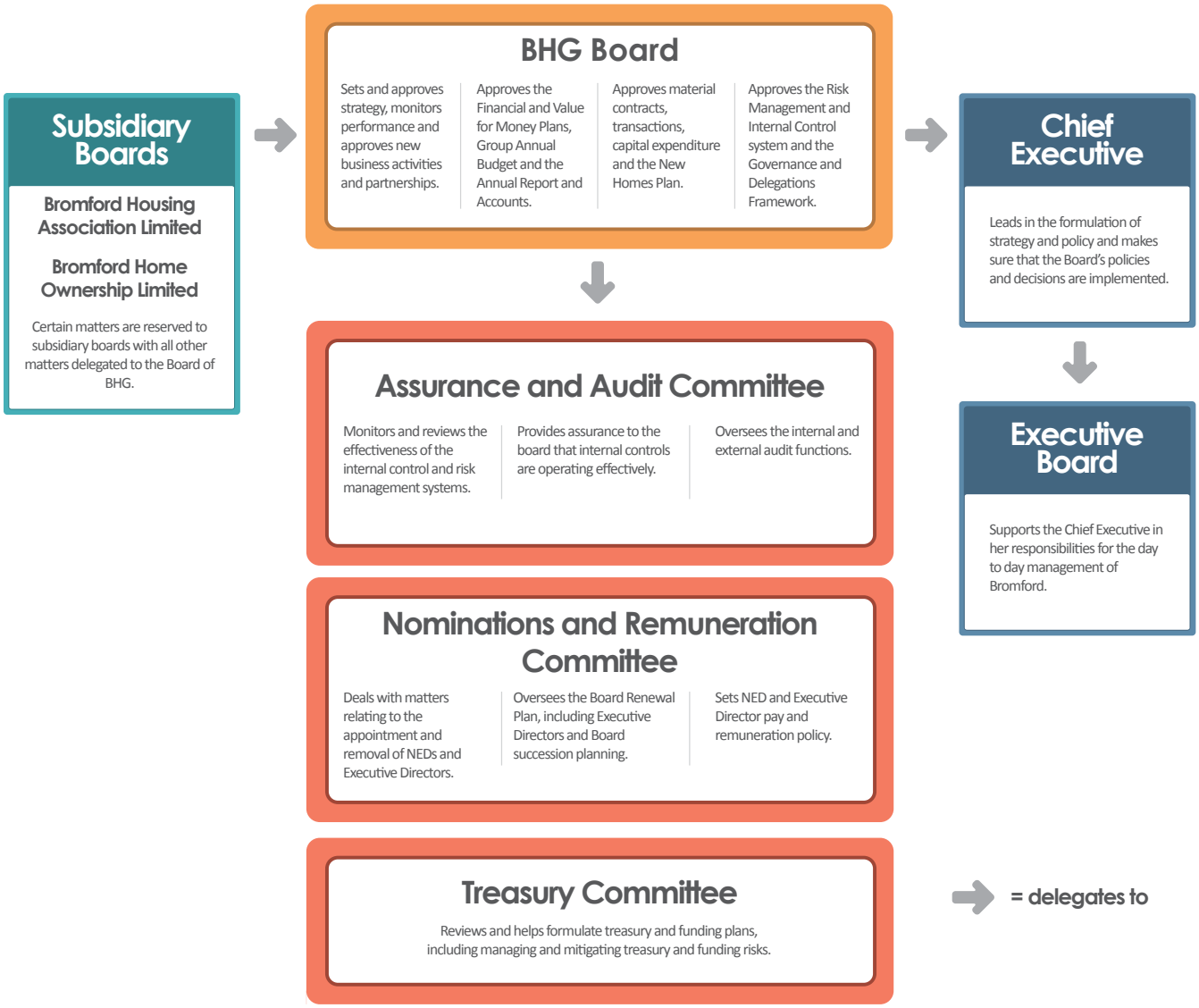


Fig. 5. - The flow of Delegations

The Board has three committees: the Assurance & Audit Committee, the Nominations & Remuneration Committee and the Treasury Committee. The Chief Executive has also established a management forum - the Executive Board - which includes the Executive Directors and all Functional Directors. Our Customer & Communities Network - a forum made up of customers and colleagues - is not part of our formal governance structure but has strong links to the Board and plays an important role in scrutinising service delivery and performance. More information about the membership and work of each of our Board Committees can be found in the **Report of the Board Committees** starting on page 53 and each committee's Terms of Reference can be found on the Bromford website.

Statement of compliance with the HCA regulatory standards

Our regulator, the Homes & Community Agency (HCA), published a revised Regulatory Framework and Regulatory Standards on 1 April 2015. 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. 6**.

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.

Each year the HCA requires RPs to assess their compliance with the Governance and Financial Viability Standard and provide assurance to customers and stakeholders that the HCA's specific expectations are being complied with. **Following our annual review of compliance, the Board are pleased to confirm that during the year ended 31 March 2017 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.**

Economic

- To ensure RPs are financially viable and properly managed and perform their functions efficiently and economically;
- To support the provision of social housing sufficient to meet reasonable demands (including by encouraging and promoting private investment in social housing;
- To ensure that value for money is obtained from public investment in social housing;
- To ensure that unreasonable burden is not imposed (directly or indirectly) on public funds;
- To guard against the misuse of public funds.

Consumer

- To support the provision of social housing that is well-managed and of an appropriate quality;
- To ensure that actual or potential tenants of social housing have an appropriate degree of choice and protection;
- To ensure that tenants of social housing have the opportunity to be involved in its management and to hold their landlords to account;
- To encourage registered providers of social housing to contribute to the environmental, social and economic well-being of the areas in which the housing is situated.

Fig. 6 - 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 - see page 21 for more information.

Each year the Board reviews compliance with the UK Code and during the financial year ended 31 March 2017 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. Each review identifies what we're doing well and the areas we need to concentrate on going forward. An external advisor was used in 2014/15 and so in 2016/17 the review was conducted internally by the Chair and looked at Board composition, governance, strategic direction, committees and meeting effectiveness.

As part of the review each NED, the Chief Executive and Executive Directors completed a detailed questionnaire and had a 1:1 conversation with the Chair. The outcome of the 2016/17 review was positive. Board members believed that the Board continues to be effective, with a good level of constructive challenge and debate. Although there were no areas of concern, a Board workshop held in March 2017 considered the feedback and findings and agreed a plan for continuous improvement which focussed on:

- **Board composition** - The development of a succession plan for the next two years, during which three NEDs will reach the end of their 6-year terms of office;
- **Board development** – to build on the current programme of induction and development to continue to support the development of NED skills and knowledge;
- **Strategic direction** – to ensure that the Board continues to focus on the right things;
- **Risk management** – to ensure that the Board continues to manage risk effectively;
- **Governance and committees** – to ensure that the Committees continue to be fit for purpose and are working effectively and supporting the 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 judgments about how we operate and use our resources. Our approach to Openness and Transparency is set out in **Fig. 7**.

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, Probity Policy, and our Value for Money Self-Assessment. Value for Money is particularly important to us and we want to be transparent about the spending decisions we make, why we have made them and what their impact was. All grant funded expenditure over £500 is published each quarter on our website, alongside statistics and information about what our Board members and colleagues are paid.

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 and Twitter. Customers respond well to the flexibility this offers and the ability to proactively manage their relationship with us in different ways.

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. 7 - Openness and transparency

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.

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

Our approach

During the year we have refined our approach to risk management. We know that as well as presenting opportunities, all activities carry some risk. By identifying, understanding and assessing the risks we face, defining our risk appetite and ensuring that our risks align with our strategy, the Board is assured that we are alert to and managing risks and opportunities appropriately.

With support from the Assurance and Audit 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.

Our approach to risk management is embedded across the business as part of our cycle of activity. Arrangements are in place that robustly manage the operational and strategic risks that threaten our business model, future performance, solvency and liquidity. Our risk management process, which was in place throughout 2016/17, is set out in **Fig. 8**. Risks are identified in all our business planning processes and in our day to day running of the business.

Assurance and Audit Committee ('AAC') considers:

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

Treasury Committee ('TC') considers:

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

BHG Board and Chief Executive:

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

The Executive Board consider:

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

The Functional Directors:

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

Fig. 8 - Our risk management process

Members of the Executive Board are clear about their responsibilities to identify, evaluate and manage and mitigate risk as part of 'business as usual' and there is a formal and ongoing process of risk review at each meeting of the Assurance and Audit Committee. The risk register is also presented to each meeting of the Board.

A new risk register, based around delivery of the three strategic priorities and four enablers was developed during 2016/17. Risks are scored using a new scoring matrix and, recognising that the appetite for risk is different in different circumstances, a schedule of risk appetite which have both been reviewed and agreed by the Board and Assurance and Audit Committee.

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

Risk	Our response
Income reduction: The potential for a reduction in income as a result of the roll-out of the changes through welfare reform	• Move to a Neighbourhood Coach role with reduced patch sizes so colleagues work with customers to deal with the changes • Investment in learning and development to provide the right skills for colleagues to support this move • Supporting our customers into work, skills development and volunteering • Supporting customers with money and debt advice via trained Money Advisors and The Income team • Stress-testing the impact of higher arrears, bad debts and income reduction on our financial plan and budgets
Supply of the right homes: We fail to develop the right homes for customers.	• 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
Treasury: A tightening of the credit markets leading to increased lending costs and/or a reduction in the number of funders accessible to the sector. Pressures on liquidity from counterparty risk, welfare reform and market movements.	• We have robust treasury management policies and processes in place, which provide for high levels of liquidity in both cash terms and available property security • Our forecasting processes allow us to plan ahead for a long time horizon • We maintain excellent relationships with funders, valuing their long term commitment to the business • Our covenants are comfortably met and robustly stress-tested • We have access to expert treasury advisors who have the right skills and knowledge to support us as we manage our finances
Right Tools: Effective delivery of our comprehensive Bromford2point0 transformation project	• The Business Change Team is in place, that actively engage with the wider business to ensure we deliver a programme that is in line with Bromford's needs and stakeholders are engaged • A detailed programme plan is in place which is monitored using robust programme methodology and controls • Escalation plan is in place to ensure the right levels of changes, risks or issues are escalated when appropriate • Regular business ready assessments are carried out which will highlight any risks or issues with the adoption of Bromford2point0 within the wider business.

One of the Board's key responsibilities is to make sure that Bromford has a system of internal controls in place that robustly manage the operational and strategic risks that threaten our business model, future performance, solvency and liquidity. Our risk management process, which was in place throughout 2016/17, is set out in Fig. 8. Risks are identified in all our business planning processes and in our day to day running of the business.

Internal Control

The Assurance and Audit 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 Assurance and Audit 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;
- Reports from the Treasury Committee and treasury controls;
- Reviews of statutory and regulatory compliance – including safety compliance;
- Financial accounts, budgets, forecast and financial controls;
- Customer and colleague feedback.

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 (see **Fig. 8**);
- 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, easy to understand and written in 'plain English'. 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 Assurance and Audit 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.

Financial performance for the year

1. How do we perform financially?

Income and Expenditure	16/17	15/16	14/15	13/14	12/13
	£m	£m	£m	£m	£m
Core turnover	**151**	155	154	144	139
1st tranche & similar sales	**16**	15	11	22	14
Turnover	**167**	170	165	166	153
Cost of sales	**(11)**	(11)	(8)	(18)	(12)
Operating costs	**(89)**	(90)	(91)	(87)	(87)
Surplus on disposals	**8**	7	5	4	2
Movement in fair value of investment properties	**1**	-	1	-	-
Operating surplus	**76**	76	72	65	56
Core operating surplus	**63**	66	65	56	51
Net interest charge	**(26)**	(27)	(27)	(26)	(26)
Surplus	**50**	49	45	39	30
Movement in fair value of financial instruments	**-**	-	(11)	-	-
Surplus before taxation	**50**	49	34	39	30

Balance Sheet	16/17	15/16	14/15	13/14	12/13
	£m	£m	£m	£m	£m
Housing property at cost	**1,879**	1,809	1,760	1,656	1,604
Depreciation	**(233)**	(220)	(205)	(186)	(175)
Grant	**-**	-	-	(528)	(526)
Net book value	**1,646**	1,589	1,555	942	903
Other fixed assets	**22**	25	24	17	16
Grant liabilities	**(435)**	(442)	(451)	-	-
Net current liabilities	**(5)**	(14)	(17)	(16)	(8)
Assets less current liabilities and grant	**1,228**	1,158	1,111	943	911
Reserves	**634**	584	531	397	358
Pension	**10**	11	15	13	12
Other long term liabilities	**55**	54	49	8	5
Net debt[1]	**529**	509	516	525	536
Funding	**1,228**	1,158	1,111	943	911

Operating cash flow	**91**	99	78	84	71
Cash surplus (operating cash less interest)	**64**	72	50	57	44

Financial Ratios	16/17	15/16	14/15	13/14	12/13
Core operating margin	**42%**	43%	42%	39%	37%
Total operating margin	**46%**	45%	43%	37%	35%
EBITDA cover	**3.62**	3.52	3.17	3.12	2.76
Cash conversion[2]	**120%**	130%	118%	138%	131%
Net debt / cash surplus	**8.2**	7.1	10.3	9.2	12.1
Asset gearing[3]	**29%**	29%	31%	32%	33%
Gearing[4]	**49%**	49%	53%	57%	61%

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. Asset gearing compares net debt to housing property at cost
4. Gearing compares net debt to reserves plus capital grant
5. 14/15,15/16 and 16/17 reflect FRS102, 12/13 and 13/14 information is from accounts prepared under previous UK GAAP and do not reflect changes under FRS102
6. Core turnover and Core operating margin relate to all housing activities excluding first tranche sales and open market sales. Core operating margin is Core operating surplus as a percentage of Core turnover

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. Core operating margin, our lead financial efficiency measure, has improved by 5% over the last four years to 42%. In the same period, cash conversion consistently exceeds 100% and our cash surplus (operating cash generated less interest) is consistently over £50m. Reflecting this, EBITDA interest cover has risen 31% to 3.62 times and gearing and asset gearing have now reached a steady level.

Liquidity remains a key focus and at March 2017 we had:

- Cash and cash equivalents of £19.9m;
- £154m in undrawn loan facilities (including Revolving Credit Facilities);
- £150m of security ready to use within six months, with a further £220m in the pipeline, which will be processed over the course of the next eighteen months;
- In addition Bromford holds security with its funders in excess of their asset cover requirements.

2. Income and expenditure

This is the second year of preparing accounts under FRS102. FRS102 reporting brings additional volatility in reported surpluses, even though the underlying cash and business performance position is unchanged.

The surplus before taxation of £49.8m is another record for Bromford (15/16: £48.9m). Operating surpluses were strong at £76.1m (15/16 £75.9m).

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

Effects of material estimates and judgments within these financial statements

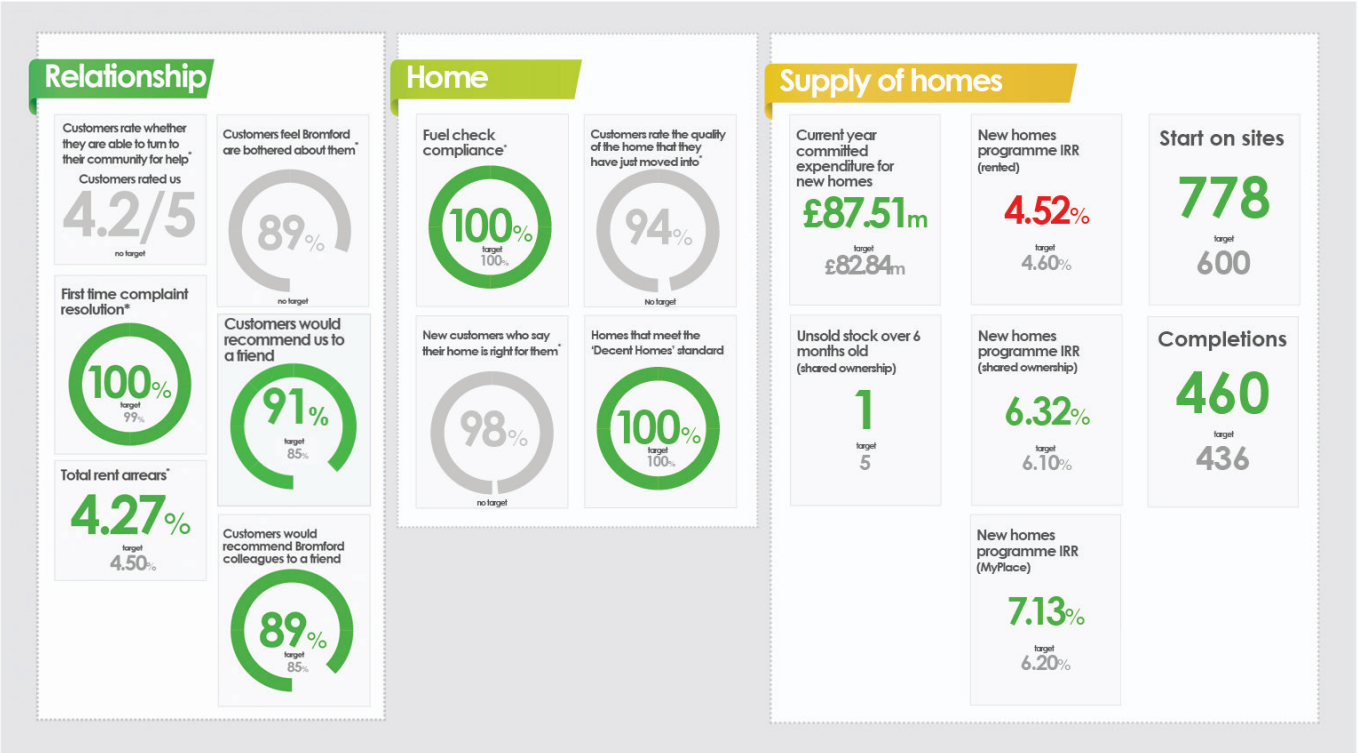
- On an annual basis we review for potential **Impairment of non-financial assets**. Following the review no impairment was deemed to be required.
- We have accounted for depreciation of assets on a straight line basis. The depreciation basis is reviewed regularly for each class of asset, and no changes 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.

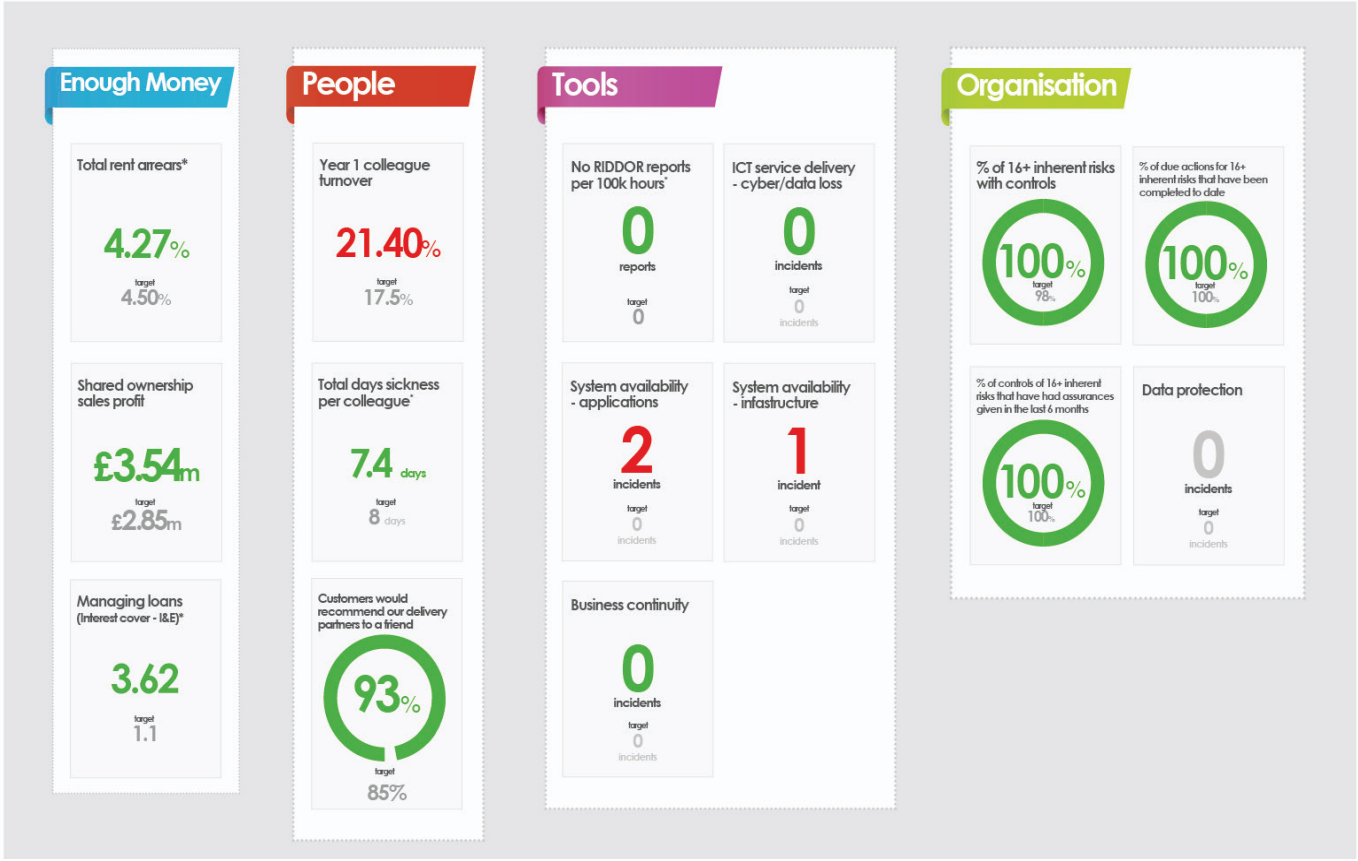
Further details of key estimations can be found within our accounting policies on page 74.

Performance against targets

Performance against key performance indicators is set out below:

Where performance was in line with target or better, KPIs are highlighted in green. New measures are in grey, where targets were not set for the year. Performance below target is highlighted in red, and performance in these areas has been closely monitored during the year by the Executive Team and the Board.





Rent collection and arrears

We aim to maximise rental income within a customer affordability framework. 2016/17 saw the first year of the impact of the 1% rent reductions for the majority of our customers. Performance on bad debts and arrears remains strong despite the difficult economic conditions.

Gross arrears, for current and former tenants combined, reduced in the year. The arrears represent 12.2 days of rental income and as a percentage of income was 3.33% (15/16 4.19%). Net arrears (taking prepaid rent into account) also fell and remains low at only 0.25% (15/16: 1.82%), this is due to more customers paying rent in advance. The higher total rent arrears of 4.27% within the KPI suite above is before the year end write-off of former tenant debt, which reduced the total arrears to 3.33%.

Shared ownership sales

Shared ownership and shared equity sales income for the year was £16m (15/16: £15m). We sold 164 homes, 15 more than our target, at an average 100% sales value of £204k (15/16: 157 units, 100% value: £191k). The average first tranche share sold increased to 47% (15/16: 45%).

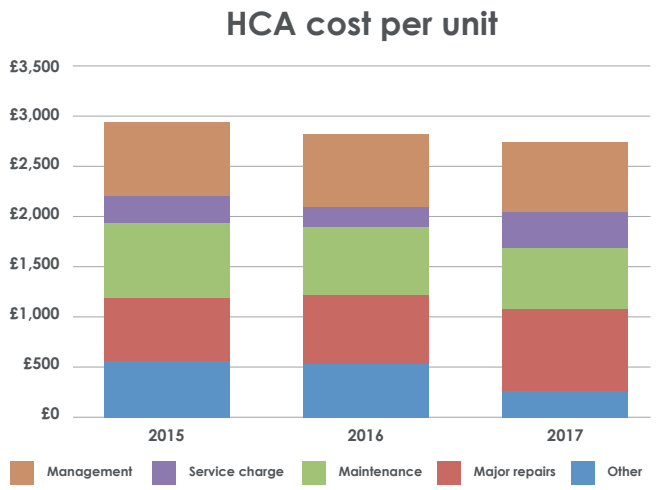
Costs

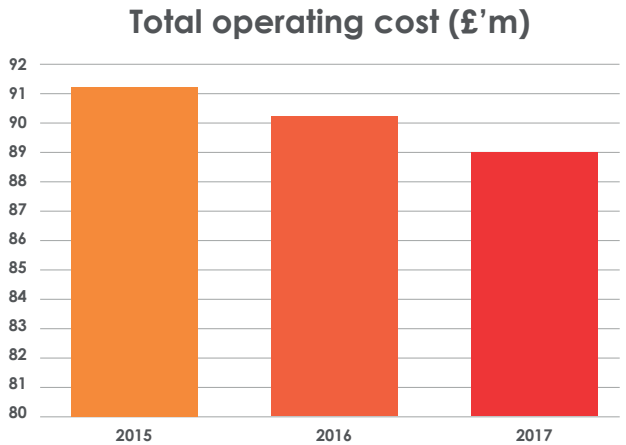
Cost control is a core deliverable across the business. The HCA's analysis of costs across the sector has validated that our costs are comparatively low using 2015/16 as the benchmark. Success in controlling costs drives our excellent core operating margin which at 42% (15/16 43%) remains one of the 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 84) includes our social value investment activities where we have invested in Localities. During the year we spent £1.0m (15/16 £1.1m) on these added value activities; coaching and supporting our customers and implementing new service delivery models.

Over the last three years we have reduced our total operating costs per the Statement of Comprehensive Income, see chart below. Using the HCAs cost per unit measure, which includes capitalised major repairs, we have maintained our cost per unit below £3,000, redirecting costs to frontline services of localities and major repairs in line with our strategy.





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.

Disposal profits in the year were £8.2m (15/16: £7.0m), mainly comprising staircasing £3.8m (15/16 £3.0m) and our void disposal programme £4.8m (15/16 £4.1m). During the year 140 homes staircased (123 to 100%), and 2 homes were repossessed. Disposals generated cash of £18.8m and £2.3m in recycled grant (15/16 £16.1m and £0.8m).

Corporation tax

We continue the policy of gift aiding taxable surpluses from non-charitable Group members to charitable Group members. The corporation tax charge for the year is £86k (15/16 £108k) and there is a deferred tax charge of £12k (15/16 £140k).

3. Balance Sheet

Fixed assets

Details of the movements in fixed assets during the year are set out in notes 11 to 16 of the financial statements.

Sales exposure

Exposure to unsold shared ownership stock is not a material issue for us, neither is potential impairment of property values. The market value of unsold homes at year end was £6.1m and represented only 36 homes (15/16 34), of which 20 were reserved at year end. Only one of these homes, a showhome not available to buy, was over six months old. Since the yearend, 12 of these homes have sold and a further 16 are now reserved including the showhome over six months old.

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

The detail of work in progress is shown in note 18, with two retirement living schemes in progress stock and work in progress has increased from £10m at March 2016 to £24m at March 2017.

Investment in our homes

In 16/17 we invested £23m (15/16: £20m) in major repair and refurbishment programmes and £73m (15/16: £50m) in new homes.

4. Treasury

The following table highlights our position on key indicators:

	16/17	15/16
Borrowing	£567m	£583m
Undrawn facilities	£154m	£122m
Cash balances	£20m	£64m
Fixed rate borrowing	84%	80%
Cost of borrowing	4.39%	4.48%
Interest cover covenant	3.62 times	3.91 times
Asset gearing covenant (66.67% max)	29%	29%


Bromford.

Cash, liquidity and funding

Rigorous control of cash is a key focus for us. Operating cash flow was again strong at £90m (15/16: £98m) and represents 119% of operating surplus - a good cash conversion performance. Cash from operations was topped up by £17m of net borrowing to fund our investment activities. Liquidity was strong with £20m of cash balances and £154m of undrawn facilities.

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 £721m, with drawn borrowing of £567m (15/16 £587m). Borrowing was initially increased due to the £27m AHF/EIB bond issue in July 2016 and £2m of other drawings, then reduced by the repayment of revolving credit facilities (RCFs) of £37m and £12m of scheduled capital repayments. 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 predominantly 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 84% of our borrowings are at fixed rates (15/16 80%). This strikes a balance between managing medium term rate risk and benefiting from current low short term rates.

The average cost of borrowing was 4.39% (15/16 4.48%). 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 £30.7m which was slightly above last year's level of £30.2m. During the year we bought out £32.5m of these cancellable Swaps resulting in a charge to the Statement of Comprehensive Income of £446k. Other movements in the MtM value was due to further falls in the yield curve and long term rates. At year end the MtM call amount over our contracted threshold levels increased to £10.7m (15/16 £10.2m) mainly as a result of movement in the yield curve.

Security

Bromford has a healthy level of available uncharged security. Our £154m of undrawn facilities are all fully secured. In addition we have £17m 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. £119m is held by our Security Trustee and is available subject to renewing searches, with approximately £15m at an advanced stage with solicitors. 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.

5. Future outlook

Welfare reform

We continue to gain valuable insight from running our own internal pilot of Direct Payments, as well as closely monitoring customers who have migrated to Universal Credit. We continue to keep close to Universal Credit development and implementation issues and are represented on key Department for Work and Pensions (DWP) working groups.

Following our affordability review to assess the impact of welfare reform for our current and future customers we have monitored our new lettings in 2016/17 very closely, using our affordability calculator to ensure our customers can afford to live in our homes both now and in the future, when welfare reform changes are likely to impact them.

During 2016/17 we began mobilising our localities team and this is starting to transform the relationship we have with customers. We have adopted new ways of working, recruiting and inducting both new and existing colleagues to their new roles whilst maintaining business as usual as we make these changes. By investing in localities and our service offers, we expect to maintain our current strong financial position.

We have nevertheless allowed for some increase in both bad debts and void costs in our future plans, but this is now at a lower level than we had previously forecast.

The LHA cap will come into force in 2018, and we have assessed the impact for our customers and for Bromford and made provision within our business plans to cover any potential rent loss.

Supporting People contracts

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

Voluntary Right to Buy

Following the outcome of the initial National Housing Federation (NHF) pilots, we are keeping close to issues of further pilots and implementation via the NHF/DCLG working groups.

Brexit

The impending Brexit negotiations continue to inject uncertainty into the UK. At the time of writing the UK £ is trading at 1.13 to the Euro reflecting a negative movement of 13% post the Brexit vote on the 23rd June 2016. This exchange rate movement has helped fuel rises in inflation and made the cost of imported goods more expensive for Bromford. Fortunately for Bromford most of our goods are UK sourced meaning the cost impact has been minimal, but as inflation increases our cost base and the rent cuts decrease our revenues margins will be squeezed.

2017 General Election outcome

Like many people throughout the UK we were hoping for more certainty following the General Election held on the 8th June. The prospect of a hung parliament and resulting political uncertainty is not what the housing sector requires at this time. Bromford would welcome the Government providing clarity around levels of future rents and a robust housing plan. We continue to monitor the economy for early signs of recession that could push the housing market into decline, but at the time of printing, whilst inflation is on an upward trajectory, there are no signs of recession looming.

Bromford's response to the Grenfell Tower fire

In light of the tragic events in the London tower block fire, we have taken steps to reassure our customers and our colleagues that our approach to fire safety is as important as ever. More information can be found on our website at: **https://www.bromford.co.uk/news-hub/press-releases/2017/june/fire-safety-remains-top-priority/**

In terms of 'high rise' flats, we don't have any buildings that resemble the height of those in London. Our tallest sets of flats are eight storeys high, of which we only have two, at David Garrick Gardens in Lichfield where there are 63 flats in two blocks with extensive communal areas as they are home to elderly customers. With developments in technology we took the decision in 2016 to fit a sprinkler system to both blocks at a total cost of £100k. This was carried out in partnership with Staffordshire Fire & Rescue Service who jointly funded the investment. The installation was completed and commissioned in the first week of July 2017.

We've checked all our flatted blocks with at least four stories and found no ACM type cladding.

We have four dedicated fire risk assessment surveyors who undertake our assessment inspections. These inspections are a key step in making our homes safer from the risk of fire and also ensures compliance with the various pieces of legislation specifically aimed at landlords. We do all of this in conjunction with our auditors and independent fire consultants to ensure we continue to comply with industry best practice and remain highly vigilant. We have 182 blocks of flats which we have classed 'higher risk', due principally to being for supported housing customers. These are inspected every year. We have a further 796 flatted blocks with communal areas that receive a Fire Risk Assessment (FRA) every three years.

We have a budget for remedial works and spend approximately £400k pa on things like replacement and upgrade of fire doors, alarm systems, smoke seals, emergency lighting, fire blankets and similar safety equipment. Lastly we are members of the Primary Authority Scheme with Staffordshire Fire & Rescue Service to enable us to access assured and consistent advice on areas of best practice changes across all our properties regardless of local authority area.

Value for Money self assessment

Our full VfM self assessment document is published on our website, www.bromford.co.uk

1. Financial Strategy and VfM

To allow us to deliver our strategy we operate our core services as efficiently and effectively as we can, delivering VfM so that we generate the maximum funds possible for investment in services, our existing homes and new homes. We aim to target that investment to produce the greatest possible social value and to inspire people to be the best they can be. All this remains unchanged, although there are clearly significant uncertainties facing the sector as a whole and these will affect the detail of how, and at what speed, we deliver our strategy, we are well placed to meet the challenges of the future – benefiting from:

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

We continue to have relatively low operating costs as evidenced by the HCA's VfM cost per unit measures, for 15/16 Bromford's operating costs were amongst the lowest in the sector.

Our business plan sets out how we intend to achieve our strategy and allocate our resources. Generally we operate to a five year planning horizon and the business plan is subject to our VfM planning framework.

We have a good understanding of the costs of our services, the returns we achieve on our assets and how our performance compares to our peer group. The detail of this is set out in the 'Benchmarking' section below and in the benchmarking annex to our VfM self- assessment document.

Our aim is to create and maintain social value, and the further development of systems to capture this is a major priority for us. We have for the fourth year produced a Social Value Assessment (SVA), setting out our vision, progress and plans in this area.

Our statement of strategy is set out in our website at:

https://www.bromford.co.uk/site-search/?q=statement+of+strategy

Below we have set out our VfM performance and VfM plans for each of the objectives and enablers of our statement of strategy.

2. VfM governance and scrutiny

Our Board

The Board ensures VfM is considered in all of our decision making and in particular when setting the annual budget and the business plan. They set the overall VfM cashable savings targets in our plans and ensure we comply with the regulatory standards. They challenge on the delivery of VfM, ensuring performance is on track with targets and that we are delivering our strategy.

Customer & Communities Network (CCN)

Operating independently but with strong links to the Board, the Customer and Communities Network (CCN) plays an important role in scrutinising performance and shaping service delivery. They represent the voice of our customers and, amongst other things, their input over the course of the year has helped influence in particular the objectives and approach of our new Localities plan which redesigns our local service offers and our response to welfare reform changes. Other things that CCN has led the way on is the redesign of our complaints policy ensuring any unhappy customer is heard and the insight used to change behaviour and improve the experience and our affordable warmth programme, which aims to make sure our homes are energy efficient and affordable to heat. The CCN is instrumental in stress-testing our innovation proposals and make sure that our continuous improvement is in the best interests of our customers.

3. The right home for every customer

Looking back

In May 2016, approval was given for the existing homes investment team to deliver an accelerated five-year plan. This decision increased spending by approximately £16m, focusing our investment on improvements that deliver the greatest social value return. It was agreed that this programme would be delivered in-house, delivering £4.5m of savings over the new programme - year to date it has **saved £685k.** Many of these improvements are linked to our drive to help customers achieve affordable warmth – a major area of concern for customers. Part of this process was to evaluate our stock to identify the worst performing homes based on EPC ratings and then using this information to decide on a future course of action.

For many homes this was about investment and over the last year we have **improved the energy efficiency of over 3,000 properties**, 400 of our most challenging have been improved to increase their energy performance rating above D. We have installed **2,484 new heating systems** (against a target of 1,900 per year), including 70 ground source heat pumps for properties not able to access mains gas. We have also **improved the insulation on 377 properties and replaced windows and doors at 1,860 homes**. These measures will make a significant difference to the affordability of these homes for our customers. Customers currently rate their homes 4.5 out of 5 for affordability to live in and run (new measure). **479 of our homes, still fall below energy rating D**, although over the next year we plan to address this through a mix of heating, insulation and window installations.

Where homes are not suitable for energy efficiency upgrades we have either sold individual properties as they have become empty, or where there are multiple homes we have earmarked them for regeneration. Five sites have been initially identified for regeneration and progress has begun on four of these schemes. Together these four sites should result in 126 new, energy efficient, affordable homes.

We have also invested in repurposing or remodelling homes this year to maximise the number of affordable homes we offer. Where we have support schemes that no longer have support contracts we have looked to convert them into rented accommodation and where we have identified under-utilised spaces, like a former community room, we have remodelled them into additional affordable homes.

We have also invested in our homes in other ways over the past year:

- We have **delivered over 15,500 planned improvements**. This includes **1,281 new kitchens and 242 roofs**
- We have secured more than **£2.5m of grant funding** for things like adaptions, insulation, sprinkler systems and ground source heat pumps
- **100%** of our homes are both **fire and asbestos compliant. 100%** of our homes have also **received a gas safety check**
- In response to customer feedback we have been piloting new services like decorating and fencing and we'll monitor the social value and VfM return on these
- But it's not just in the home we've been investing in we have invested in neighbourhoods, **undertaking 2,665 estate improvements** to things like hard landscaping, fences, boundaries, major repairs etc. We've also been proactively picking up projects such as street lighting and gate schemes that have led to customers feeling better about their neighbourhoods. **90% of customers would recommend their neighbourhood to a friend** (up from 87%), whilst customers also feel better about the safety and appearance of their neighbourhood, rating it 4 out 5 (up from 3.8 last year).

A real area of focus for us in the past year has been the quality of homes at letting and also ensuring we're providing customers with an accurate handover date as these two elements cause the customer inconvenience and lead to additional works for the delivery team. **This year we have turned 2,159 empty homes around for re-let**, including 287 that required major works such as a new kitchen, bathroom or a re-wire.

In response to customer feedback and CCN's view that customers want to move into a quality home when we say it's ready to let - we have invested in empty homes ahead of letting, undertaking works that include tiling, installing showers, extractor fans and trickle vents in all homes before a new customer moves in. We have also improved the final clean on properties before they're let and undertaken works to manage damp and condensation. This additional investment is reflected in customer feedback where **98% of customers would recommend the moving in service to a friend** (up from 95%). They rate their experience of renting or buying a new home as 4.5 out of 5 (new measure) and customers now rate the quality of their homes as 94% (new measure). Although there are other contributing factors, the focus on quality of re-let properties by investing in additional works has, in part, **led to longer average re-let times for properties at 25 days** (against a target of 18 days), however we aim to explore this and reduce the length of time in the coming months.

In terms of matching the right home to the customer **98% of new customers say they are living in the right home** for them and their family (new measure). We are also pleased to see that the number of shared ownership customers that have successfully staircased to own a greater share of their property has increased- we've completed 140 against a target of 100.

Mutual exchanges, another way for customers to get the right home for them, has slightly reduced this year at **238 mutual exchanges** (265 last year). This general downward trend is expected following a peak in exchanges at the time that 'the bedroom tax' was announced and is a possible indication that less people feel the need to exchange to a home that better meets their needs. It's worth noting that the team are being increasingly imaginative in the way they are using mutual exchanges. A recent example saw six inter-linked exchanges, resulting in three households being released from 'the bedroom tax'.

There is more to be done in the coming year, particularly around the affordable warmth of homes. But indications from year end suggest that investment decisions are having a positive impact on ensuring our customers' homes are right for them.

We measure how well our customers think we are performing across a range of services. Details can be found on our website at: **www.bromford.co.uk/ourperformance** to read our end of year customer performance report and infographic.

Looking forward

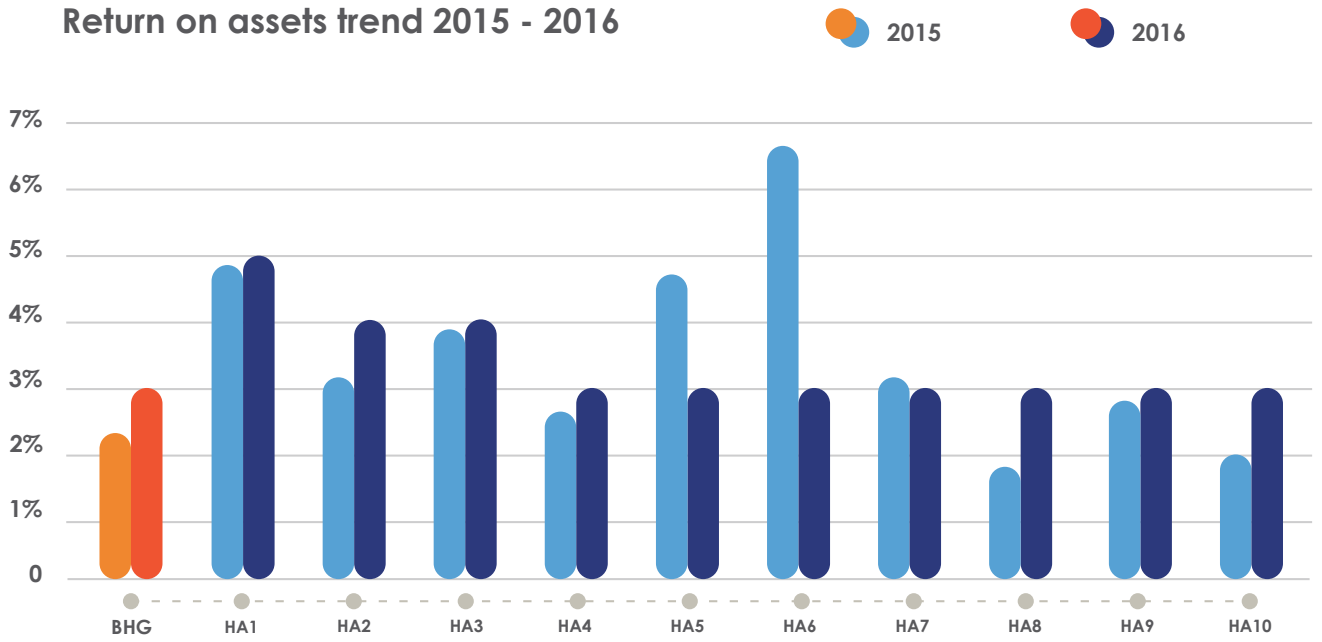
We will continue to invest in improving the quality of our homes. We will maintain our focus on Energy efficiency; making our homes warmer and cheaper to run. Our £10m heating replacement programme for 2017/18 will ensure that by April 2018, we will have no homes with an energy performance rating worse than a D.

In addition to our heating investment commitment, we will invest a further £9m on upgrading windows, doors, roofs, kitchens and bathrooms in order to make our homes more modern and secure. We will also invest £6m on external painting, insulation, rewiring, fencing, hard landscaping and other major improvements that make a real difference to the lives of customers living in our communities.

We want our homes to be springboards, not barriers to customers achieving their aspirations. To this end, we will increase our funding of aids and adaptations to £1.1m in order to make the lives of those who have physical challenges a little easier. We will also target a further £1.1m towards ensuring that our homes are safe from the risk of fire, asbestos and legionella.

Where our homes fail to meet our own exacting standards, we will be proactive in dealing with the challenges that they pose. For some groups of homes, the best solution will be to fully regenerate the area; replacing old, poorly performing homes with new, fuel efficient ones. For other homes, the best solution will be to dispose of them and use the funds generated to develop new homes and communities. In all cases, we will work with our customers, using the strong relationship that we have with them to help us arrive at the best solution.

Return on Assets



This return on assets is defined as Surplus after taxation divided by Net Book Value of Housing Properties (Vantage Business Solutions benchmarking). Other measures of return on assets are included within our full VfM Self Assessment document.

During the past year we have continued to implement our asset management strategy for disposals, including assets where the Net Present Value (NPV) is poor. The sale of 55 homes resulted in proceeds of £8m which will be reinvested into new homes.

Type of Disposal	Disposal 16/17 Number of Units	Disposal 15/16 Number of Units	Disposal 14/15 Number of Units	NPV per Unit
Sales of homes that cost more than they make	14	9	4	Poor
Sales of high maintenance homes	22	12	11	Poor
Sale of non traditional homes	6	5	2	Poor
Sale of regency homes in Cheltenham (flats)	-	-	24	Poor
Sale of homes in non core areas	13	17	6	Average
Total	55	43	47	

The Right relationship with each customer

Looking back – including an update on Localities

This year we have focused on investing in an improved relationship with our customers - developing trust and implementing service improvements that customers tell us they really value.

More customers than ever provided us with their feedback this year, with over 7,200 customers giving us insight into their experiences of Bromford and they have told us things are improving with 91% of customers saying they would recommend us to a friend, up from 87% last year.

In addition to the recommendation score, 12 months ago we also introduced further measures to track whether the relationship was working for customers. The measures that were collectively developed and approved by our Customer and Communities Network (CCN) aim to track the ideal customer experience and the initial findings are positive. 90% of customers trust us to do what we said we will, 89% of customers would say that we're bothered about them and 89% of customers say we're interested in them and their circumstances (all new measures). We are currently working with an external specialist to develop, refine and set targets against these measures to ensure we are getting maximum insight from customers on our relationship.

Service improvements that focus on the real areas of value for customers have obviously had a significant impact on the successful development of a trusting relationship. A key part of this is focusing on getting things right first time for customers and where we don't get it right, we ensure we resolve issues as soon as possible. Over the past year:

- We introduced a new process where repairs haven't gone right, we now aim to resolve issues as soon as possible by sending team leaders out to customers' homes to inspect all repairs that fail within three months to understand the root cause and reduce the need for customers to call us out again
- We received 364,754 contacts from customers and we resolved 83% of calls within that first contact. This performance has broadly been sustained from last year despite a significant turnover of contact centre colleagues who have moved into locality roles. 41% of the team currently have less than six months experience
- This year we have reviewed the materials carried in vans to ensure that where possible repairs can be completed on the first visit. We undertook around 64,000 repairs and of these 84% (same as last year) were fixed on the first visit
- We don't always get things right for customers, but the introduction of a customer solutions team that focuses on end-to-end handling of issues has significantly improved the experience customers have when they feel they need to complain. 100% of complaints were resolved at stage one (up from 89%) and the average days it takes to resolve a complaint has also reduced to an average of 15 days (previously 27 days). This is something the customer-led Independent Complaints Panel were keen for us to focus on
- 8,177 calls to our contact centre could have been avoided this year (3%). Of these 40% of calls were customers chasing for information, particularly on gas servicing.

Overall customers have told us that our services are improving and this is helping to build trust. Importantly they are also telling us that services are increasingly easy to access, rating us 4.4 out of 5 (up from 4.1). Things to note include:

- Our repairs service has seen a significant cultural shift over the last 12 months, improving communications with customers and processes, whilst piloting new services. This is reflected in customer feedback where 91% of customers would recommend the repairs service to a friend (up from 81%)
- Moving in continues to perform well, with 98% of customers recommending us (up from 97%). This is no doubt as a result of additional investments into re-let properties as customers are also telling us the quality of new homes has improved.

Over the past year we have seen other examples of where focusing on the relationship we have with customers has proved invaluable. At Beacon Park Village – where Extra Care Charitable Trust withdrew care services during the year – we successfully managed the transition to a new care provider and now have stronger direct relations with customers at this scheme. We have also undertaken significant regeneration activity in the year on a number of sites, affecting around 85 households. Again through proactively managing the relationship through the Neighbourhood Coaches, we have positively managed the impact of regeneration through what is a challenging time for those residents.

As well as customers telling us that their relationship with Bromford has improved, we have also seen improvements in business measures over the year:

- Rent collection has gone well. Our total arrears were 4.27% at year end, against a target of 4.5% and individual tenancy end debt has decreased slightly, so customers are leaving us with lower debt levels than last year. Over the past year we have collected 100.5% of rent, so we are also making in-roads into arrears
- The tenancy failure rate (tenancies that end due to eviction, abandonment or Section 21) is down from 0.7% to 0.5% (148)
- More proactive and preventative work has seen a continued reduction in ASB cases opened this year with 332 cases, compared to 406 last year, with only 58 progressing to court (74 last year). Customer recommendation of the service has also improved at 78% (from 69%)
- The money advice team have dealt with 542 cases of customers in arrears. At the start of the period debt levels were £388k decreasing to £276k after six months
- 294 customers secured employment as a direct result of our services

Update on our localities plan

This year the most significant investment and change to improve the relationship we have with our customers was unquestionably the launch of Localities.

The mobilisation of our localities programme is going to plan and we look to have the overwhelming majority of our Neighbourhood Coaches on their patches by the end of September.

Along the way we have been integrating supported living schemes and home ownership customers into each of the new neighbourhood coach patches.

There is still much more to do – our approach is still in its infancy and will take time to bed-in and deliver the results we expect.

We continue to develop our approach to connecting communities -uncovering the knowledge and skills of our customers and connecting them together with other customers and the wider community.

Our training programme for new Neighbourhood Coaches is being continually developed and we are ensuring both new starters and existing colleagues moving into localities receive the right package of development for their needs. We continue to adapt this training as we find better ways of getting our messages across and our neighbourhood coaches' skills and knowledge improve.

Bromford took gold in the 'Outstanding Innovation of the Year' category for Localities at the UK Housing Awards in April 17. Judges praised our rigorous and transparent approach to testing and piloting our service offer, which helped us evolve from the original Bromford Deal to our coaching approach today.

We receive numerous requests to share best practice from Localities with other HAs. To help manage this, we ran our first ever 'best practice webinar' using Skype for Business. This was extremely successful and colleagues from the organisations tuning in were extremely positive.

We have now chosen a final name for the 'Cherwell' or 'Northamptonshire' locality. Due to this locality covering multiple local authorities and counties, we have settled upon 'South Midlands'.

Looking forward

We are still on track to have Localities mobilised in all areas by the end of September 2017.

We have developed a suite of performance reports to help Neighbourhood Coaches understand how they are performing and to inform how they prioritise their work.

These will eventually be replaced by the business wide performance dashboards that are under development.

We are tracking performance against the localities business case by starting to collect outcome data once a neighbourhood coach has been live on their patch for three months. This gives time for the neighbourhood coach to complete their initial training, bed in on their patch and for us to make any changes to the patch itself.

Increasing the supply of new homes

Looking back

Our completions over the last five years are set out below:

New Homes Completed	16/17	15/16	14/15	13/14	12/13
Rents					
(Social and affordable)	278	254	357	384	409
Supported	15	54	10	54	16
Shared Ownership	167	157	143	200	167
Outright sale	-	-	-	37	13
Total New Homes Completed	460	465	510	675	605
Total New Homes Started	778	727	428	608	765

We completed 460 homes, ahead of our target of 436, 34 of these were built by our in-house construction team, Bromford Developments Limited (BDL). During the year BDL started on 8 further sites which will deliver 199 new homes. As an indication of future activity total starts in the year were 778, ahead of our 600 target, and the overall net spend on new homes was £88m of which £73m was capitalised in the year, up from £62m with £50m capitalised in 15/16.

Over the last year we have taken great strides towards increasing the supply of the right homes across our locality areas – outstripping targets across both development and sales. Our new business pipeline remains healthy with a good supply of both s106 homes and land in place to take us forward into the recently approved new homes plan for 2017 – 2022.

In terms of land acquisition we have acquired six sites for MyPlace, outright sale and affordable rent schemes over the past year for around 172 new homes. In addition we have also agreed terms to acquire a further 8 sites or 333 new homes. This is great news for the programme, however as expected, as the market hots up we are seeing increasing pressure on our financial KPIs.

Three MyPlace schemes have started on site in the past year and we have secured planning on a fourth which is being readied for construction early in the 2017-18 programme. So far these have provided much needed independent living for 56 adults with learning disabilities or mental health needs.

In the coming year we will be undertaking more assertive marketing activity for MyPlace, with the objective of raising the profile of both the product and Bromford's wider land acquisition targets. The implications of the LHA Cap being applied to supported housing still looms. We have undertaken work to identify the impact of various scenarios around this to future proof the model.

Our retirement living schemes are progressing at both Stourport and Banbury. There has been a hold up at School Gardens, Stourport where we've experienced issues of defective blocks which have taken longer than expected to agree a technical solution with the temporary propping companies and structural engineer but this has now been done and the scheme will be proceeding as soon as possible. Sales interest in School Gardens, Stourport, has been positive with more than 430 people registering an interest in buying one of our 60 available apartments.

We have secured planning for our first regeneration schemes at Levett Road, Packington and construction of 21 new affordable homes will commence shortly.

We are pleased with the new business we've secured over the past year, having agreed terms on 849 s106 homes with developers against a target of 400. However being reliant on developers has meant that at times completions have been erratic where developers amend programme dates to suit their own outright sale programme. This uncertainty does pose a challenge when marketing properties, however our sales activity has remained buoyant over the last year having delivered 164 sales completions against a target of 149, bringing in £2million more than our annual budget sales receipts.

For shared ownership we ended the year on an average share of 46.9% which is an incredible result and confirms that we have not sacrificed quality for quantity. We have finished the year with 36 empty plots (17 of which were purchased in March), 22 of these are sold subject to contract and a further five have buyers waiting.

In terms of our new products:

- We have now completed 3 MyPlace schemes and have a further 5 schemes on site.
- We currently have two retirement living schemes under construction, our first 60 home scheme in Stourport is expected to complete in the first half of 2018. Following on from the demolition of the existing buildings on our second retirement living scheme in Banbury (78 homes Outright Sales (ORS) led scheme with a 106 week build programme), ground works commenced during September 2016 and it's anticipated that it will be completed during September 2018.
- We have one ORS scheme in progress in Lichfield and have three other sites procured. Profits from outright sale schemes are used to cross subsidise our new rented homes.
- We are committed to continuing to develop new homes in volume into the future. We expect to develop with little or no capital grant and will continue to benefit from the experience and commercial expertise of our in-house development and construction teams to help us achieve this.

Looking forward

We have recently approved a revised new homes business plan, which will help us to deliver our strategic objectives by;

- **Increasing the supply of homes** - the plan provides for the building of 5,311 new homes with the delivery of 4,582 new homes into management over the next five years; we are focused on making a real difference by building homes that otherwise may not be built by combining a S106 programme where we procure homes from developers with an increasingly land led in house development approach.
- **Making sure each customer has the right homes** – having a land led approach gives us control over what we build and enables us to ensure that the new homes we provide meet our customers' requirements and remain as affordable as possible in the context of the changing welfare environment.
- **Making sure we build the right relationships** - we aim to deliver our new homes in localities which will allow us to better deliver the Deal.

Broadly, there are four land led business streams:

- MyPlace;
- Retirement Living;
- Rented and shared ownership homes;
- Homes for outright sale, to provide cross subsidy for rented homes.

Alongside this:

- We are assuming an on-going S106 programme of rented and Shared Ownership (SO) homes;
- A regeneration programme based on renewal of specific schemes.

We also expect to have a programme to replace any homes lost by way of Voluntary Right to Buy (VRtB).

Overall we plan to develop c1,000 new homes each year.

Enough Money

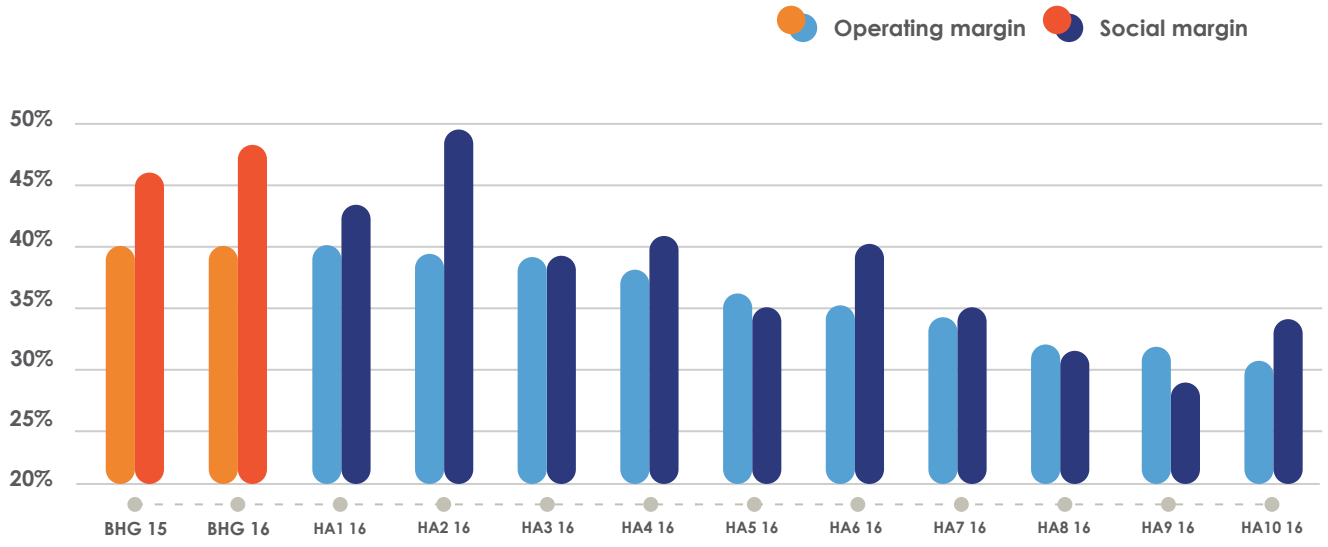
Looking back

Our full benchmarking report can be accessed on our website at: **www.bromford.co.uk**

We benchmark against a peer group of 23 other large Housing Associations (HAs) with a credit rating. The charts below show Bromford's performance compared to the top 10 performers for that measure taken from this peer group.

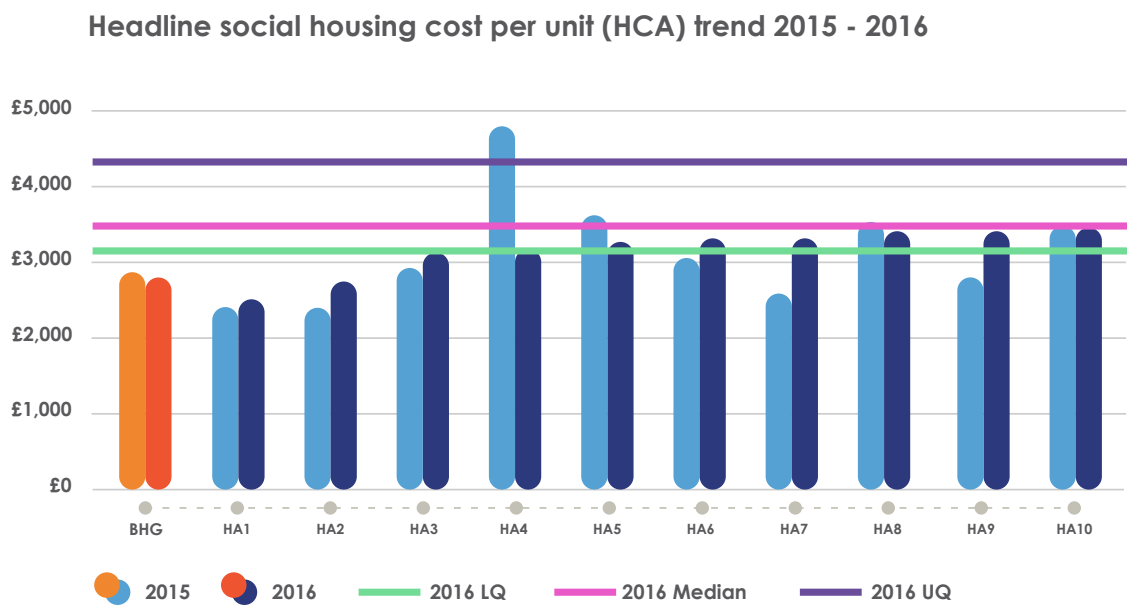
We continue to generate strong operating surpluses and our operating margins remain some of the highest in the sector. The graphs below benchmark published accounts for 2016, in which operating margin excluded profits on disposal of housing properties and revaluation gains or losses on investment properties.

2016 statutory accounts margins

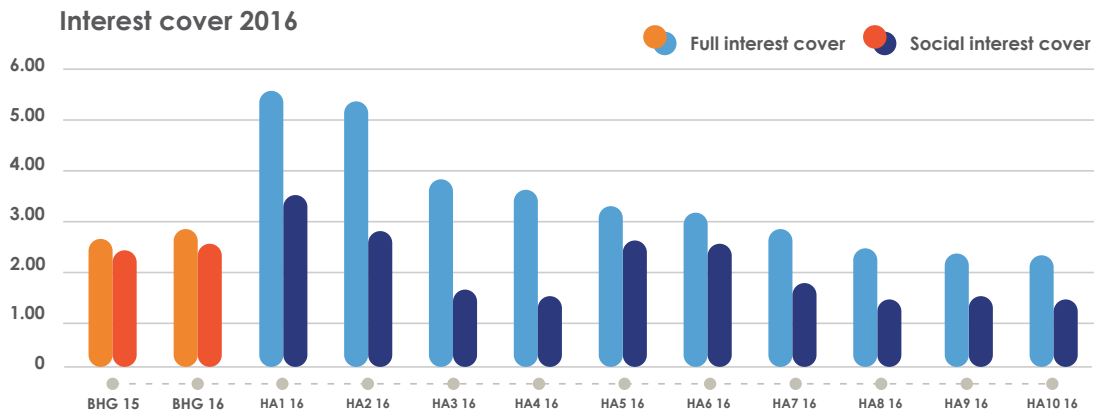


The HCAs social housing cost per unit analysis is set out below, we compare favourably , with the 14/15 and 15/16 being lowest quartile. Our 16/17 results also look to remain low.

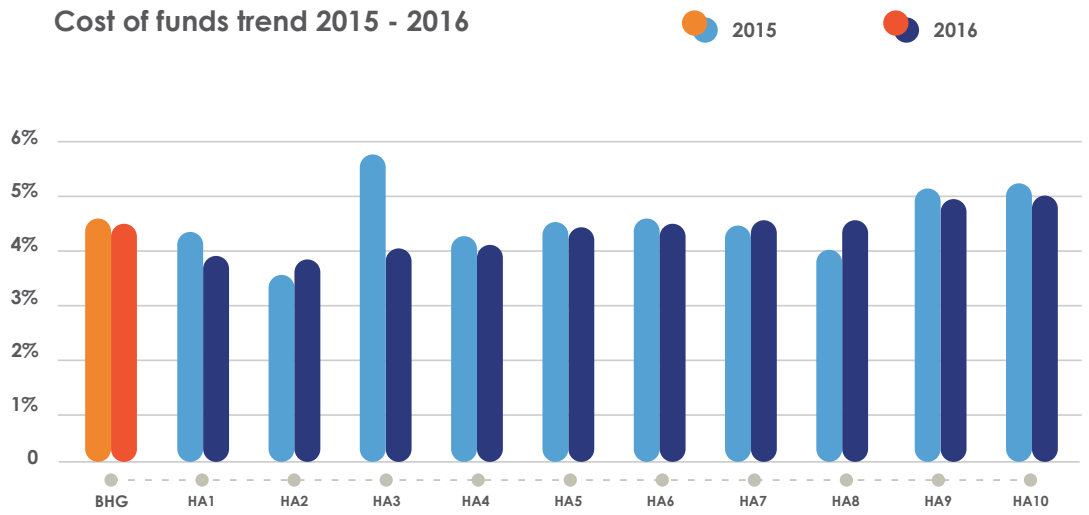
Our benchmarking report includes a breakdown of this cost per unit for management, service charge costs, maintenance, major repairs and other costs.



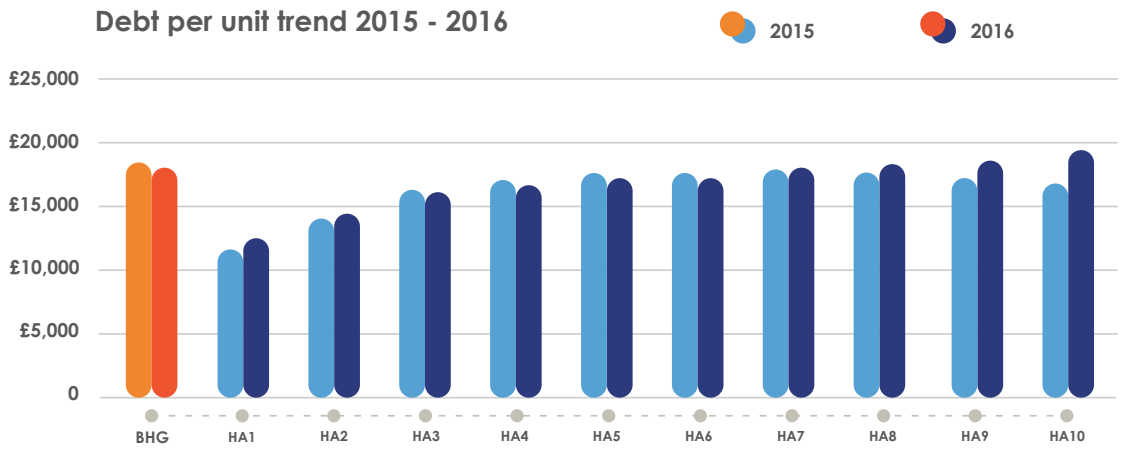
We also continue to manage our interest bills through flexible treasury management. Our interest cover ratio is 7th highest in our peer group, see chart below.



The full cost of funds comparison below is calculated as the years interest charges as a percentage of yearend debt for the comparator group. For both 2015 and 2016, Bromford repaid borrowings near the yearend, with minimal impact on interest charges, which would have overstated our cost of funds figures using this benchmark calculation. Therefore in the chart below we used our overall weighted average cost of funds, which was 4.62% in 14/15 and 4.48% in 15/16. This makes our cost of funds 6th in the benchmarking peer group.



Our debt per unit is the third highest in the benchmarking peer group at £18,275, however there are only two HAs with debt per unit below £15,000.



Procurement savings

We consider a mix of several key drivers when making procurement decisions including, price, quality and social value factors. Whilst price is clearly a very important factor, it is one of several. Quality is a critical issue; ensuring that we get the best service for Bromford and for our customers. In 2016/17, the procurement team led new initiatives which resulted in £546k savings (£129k Cash and £417k Cost Avoidance). Previous years procurement activity continues to yield savings particularly in component replacement and planned maintenance as set out on page 37.

Looking forward

Our financial planning is cashflow based. Our VfM Framework sets targets for net operating income generation from core activities and from disposals arising from of our asset management plan. After meeting our loan obligations for interest and loan repayments, this leaves our free cashflow which is available for investment choices. Our aim is to maximise the monies available for investment and to be clear about the returns – social and economic – we expect to achieve from our investment. Under our VfM Framework, our free cashflow materially funds our investment in three areas: Existing homes, developing our services to support the Deal relationship with our customers and new homes. Typically, the amount we invest will exceed our free cashflow and we meet the shortfall from our own cash resources or from new loan finance.

Strategic enablers

The right people and tools

Looking back

Over the last 12 months much of our work has been around putting the foundations in place to ensure we have stability and security in place going forward as the business faces a significant period of change. We need to ensure we not only continue to attract the best colleagues, but that we retain them by providing the best places to work, the best tools, a safe environment and a package that rewards them.

We have worked with Korn Ferry Hay Group (KFHG) to review all job roles and matched them to their KFHG level, with colleagues notified of the change to their pay. Our next steps include finalising the core competencies expected of colleagues at each level, before training the people team and leaders on job evaluation, using these core skills as a framework.

Our work on the total pay and reward package continues and we hope to launch our new flexible benefits in the late summer. There has been some difficulty in this transition period, with colleagues' previous benefits ending before the new system is ready, however the new package will provide colleagues with a higher overall reward.

Despite this, year one turnover remains higher than our target at 21.5%, and so we're continuing to explore the reasons for this. We hold reviews with colleagues leaving the business and we are working specifically with home maintenance, reporting on the trends on a monthly basis. We are also starting to refine our data, providing leaders with robust insight to identify issues or support required. A newly developed dashboard will be ready in the coming weeks which will provide an at-a-glance overview of our people.

Changes to absence management have now been communicated and all colleagues have been made aware of the changes to our absence triggers. While there has naturally been some concern of the impact during the transition period, as colleagues who hadn't triggered may now jump straight to red, generally leaders are on board with the new processes. Our main message is that conversations are key, and that leaders should hold return to work meetings to understand why a colleague has been absent. This has been supported by leader's workshops, which have proved extremely popular. The policy went live on 1st May.

Training of Neighbourhood Coaches is now in its sixth programme, which is constantly being reviewed and updated to reflect the feedback of colleagues as well as the developing role of the Neighbourhood Coach, ensuring we continually deliver the right learning outcomes. The development of our leaders still remains a key hurdle and this is also under review. The first milestone of this was at a leader session at the Bash (our colleague conference), setting out some of our future aspirations to ensure continuing engagement as we begin a major period of change.

A number of IT updates have been successfully implemented, ensuring our colleagues have the best systems to support our customers. These include the launch of the first phase of our H&S system, a series of improvements to our housing and assets system Active H, changes to finance systems and tools to support the right to buy / right to acquire processes.

Customers have directly benefited from a number of these IT changes. On our website the customer portal has had a number of improvements, adding new functionality for customers and streamlining behind the scenes processes. Customers can now self-register for an account rather than contacting us, and will find new tools such as a secure messaging system and improved repair reporting. All these improvements auto-update our CRM reducing the need for double handling.

We have also launched our new payments portal. In the future, this will allow customers to pay their rent directly to us via our website, rather than going to a third party payment provider, reducing additional overheads and creating a better customer experience. To test this, we are asking Neighbourhood Coaches to make payments while with customers and we are already receiving positive feedback.

Our device roll-out goes from strength to strength, with around 400 new devices issued. All tablets have now been replaced and all new starters receive a device on their first day. Colleagues who did not move to tablets in the last device rollout will receive their Dell laptop in a phased programme over the next six months, with localities colleagues the next to receive a device.

As the new devices are rolled out, so too is 'Skype for Business'. This is being well received with all colleagues on a new device making use of the system for meetings and remote working. We have recently trialled an external webinar sharing localities best practice with other HAs, which worked well and received positive feedback from those who took part. We have also held an all-business digital roadshow, or townhall, with Philippa discussing 2point0, our systems and processes transformation project. This was well received with over 100 colleagues tuning in individually or as a group using Skype. Our next step will be to pilot meeting room solutions, to equip our meeting spaces with Skype conference call technology rather than relying on colleagues using the cameras / microphones on their devices.

Our ICT helpdesk are also trialling some self-service support options, such as password resets, to ensure colleagues who work outside of the normal helpdesk opening times can complete minor triage on ICT issues. This provides more support to colleagues who are taking on the challenge of working differently, whether they be in different locations or in this case, different times.

Our work around workspaces continues and leading workspace consultants Claremont have produced some early feedback around how colleagues use Exchange and Venture Court. We are currently holding focus groups with a number of leaders, as well as surveying all colleagues on their thoughts around what a workspace of the future could look like, and how Bromford currently support different working styles. Colleagues continue to engage with the #BeDifferent challenge to work in various locations, reducing our carbon footprint, and increasing collaboration internally within our communities and with partners.

Our new Service Delivery Centre (SDC) at Stafford Park has now opened with an improved working environment for our repairs and landscaping colleagues, but also more drop-in space for all other colleagues. This is full daily and colleagues are creating a strong, cross-team environment.

Bromford 2point0 Update

The Bromford 2point0 programme is about delivering our strategy by reviewing our process, people and systems and then building simple and streamlined services for our customers.

Service design is progressing well and we are now on the final tranche. Business cases for Customer Transactions, Accounts Payable, Income Collection and Accounting, and Financial Reporting have all been signed off. Benefits for Customer Relationship and Land Opportunities have been agreed pending sign-off and other key service areas are currently under review (Construction, Sourcing & Supplier Management).

Overall cashable benefit projections are progressing well. Colleague focus groups are taking place across the whole organisation to help identify any enablers and/or barriers to change. Key trends from these sessions will be used to influence and shape the business readiness agenda. A business wide internal communications campaign has now been launched. Running throughout the rest of the programme to keep colleagues in the know and engaged.

Procurement dialogue sessions have been taking place on site - as part of the competitive dialogue process, suppliers have been asked to carry out onsite demonstrations which members of the core team and wider business have been involved in. Considerations arising from these sessions are leading to us reviewing the timetable for the final stages of procurement.

Looking Forward

For our people, the next key focus will be launching our pensions consultation with a communications and support campaign launching in June and running until formal consultation ends in August. We are working with partners PWC and First Actuarial to run a number of workshops, drop-ins and 121 sessions, and our communications team are planning a colleague campaign to ensure we get engagement from the 300 most impacted colleagues, as well as driving pension education for all others. We will also be conducting a review of our company car offer in the late summer.

Our work to identify a replacement for Friars Gate office continues and we are still exploring options for our future workspace in Lichfield.

We have started to identify colleagues across the organisation who can potentially fill some of the roles we will need for the next stages of 2point0 – such as Change Champions, subject matter experts and User Acceptance Testers

We have identified the checks required before moving into the next stage of the programme, to ensure that both the business is ready and the programme has completed everything it needs in order to move forward – this is the business readiness criteria and stage gate review.

Bromford2point0

Bromford2point0 is a major transformation process for our processes and systems and we expect the programme to take up to 5 years to deliver this major change for Bromford.

In the short term, we need to complete all remaining Target Operating Models and business cases. We also need to complete service design workshops for Tranche 3. We then need to progress a definition of requirements in preparation for 'Invitation to Submit Final Tender' for suppliers.

We will then check our resource assumptions against supplier requirements as the procurement progresses, confirm the order and grouping of projects to be delivered in the next stages of the programme, and establish the resources to achieve these. The business case will be prepared for the July 2017 Board meeting.

The right organisation

Business assurance

We have concluded a review of the business assurance service. A 'continuous improvement plan' has been agreed with Mazars and was approved at March Assurance and Audit Committee. The governance team has been working with functional leads and heads of service to put together the 2017-18 business assurance programme.

1. We are taking the opportunity to review the suite of quarterly compliance tests for each functional area, to make sure they're still appropriate for the needs of the business and add value. These will be approved by Assurance and Audit Committee at its meeting in July
2. We have reviewed the list of significant risk reviews proposed by Mazars for 2017/18. The final programme will be approved at Assurance and Audit Committee in July with 6-8 reviews being selected and informed by advice from Executives and the Assurance and Audit Committee's own review of the risk register.

Assurance and Audit Committee and risk reporting

We have concluded an extensive review of our risk register to respond to feedback from the IDA that it should be more closely aligned with our strategy. The review has also given us a chance to simplify the scoring matrix and introduce a more explicit risk appetite section. We expect our risk register to continue to evolve during 2017-18 as our approach to risk matures and we move towards a more shared understanding of how to score risks and which controls are the key few. We will be reviewing whether 4Risk is the right tool to help us.

We have expanded to four, longer, Assurance and Audit Committee meetings a year to include a 'deep dive' into an area of the risk register at each meeting. We kicked off with new homes in March and the next 'deep dive' will cover safeguarding in July. It will be a great opportunity for the business to take NEDs through our current arrangements and to update them on improvements that are currently being put in place in this increasingly important area.

Emerging or increasing risks

A combined DCLG and DWP select committee has been taking evidence on the Government's proposals for new funding arrangements for supported housing (an LHA cap on rents with a locally administered 'top-up' fund for any shortfall). The committee has published its report which comes out strongly against the Government's proposals and supports the idea of a national supported housing allowance (which we and others advocated). We are now waiting to see how the new Government responds.

Cyber Security

As we enter an increasingly Digital age, one of the biggest challenges we face around cyber security is the quickly and constantly evolving nature of security risks. Cyber affects us all – and Bromford must take action to secure our data and services to the appropriate level to protect our customers, colleagues, and the reputation of the organisation. In 2016/2017 after a short internal review we recognised that we needed to improve our position and a specialist Cyber Security partner was on-boarded (Integrity 360) and tasked with performing a full risk-based review with prioritised recommendations. During this year we have improved a number of key controls and processes to align our protection with industry best practice.

Looking ahead in 2017/2018 after receiving an evaluation report from our cyber partner, the information has been used to improve our local Cyber work plan and to build a business case for the procurement of key technologies and services to address the critical recommendations. The approach was approved by Senior ICT Management and the procurement of our new services will be completed in July, with planning and deployment starting in August. Cyber and Information Governance is now a strategic priority; with ICT and Governance Teams working in close partnership to deliver our improved services. At the end of this initial 6 month phase of work we will update our Cyber maturity model levels and agree a new phase of actions based on the current threat landscape.

Data protection

There were no data protection breaches reportable to the Information Commissioner during the year.

Preparations are being made for the introduction of the new General Data Protection Regulations which come into effect in May 2018. A plan for implementation is being developed which will respond to the more rigorous requirements of GDPR. In preparation the governance team has been working with ICT to bring together a whole range of policies around data protection and security into a single Information Governance Policy.

Board effectiveness

During 2017 the Board has carried out its annual Board effectiveness survey. The findings continue to be positive and build on activity from previous years. A continuous improvement plan for 2017/18 has been developed.

Mergers

The Board has considered the NHF voluntary Code of Practice on mergers and partnerships (the Code) and supports the intention behind the 10 principles of the Code.

The Board 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.

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 Board's report and the financial statements

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

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

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

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; and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Going Concern

In preparing the financial statements, the board members have reviewed BHG's financial plan for 2016/21 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 69 to 114 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 assessment was made using the following core business processes:

5 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.

In undertaking this assessment a period of 3 years has been selected. For the initial year of this of this 3 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 2 year timeframe. Whilst development spend and required facilities are planned over a longer term than 3 years, the period chosen ensures that Bromford is viable beyond its usual development commitment timeframe.

On the basis of this and other matters considered and reviewed by the board during the year, the Board has reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the 3 year period used for this assessment.

Appointment of Auditors

Following an open and transparent tender process in 2016, KPMG LLP Chartered Accountants 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 24 July 2017 and signed on its behalf by:

Jonathan Simpson Dent

Chair

24 July 2017

About our Board committees

The Board has three principal committees; the Assurance and Audit Committee, the Treasury Committee and the Nominations and Remuneration Committee. Each committee plays an important role in helping the Board to discharge its duties and responsibilities and obtain assurance that certain functions and processes are operating effectively across the group.

The Board delegates authority to each committee in formal terms of reference, which set out what each committee can and cannot do. A copy of the committee terms of reference is available on the Bromford website.

Each committee is chaired by an Independent Non-Executive Director (NED) and committee members are appointed by the Board. Committees are supported by advisors and external professionals, such as auditors, solicitors and financial/treasury advisors, and this makes sure that Committee members have access to the knowledge and information they need to discharge their duties effectively.

Assurance and Audit Committee

"The Assurance and Audit Committee play an important role in scrutinising the organisation's audit and risk management arrangements – providing valuable assurance to the Board that internal controls are in place and working effectively. Understanding the organisation's strategy and internal processes – to really appreciate why and how Bromford does what it does, and what its future plans are, is crucial to our ability to do this".

Steve Dando, Assurance and Audit Committee Chair

Role and Purpose

The year has been an active one for the committee. As well as our usual business in compliance with our terms of reference, we have re-tendered the external audit service and sought to gain a deeper understanding of the risks the organisation faces as part of a Risk Review project and how these risks are being managed and mitigated. More information about how and why we did both of these things can be found in the Risk Management and External Audit sections below.

The committee's role is a broad one; we're responsible for overseeing and reviewing the internal and external audit and financial reporting functions, the organisation's risk management processes and for making sure that appropriate internal controls are in place and working effectively to prevent operational or strategic risk from materialising. In doing this, the committee directly contributes to the Board's 'Right Organisation' strategic enabler and makes sure that Bromford has the right controls and processes in place to protect the interests of our customers, colleagues and stakeholders.

The committee consists of two members; myself as Chair and Sally Higham. Sally and I also sit on Bromford's Board as independent Non-Executive Directors, bringing considerable knowledge of the group's strategy and operations to our committee roles as well as recent and relevant experience we have gained from our external employment as a Group Finance Director and Social Entrepreneur respectively. More information about our background and experience can be found in the **Board Members section**, starting on page 3.

Sally and I are supported in our role by key colleagues from Bromford's governance and finance functions and by professional audit and business assurance advisors from KPMG and Mazars. During the financial year, the committee met four times, with Sally becoming a member of the committee in April 2016 when NED Christine Clarke retired to chair Bromford's Treasury Committee. Sally and I would like to thank Christine for her valuable contributions whilst she was a member.

In addition to the support and assistance the committee receives from advisors and from the business, we also have access to financial resources to obtain additional independent professional advice when we feel it is necessary. In this way, we always have access to the most relevant and insightful technical expertise to help us discharge our duties. Other Bromford colleagues contribute to the work of the committee from time to time as part of our new risk 'deep dive' workshop series, and the committee is appreciative of their input and the valuable operational insight this brings. More information about the role and purpose of the new 'deep dive' workshops is given in the risk management section below.

Internal audit and business assurance

Our approach to internal audit is via business assurance. The Assurance and Audit Committee are responsible for managing our relationship with our business assurance provider, who attend all meetings of the committee. In April 2016 the committee appointed Mazars to deliver our Business Assurance service for a period of three years to March 2019. This appointment was made following extensive trialling of the service during the 2015/16 audit year, to ensure that the approach and style of the Business Assurance service added value to our internal control processes.

The Business Assurance service consists of quarterly compliance testing of key internal controls, alongside individually-scoped 'Significant Risk Reviews' - in-depth reviews of the internal controls for particular operational processes. The committee is responsible for monitoring and reviewing the effectiveness of the Business Assurance service in the context of the Group's overall risk management framework, and for ensuring that the Business Assurance provider's independence is not impaired, taking into account relevant professional and regulatory requirements. Mazars do not provide any other services to Bromford and the committee is satisfied that the key personnel involved in delivering the service demonstrate the appropriate levels of objectivity.

The quarterly compliance tests review our key internal controls to monitor how they have performed and how robust they are on a quarter-by-quarter basis. This close interrogation and monitoring allows the committee to observe changes in the strength of key internal controls over time, and identify areas where existing controls need to be strengthened or new internal controls need to be added. The committee reviews the output reports at each meeting and monitors the recommendations raised to make sure that any proposed remedial actions are reasonable and appropriate and are implemented in a comprehensive and timely manner.

Significant risk reviews are designed to be deeper, interrogative-style reviews of key operational processes based on the committee's review of the Risk Register and taking on board the views and opinions of senior management and key operational colleagues. During 2016/17 these in-depth reviews have looked at the organisation's internal controls around fraud, data security, major projects, regulatory compliance and land and sales – areas which represented significant risk to us achieving our operational and strategic objectives for the financial year.

Each year the committee meets with the business assurance provider without management present, to talk through any areas of concern that the committee or provider may have and obtain an objective view of the performance of the internal control framework. This process aids continuous improvement of the committee and the way it operates and also contributes towards the committee's ability to assess the suitability and independence of the provider.

During 2016/17, no recommendations have been raised as a result of the quarterly compliance testing or significant risk review process which represent a significant cause for concern for the committee or the Board.

Risk management

One of the committee's key pieces of work during the financial year has been a risk review project; a piece of work commissioned from management to review our approach and processes around risk, create a more fluid, responsive and transparent link to the Board's restated Statement of Strategy and produce a revised set of user-friendly risk reporting tools and registers that reflect the Board's updated strategic approach.

The committee's main brief to management was to create and populate a new risk register - with the Board's restated strategic objectives and operational concerns at its core, rather than to add to or delete the content of the existing risk register. This approach worked well, and ensured that the new register is as comprehensive and fresh-thinking as possible, whilst benefiting from all risks being reassessed and rescored against the most current technical and operational insight and sector intelligence.

The outcome of this project is a risk register and set of reporting tools which are responsive and insightful and data and KPIs that can be extracted and used to best effect by Board and management. Our risk reporting cycle remains the same - with risk remaining a high priority on all senior leadership team agendas, leaders providing quarterly assurance that risk controls are being regularly reviewed and the risk register going to each meeting of the Executive and Board. At each Assurance and Audit Committee meeting we receive a full risk report from management and also review the content of the risk register, its top ten risks and 'heavy risks' – those risks which have the highest reliance on controls to reduce their impact.

As well as reviewing the processes around risk, the committee also reviews its probity arrangements on a bi-annual basis, including those for money laundering, fraud and confidential reporting. Coming out of its last review, the committee are satisfied that appropriate arrangements are in place for colleagues to raise confidential concerns about possible improprieties in matters of financial reporting or otherwise and that these arrangements allow for proportionate and independent investigation and follow-up. The committee also receive reporting on probity arrangements as part of the quarterly assurance reports they receive from management.

Alongside the creation of a revised risk register, the year also saw us plan for new 'risk deep dive' workshop, which will take place at each of our committee meetings during 2017/18 and beyond. Deep Dive workshops will allow the committee to look at the risks relating to each operational area in depth and engage in dialogue with the leaders who are directly responsible for managing them. In this way, the committee hope to gain a thorough understanding of the operational concerns and pressures that each functional area faces, and what leaders consider to be their key risk priorities. This will allow the committee to assess the information presented on the risk register from a position of insight and understanding.

As a result of the work undertaken during the course of the year, the committee considers that risk is being assessed thoroughly and is being acknowledged and mitigated effectively at all levels in the organisation. 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.

External audit

The Assurance and Audit Committee are responsible for appointing, reappointing and removing the Group's external auditor, approving their remuneration and terms of engagement, reviewing service quality and performance and ensuring that it remains independent. Our external auditor attends each committee meeting to provide progress updates against the annual external audit plan and once a year the committee meets with the external auditor 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. This is done using feedback from colleagues and leaders and the committee's own experience. The independence of the external auditor is also assessed, to make sure that the operational teams remain independent in nature, character and judgment and that our relationship with them remains objective, reasonable and proportionate.

During 2016/17 the committee put the external audit contract up for open and competitive re-tender, in line with sector and accountancy best practice. Beever and Struthers, who were re-appointed as our auditor in September 2011, tendered their resignation in December 2016 and the committee appointed KPMG in January 2017 for a period of up to five years to December 2022.

The committee are satisfied that the key personnel from KPMG involved in delivering the audit service demonstrate the appropriate levels of objectivity and independence.

Significant issues considered by the Assurance and Audit Committee for the year ended 31 March 2017

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

Valuation of financial instruments

Bromford's financial instruments include a number of non-basic interest rate swaps. 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 Assurance and Audit 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 Assurance and Audit 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.

Triennial 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. 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. 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.

Revenue recognition and fraud risk

Although KPMG consider fraud risk from revenue recognition on social housing lettings is not regarded as significant, but there is still a significant risk for other areas of income such as property sales. Management reported to the Assurance and Audit 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 Assurance and Audit 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.

Continuous improvement and 2017/18 priorities

As part of its processes for continuous improvement, the committee formally reviews its performance and progress on an annual basis and feeds the results into the Board's annual governance effectiveness review. To inform its review, the committee seeks feedback from its members, professional advisors and the colleagues who support and service the committee.

The results of the 2016/17 committee effectiveness review have resulted in:

- a new annual Assurance and Audit Committee activity plan, so that the activities of the committee can be anticipated by members in advance and the committee can assess whether it is giving sufficient time to discharging all of the responsibilities set out in its terms of reference
- the introduction of a new quarterly internal control assurance report, to enable the committee to review the performance of the internal control framework throughout the financial year, and not just at year end, and allow it to make the year-end internal control statement to Board with greater confidence
- increasing the length and number of committee meetings, to allow additional time for risk deep dive workshops and to better fit management's quarterly internal control assurance reporting cycle.

Looking forward the work of the committee during 2017/18 will focus on:

- embedding the outcomes of the risk review project
- establishing and developing the risk deep dive workshops
- evolving our business assurance service to add value to team's internal control processes.

The committee would like to extend their thanks to management, our professional advisors and to all the colleagues who have serviced and supported the committee during the financial year.

Steve Dando

Committee Chair

Treasury Committee

"The treasury committee plays a key role in safeguarding the financial resources of the organisation and ensuring there is an assured funding pipeline to support our ambitious growth and development activities. Identifying and mitigating treasury-related risk is a key aspect of this – and one the committee ensures it maintains close oversight of"

Christine Clarke, Chair

The purpose of the treasury committee is to support the Board by formulating and reviewing treasury and funding plans and managing and mitigating risk. Their activity includes managing existing funding lines, derivative exposure, excess cash and arranging new funding, secured by our unencumbered assets, in line with business plan forecasts.

The committee is supported by external advisors, who help to scrutinise treasury strategy, with professional treasury advisors available to update the committee on sector issues. The committee can also commission additional expertise as necessary.

During the year the committee met twice. As well as the work done in compliance with its terms of reference, the work of the committee has also included:

- Review of the cancellable swap portfolio and approval to buy out a selected group of options to mitigate interest rate management risk
- Drawdown of £27m AHF EIB funding
- Renewal and restructure of revolving credit facilities with two main funders.
- Overview of the impact of FRS on our accounts and decisions around actions regarding funder covenants
- Updates to loan agreement with one funder to harmonise covenants
- Overview of treasury risk
- Establishing of a new legal team dedicated to ensuring efficient and reliable security management
- Updates to the treasury policy on funding and security cover

The Treasury Committee is also pleased to report the retention of our industry-leading Aa3 credit rating, which was first obtained in 2014. The annual review and subsequent credit opinion published in December 2017 by Moody's praised our strong margins and low debt levels among other factors and this is significant acknowledgment of our financial strength and focus on active treasury management. Our rating continues to give us a 'seal of approval' when it comes to borrowing, investment and interest rates as well as raising our profile with potential investors.

Christine Clarke

Committee Chair

Nominations and remunerations committee

"One of the most important considerations for any productive and well-functioning Board is to make sure that the people who sit on it have the knowledge, skills and experience to add value to its decision-making and the contributions it makes to the business. Keeping Bromford's Board operating effectively and efficiently by ensuring we attract, retain and appropriately reward the very best talent is the committee's main priority"

Oke Eleazu, Nominations and Remunerations Committee Chair

Purpose and role

The purpose of the committee is to deal with any matters relating to the appointment, removal or remuneration of independent Non-Executive and Executive Directors. This includes dealing with any matters relating to the structure, size or composition of the Board, its succession planning or the leadership of the group.

Nominations and Remunerations 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 for NEDs is benchmarked regularly against other sector organisations and the pay of Executive Directors is structured to attract, motivate and retain the talented individuals we need to continue to deliver our business successfully. More information about NED and Executive Director pay can be found in the notes to the financial statements on page 88 and in the 'Open and Transparent' section of the Bromford website.

The Chair, Vice Chair and Vice Chair Designate are members of Nominations and Remuneration Committee. The Chief Executive is also a member when nomination matters are considered.

Coming out of the Board's Governance Effectiveness Review in 2015/16, a decision was made to combine the pre-existing recruitment committee and the nominations committees into one committee to deal with both matters. The benefits of this have been embedded and felt during 2016/17 with reduced bureaucracy and increased transparency contributing to a highly-functioning committee and a more effective governance structure.

Our work during 2016/17

Nominations and Remuneration Committee's main focus over the financial year has been to continue its work set out in the Board renewal plan. This was first developed as part of a full governance review in 2011 and aims to progressively refresh the membership of our Boards and committees over the short to medium term. During the financial year the following work has been done by the committee in line with the plan:

1.Recruiting two new independent Non-Executive Directors

In order to satisfy the recommended terms of office for NEDs set out in the UK Corporate Governance Code, and to make sure that the skills and independence of our Board are periodically refreshed, two new NEDs were recruited in April 2016:

- **Sally Higham** - Sally is a social entrepreneur and CEO of a digital platform for non-profit start-ups. She has significant experience of working with and supporting community groups, youth services, charities and social enterprises.
- **Balvinder Heran** - Balvinder is an ICT professional and local authority Director. She is highly experienced in developing customer-focused ICT solutions, with a focus on shaping online services around the needs of users.

In appointing any new NED, the Board has regard to a candidate's independence, attitude, capability, skills and experience. Equality and diversity are also important considerations when considering Board composition and the Board has adopted a number of practical measures to make sure that this is achieved as far as practical during our recruitment process. The 'Statement of Preferred Composition' in our Governance Framework sets out the Board's commitment to achieving a diverse, inclusive Board containing NEDs with a mix of age, gender, business/sector experience and ethnic origin.

2. Overseeing succession planning for Executive Directors

After 16 successful years as Bromford's Group Finance Director, Andrew Battrum retired in July 2016. More information about Andrew's valued contributions to Bromford can be found in the **Report from the Chair**, starting on page 6. The Committee, supported by consultants Odgers, ran a recruitment process to find a successor and in May 2016 Lee Gibson joined Bromford as Executive Director of Finance. More information about Lee's background and experience can be found in the **Board Members** section, starting on page 3.

3. The reappointment of Christine Clarke as a NED for a subsequent 3-year term, following her initial 3-year term;

The Committee evaluates the performance of any NED who has served an initial three year term before making a recommendation to the Board to renew their membership for a second three year term. Reappointment is not automatic and it is important that our NEDs continue to satisfy both performance and independence criteria in order to remain objective when constructively challenging proposals put forward by Executives and leaders.

4. The extension of a contract for consultancy services from one of our former NEDs, Fiona Underwood,

The Board wishes to continue to benefit from Fiona's unparalleled knowledge of the sector and agreed to extend an existing consultancy contract with her company, Altair, for a further year to achieve this. The committee and the Board are satisfied that this is a justified exception to our probity policy. Fiona retired from the Board in March 2016.

The committee is satisfied that during 2016/17 the Chairman's other commitments did not interfere with the day to day performance of his duties for Bromford.

Looking Forward – 2016/17

During 2016/17 the work of the committee will include:

1. Recruiting two new independent Non-Executive Directors to replace two members of our Board who will retire in 2018.
2. Planning for the Chair's succession. The current Chair is due to retire in 2018 and the Committee will be preparing for this transition.

Oke Eleazu

Chair

Independent auditor's report to Bromford Housing Group Limited
Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Bromford Housing Group Limited for the year ended 31 March 2017 set out on pages 69 to 114. In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2017 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

Valuation of derivative financial instruments

Fair value of derivative financial instruments = £30.651 million

Refer to page 57 (Issues considered by the Assurance and Audit Committee section of the Report of the Board Committees), page 82 and 83 (accounting policy) and pages 96 (financial disclosures)

The risk

Subjective Valuation

The Association's financial instrument portfolio (interest rate swaps) are held at fair value and revalued each year by third party treasury advisors. The Association holds interest rate swaps to a period up to 2031. The long duration means observable data for the valuation is limited. Changes in the estimates used in the valuation model relating to long dated yield curves would have a significant effect on the Association's Statement of Comprehensive Income and on the total derivative liability.

Accounting Application

The Association modified terms of one of its interest rate swap contracts during the year. Understanding the changes to the terms of the interest rate swap contract and the accounting treatment of such changes, can be complex. As such, there is a risk the modification could be incorrectly accounted for.

Our response

Our procedures included:

Subjective Valuation

Independent re-performance – use of our own valuation expert to value the financial instruments (interest rate swaps) using our own estimates of the long dated yield curves (externally derived), and comparing this to the valuation of the financial instruments (interest rate swaps) at the period end.

Accounting Application

Test of details – gaining an understanding of the terms of the transaction by examining the contractual arrangement, and evaluated the accounting treatment against the requirements of FRS 102.

Triennial valuation of LGPS pension liabilities

Value of LGPS Pension Liability = £10.294 million

Refer to page 57 (Issues considered by the Assurance and Audit Committee section of the Report of the Board Committees), pages 81 and 82 (accounting policy) and pages 109 to 114 (financial disclosures)

The risk

Subjective Valuation

The Group participates in the Local Government Pension Scheme. The total net liability on the Statement of Financial Position comprises of 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 – challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data.

Assessing transparency – considering the adequacy of the Group's disclosures in respect of the sensitivity of the obligation to these assumptions.

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 £2.5 million, determined with reference to a benchmark of Group turnover, of which it represents approximately 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 Assurance and Audit Committee any corrected or uncorrected identified misstatements exceeding £100,000, 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 the disclosures of principal risks

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

- The directors' viability statement on page 52, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group continuing in operation over the 36 months to July 2020; or
- The disclosures on page 52 and in note 1 of the financial statements concerning the use of the going concern basis of accounting.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Strategic Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our 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 the members to assess the Group's position and performance, business model and strategy; or
- the issues considered by the Assurance & Audit Committee section of the Report of the Board Committees does not appropriately address matters communicated by us to the Assurance & Audit Committee.

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 respect of the above responsibilities.

Respective responsibilities of the Board and auditor

As explained more fully in the Statement of Board's' Responsibilities set out on page 51, the Board are responsible for the preparation of financial statements. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**. This report is made subject to important explanations regarding our responsibilities, as published on our website at **www.kpmg.com/uk/auditscopeother2014**, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

28th July 2017

Statement of Comprehensive Income - Group and Association
For the Year Ended 31 March 2017

	Notes	Group		Association	
			Restated		
		2017	2016	**2017**	2016
		£'000	£'000	**£'000**	£'000
Turnover	**2**	**167,241**	170,169	**13,432**	13,240
Cost of sales	**2**	**(11,442)**	(11,023)	**-**	-
Operating costs	**2**	**(88,824)**	(90,306)	**(12,982)**	(12,424)
Gain on disposal of property, plant and equipment (fixed assets)	**2, 35**	**8,194**	6,990	**-**	-
Increase in valuation of investment properties	**2, 13**	**947**	121	**-**	-
Operating surplus	**2**	**76,116**	75,951	**450**	816
Interest receivable	**6**	**512**	531	**-**	-
Interest and financing costs	**7**	**(26,381)**	(27,037)	**-**	(68)
Movement in fair value of financial instruments	**34**	**(446)**	(347)	**-**	-
Movement in fair value of investments	**20**	**(40)**	(184)	**-**	-
Surplus before tax	**5**	**49,761**	48,914	**450**	748
Taxation	**10**	**(97)**	(248)	**(106)**	(237)
Surplus for the year after tax		**49,664**	48,666	**344**	511
Actuarial (loss)/ gain relating to pension scheme	**38**	**(380)**	4,334	**-**	-
Total comprehensive income for the year		**49,284**	53,000	**344**	511

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

The financial statements on pages 69 to 114 were approved and authorised for issue for the Board on 24 July 2017 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 2017

	Notes	Group		Association	
		2017	2016	**2017**	2016
		£'000	£'000	**£'000**	£'000
Fixed Assets					
Tangible fixed assets - housing properties	**11**	**1,645,599**	1,589,486	**-**	-
Investment properties	**13**	**9,106**	8,000	**-**	-
Tangible fixed assets - other	**14**	**11,855**	15,075	**-**	-
Intangible Fixed Assets	**15**	**92**	-	**-**	-
Investments - other	**16**	**-**	220	**-**	-
Investment in subsidiaries	**16**	**-**	-	**-**	136
Homebuy loans receivable	**17**	**1,402**	1,555	**-**	-
		1,668,054	1,614,336	**-**	136
Current Assets					
Stocks	**18**	**24,120**	10,090	**-**	-
Trade and other debtors : receivable within one year	**19**	**6,892**	7,013	**2,089**	2,385
Investments	**20**	**15,570**	9,643	**-**	-
Cash and cash equivalents	**21**	**19,974**	64,488	**37**	116
		66,556	91,234	**2,126**	2,501
Creditors: Amounts falling due within one year	**22**	**(50,118)**	(45,142)	**(2,567)**	(3,422)
Net current assets/(liabilities)		**16,438**	46,092	**(441)**	(921)
Total assets less current liabilities		**1,684,492**	1,660,428	**(441)**	(785)
Creditors: Amounts falling due after more than one year					
Loans	**23**	**(552,635)**	(569,692)	**-**	-
Interest rate swaps	**23**	**(27,182)**	(26,945)	**-**	-
Deferred Capital Grant	**25**	**(435,454)**	(442,407)	**-**	-
Other Creditors	**23**	**24,679**	(26,247)	**-**	-
		(1,039,950)	(1,065,291)	**-**	-
Provisions for liabilities					
Pension liability	**27, 38**	**(10,294)**	(10,667)	**-**	-
Total net assets		**634,248**	584,470	(441)	(785)
Reserves					
Called up share capital		**-**	-	**-**	-
Income and expenditure reserve		**550,180**	498,549	**(441)**	(785)
Revaluation reserve		**84,068**	85,921	**-**	-
Total reserves		**634,248**	584,470	**(441)**	(785)

The financial statements on pages 69 to 114 were approved and authorised for issue by the Board on 24 July 2017 and were signed on its behalf by:

Jonathan Simpson-Dent	Philippa Jones	John Wade
Chair	Chief Executive	Company Secretary

Changes in Reserves - Group and Association as at 31 March 2017

	Group		
	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2015	443,822	87,648	531,470
Surplus from Statement of Comprehensive Income	53,000	-	53,000
Transfer in respect of depreciation	1,326	(1,326)	-
Transfer in respect of deemed costs disposals	401	(401)	-
Balance at 31 March 2016	498,549	85,921	584,470
Surplus from Statement of Comprehensive Income	49,284	-	49,284
Transfer in respect of depreciation	1,392	(1,392)	-
Transfer in respect of disposals	461	(461)	-
Consolidation of Igloo subsidiary	494	-	494
Balance at 31 March 2017	550,180	84,068	634,248

	Association	
	Income and expenditure reserve	Total
	£'000	£'000
Balance at 1 April 2015	(1,296)	(1,296)
Surplus from Statement of Comprehensive Income	511	511
Balance at 31 March 2016	(785)	(785)
Surplus from Statement of Comprehensive Income	344	344
Balance at 31 March 2017	(441)	(441)

Statement of Cash Flows - Group

	2017		2016	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities (Note 40)		**90,663**		98,579
Cash flow from investing activities				
Purchase of tangible fixed assets - new housing properties	**(63,682)**		(50,445)	
Purchase of tangible fixed assets - existing housing properties	**(17,302)**		(14,159)	
Purchase of tangible fixed assets - other	**(1,260)**		(1,306)	
Proceeds from sale of tangible fixed assets - other	**1,202**		12	
Direct costs of disposal of tangible fixed assets	**(1,072)**		(1,316)	
Grants received	**-**		216	
Interest received	**439**		1,381	
Net cash outflow from investing activities		**(81,675)**		(65,617)
Cash flow from financing activities				
Interest paid	**(27,067)**		(26,773)	
New secured loans	**28,900**		43,000	
Revolving loan facility drawn	**31,249**		13,000	
Repayment of borrowings	**(11,560)**		(14,448)	
Revolving loan facility repaid	**(68,826)**		(13,000)	
Debt issue costs incurred	**(215)**		(1,217)	
Bond Issue premium receipt	**-**		1,489	
Bond Issue payment to liquidity reserve fund	**(504)**		(1,244)	
Payment to current asset investment	**(5,105)**		-	
Payments to debt service reserve	**(277)**		(150)	
Tax paid	**(97)**		(22)	
Net Cash flow from financing activities		**(53,502)**		635
Net change in cash and cash equivalents		**(44,514)**		33,597
Cash and cash equivalents at beginning of the year		**64,488**		30,891
Cash and cash equivalents at end of the year		**19,974**		64,488

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 2017 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. Government announcements in July 2015 impacting on the future income of the Group led to 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 78. 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.

  The Group participates 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 multiemployer 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 pages 81 and 82.

- **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 leasor to the leasee on a lease by lease basis.

- **Rent arrears and bad debt provision**s

  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 change arises as a result of an item recognised as other comprehensive income or recognised directly in equity, that tax charge is also recognised in other comprehensive income or directly in equity as appropriate.

Both the current and deferred income tax charge is calculated 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; and
- Where timing differences relate to interests in subsidiaries, associates and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

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

Value Added Tax

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

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 (Bromford2point0)	**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 HCA 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.

Disposal Proceeds Fund (DPF)

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

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 1.92% at 31 March 2015, 2.06% at 31 March 2016 and 1.33% at 31 March 2017. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

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

	Notes	2017 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)
Property development/equity loan sales		253	(153)	-	-	-	100
Increase in valuation of investment properties		-	-	-	-	947	947
		167,241	(11,442)	(88,824)	8,194	947	76,116

	Notes	Restated 2016 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	121,854	-	(57,701)	-	-	64,153
Supported housing accommodation	3	13,698	-	(12,264)	-	-	1,434
Shared ownership accommodation	3	8,568	-	(4,786)	-	-	3,782
		144,120	-	(74,751)	-	-	69,369
Other Social Housing Activities							
First tranche shared ownership sales		15,185	(10,964)	(797)	-	-	3,424
Supporting people contract income		7,310	-	(6,657)	-	-	653
Social Value Investment		-	-	(1,101)	-	-	(1,101)
Agency services		1,916	-	(1,891)	-	-	25
Sales and development		-	-	(734)	-	-	(734)
Defined benefit pension charge - remeasurement - impact of any changes in assumptions		-	-	(3,783)	-	-	(3,783)
Other		438	-	(76)	-	-	362
Gain on disposal of property, plant and equipment (fixed assets)		-	-	-	6,990	-	6,990
Activities other than social housing							
Market rents		565	-	(82)	-	-	483
Sewerage services		17	-	(114)	-	-	(97)
Commercial rents		495	-	(43)	-	-	452
Properties and facilities management		-	-	(277)	-	-	(277)
Property development/equity loan sales		123	(59)	-	-	-	64
Increase in valuation of investment properties		-	-	-	-	121	121
		170,169	(11,023)	(90,306)	6,990	121	75,951

No breakdown of turnover and operating costs is provided for the Association. These all relate to administrative recharges and Central Service costs.
Balances restated are explained in note 39

3. Income and Expenditure from Social Housing Lettings - Group

	2017				Restated 2016
	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	**114,682**	**8,354**	**7,307**	**130,343**	130,266
Service charge income	**3,226**	**4,296**	**1,235**	**8,757**	8,944
Charges for support services	**6**	**83**	**-**	**89**	157
Amortised government grants	**3,619**	**992**	**209**	**4,820**	4,753
Turnover from social housing lettings	**121,533**	**13,725**	**8,751**	**144,009**	144,120
Operating Expenditure					
Management	**(17,753)**	**(1,942)**	**(776)**	**(20,471)**	(19,032)
Service charge costs	**(4,695)**	**(4,808)**	**(1002)**	**(10,505)**	(9,671)
Care and support costs	**(12)**	**(96)**	**-**	**(108)**	(179)
Routine maintenance	**(15,186)**	**(2,053)**	**(203)**	**(17,442)**	(15,525)
Planned maintenance	**(1,684)**	**(554)**	**(150)**	**(2,388)**	(2,245)
Major repairs expenditure	**(4,674)**	**(989)**	**(395)**	**(6,058)**	(6,196)
Bad debts	**(335)**	**(126)**	**(48)**	**(509)**	(699)
Depreciation of housing properties	**(18,157)**	**(1,741)**	**(1,473)**	**(21,371)**	(21,204)
Operating expenditure on social housing lettings	**(62,496)**	**(12,309)**	**(4,047)**	**(78,852)**	(74,751)
Operating surplus on social housing lettings	**59,037**	**1,416**	**4,704**	**65,157**	69,369
Void losses	**(452)**	**(597)**	**(6)**	**(1,055)**	(1,124)

The Association does not have any housing stock for letting.
Balances restated are explained in note 39

4. Accomodation owned, managed and in development

	Group	
	2017	2016
	Number	Number
Under management at end of year:		
General needs housing social rent	**21,195**	21,116
General needs housing affordable rent	**1,786**	1,470
Supported housing	**2,027**	2,049
Low-cost home ownership	**2,789**	2,756
Leasehold	**962**	984
	28,759	28,375
Under development at end of year:		
General needs housing social rent	**140**	159
General needs housing affordable rent	**482**	462
Supported housing	**74**	59
Low-cost home ownership	**466**	430
Total Social Housing Units	**29,921**	29,485
Non Social Housing		
Under management at end of year:		
Staff accommodation	**8**	9
Market rent	**62**	82
Commercial units	**31**	37
Offices and Resource Units	**106**	109
Retained freeholds	**544**	498
Total Non Social Housing Units	**751**	735
Total units	**30,672**	30,220
Owned and managed	**28,271**	27,882
Owned and managed by others	**515**	559
Managed for others	**724**	669
Under Development	**1,162**	1,110
Total units	**30,672**	30,220
Garages / parking spaces	**2,690**	2,694

The Association does not hold any housing stock.

5. Surplus on ordinary activities

The surplus on ordinary activities is stated after crediting/(charging):

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Operating lease rentals -				
office land & buildings	**(711)**	(716)	**-**	(42)
vehicles	**(1,371)**	(1,354)	**(76)**	(87)
Surplus on sale of fixed assets	**8,194**	6,990	**-**	-
Depreciation of housing properties	**(21,487)**	(21,342)	**-**	-
Depreciation of other fixed assets	**(1,121)**	(1,363)	**(3)**	(154)
Current Auditor's remuneration, (excluding VAT):				
Audit of the group financial statements	**(7)**	(7)	**(7)**	(8)
Audit of subsidiaries	**(45)**	(48)	**-**	-
Taxation advisory	**(14)**	-	**-**	-
Fees payable to the company's previous auditor and it's associates (excluding VAT):				
Service Charge certification	**(32)**	(32)	**-**	-
Taxation advisory	**(3)**	(11)	**(12)**	(1)
Other services	**(5)**	(16)	**(3)**	-

6. Interest receivable and income from investments

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Interest receivable from cash and money market deposits	**512**	531	**-**	-

7. Interest payable and similar charges

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Interest on loans, overdraft and other financing:				
On loans repayable within five years	**2,533**	2,716	**-**	42
Repayable wholly or partly in more than five years	**24,052**	23,934	**-**	-
	26,585	26,650	**-**	42
Defined benefit pension charge	**281**	218	**-**	-
Other finance charges	**346**	435	**-**	2
Finance costs / amortised premium	**128**	200	**-**	24
	27,340	27,503	**-**	68
Interest payable capitalised on housing properties under construction (4.42%) (2016: 5.2%)	**(1,313)**	(944)	**-**	-
	26,027	26,559	**-**	68
Interest on pension scheme liabilities	**1,549**	1,545	**-**	-
Expected return on employer assets	**(1,195)**	(1,067)	**-**	-
	26,381	27,037	**-**	68

8. Colleague costs

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Wages and salaries	**29,113**	28,515	**6,578**	6,249
Social security costs	**2,695**	2,331	**667**	569
Other pension costs	**1,951**	5,379	**297**	321
	33,759	36,225	**7,542**	7,139

Other pension cost in 2016 include £3,870k relating to the triannual remeasurement of SHPS pension scheme.

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

		Restated		
	2017	2016	**2017**	2016
	No.	No.	**No.**	No.
Asset management	**359**	320	**2**	1
Central services	**177**	175	**176**	173
Innovation and new business	**4**	4	**-**	-
Development, Construction and sales	**65**	56	**-**	-
Housing Management and support	**461**	513	**-**	-
Total	**1,066**	1,068	**178**	174

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	
		Restated
	2017	2016
	No.	No.
£60,001 - £70,000	**19**	25
£70,001 - £80,000	**12**	10
£80,001 - £90,000	**11**	6
£90,001 - £100,000	**2**	2
£100,001 - £110,000	**2**	6
£110,001 - £120,000	**9**	3
£130,001 - £140,000	**1**	-
£140,001 - £150,000	**1**	-
£150,001 - £160,000	**1**	1
£170,001 - £180,000	**-**	2
£190,001 - £200,000	**-**	1
£200,001 - £210,000	**1**	-
	59	56

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

		Restated
	2017	2016
	£'000	£'000
Philippa Jones	**192**	183
	192	183

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

	2017			
	Salaries	**Taxable Benefits**	**Pension**	**Total**
	£'000	**£'000**	**£'000**	**£'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 Clarke	**10**	**-**	**-**	**10**
Steve Dando	**10**	**-**	**-**	**10**
Oke Eleazu	**12**	**-**	**-**	**12**
Balvinder Heran (appointed 1st April 2016)	**10**	**-**	**-**	**10**
Sally Higham (appointed 1st April 2016)	**10**	**-**	**-**	**10**
Jonathan Simpson-Dent	**22**	**-**	**-**	**22**
Non-Executive Board Directors	**74**	**-**	**-**	**74**
Total Executive and Non Executive Directors	**541**	**38**	**19**	**598**

9. Directors' and senior executive remuneration (Continued)

Restated 2016

	Salaries	Taxable Benefits	Pension	Total
	£'000	£'000	£'000	£'000
Chief Executive				
Philippa Jones	176	7	11	194
Other Executive Directors:				
Nick Cummins	135	11	8	154
Andrew Battrum	151	12	9	172
Executive Directors	462	30	28	520
Christine Clarke	10	-	-	10
Steve Dando (appointed 24th November 2015)	4	-	-	4
Oke Eleazu	12	-	-	12
Jonathan Simpson-Dent	22	-	-	22
John Barker (retired 31st March 2016)	12	-	-	12
Fiona Underwood (retired 31st March 2016)	10	-	-	10
Non-Executive Board Directors	70	-	-	74
Total Executive and Non-Executive Directors	532	30	28	590

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.

	2017	2016
	£	£
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	-	-
The aggrerate 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	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Current tax:				
UK Corporation Tax charge for the year	**70**	108	**91**	97
Under provision in previous years	**16**	-	**15**	-
Total current tax	**86**	108	**106**	97
Deferred tax:				
Origination and reversal of timing differences	**11**	140	**-**	140
Tax on surplus on ordinary activities	**97**	248	**106**	237
Total tax reconciliation				
Surplus on ordinary activities before tax	**49,761**	48,914	**450**	747
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016:20%)	**9,952**	9,783	**90**	149
Effects of:				
Items not allowable for tax purposes (primarily depreciation of housing stock)	**60**	65	**1**	-
Fixed asset differences	**(616)**	-	**-**	-
Income not taxable for tax purposes	**(13)**	-	**-**	-
Chargeable gains	**511**	-	**-**	-
Amounts (charged/credited directly to equity or otherwise transferred)	**(100)**	-	**-**	-
Current tax (charged)/credited directlly to equity	**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	**(74)**	-	**-**	-
Deferred Tax	**-**	140	**-**	140
Capital allowances in excess of depreciation	**-**	(57)	**-**	(52)
Increase / (decrease) in losses	**-**	33	**-**	-
Effect of reduced tax rates	**-**	-	**-**	-
Adjustment in respect of prior years	**16**	-	**15**	-
Surplus relating to charitable entities	**(9,762)**	(9,663)	**-**	-
Group relief received	**-**	-	**-**	-
Disposal of properties	**-**	(79)	**-**	-
Revaluation of properties	**28**	26	**-**	-
	97	248	**106**	237

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 2016	**1,627,537**	**33,742**	**133,653**	**14,404**	**1,809,336**
Additions	**2,150**	**46,318**	**53**	**19,137**	**67,658**
Replacement of components	**17,277**	**-**	**25**	**-**	**17,302**
Transferred on completion	**44,123**	**(44,123)**	**10,426**	**(10,426)**	**-**
Disposals	**(2,267)**	**-**	**(5,885)**	**-**	**(8,152)**
Components disposed	**(8,661)**	**-**	**-**	**-**	**(8,661)**
Reclassification	**(95)**	-	**95**	-	-
Transfers from investment property	**1,430**	**-**	**-**	**-**	**1,430**
At 31 March 2017	**1,681,494**	**35,937**	**138,367**	**23,115**	**1,878,913**
Less:- Depreciation and Impairment					
At 1 April 2016	**213,389**	**-**	**6,461**	**-**	**219,850**
Charge for the year	**20,601**	**-**	**886**	**-**	**21,487**
Disposals	**(7,677)**	**-**	**(346)**	**-**	**(8,023)**
At 31 March 2017	**226,313**	**-**	**7,001**	**-**	**233,314**
Net Book Value 31st March 2017	**1,455,181**	**35,937**	**131,366**	**23,115**	**1,645,599**
Net Book Value 1 April 2016	1,414,148	33,742	127,192	14,404	1,589,486

	2017	Restated 2016
	£'000	£'000
Housing property net book value in respect of long leaseholds	**92,312**	92,360
Housing property net book value in respect of freeholds	**1,553,287**	1,497,126
	1,645,599	1,589,486

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

	2017	2016
Total depreciation charge	**21,487**	21,342
Component depreciation within the total depreciation charge	**12,534**	11,985
Development administration costs capitalised during the year	**1,976**	2,551
Aggregate amount of interest and finance costs included in the cost of housing properties	**17,715**	16,402

Properties held for security
Bromford Housing Group - Registered social housing provider had property pledged as security with a value (EUV-SH) of £1,288m (20,377 units) at 31 March 2017 (2016: £1,095m (19,396 units)).

The Association does not hold any housing stock.

12. Expenditure on work to existing properties

	2017	2016
	£'000	£'000
Replacement of components	**17,302**	14,159
Amounts charged to Statement of Comprehensive Income	**6,058**	6,196
	23,360	20,355

13. Investment properties held for letting

	Group	
	2017	2016
	£'000	£'000
As at 1st April	**8,000**	7,491
Additions	**50**	242
Transfer to tangible fixed assets (housing properties)	**(1,430)**	148
Transfer from tangible fixed assets (other)	**3,218**	-
Loss on transfer of properties	**(303)**	-
Gain from adjustment in value (commercial)	**1,094**	-
Gain from adjustment in value (investment)	**156**	121
Disposals (Commercial)	**(1,679)**	(2)
As at 31st March	**9,106**	8,000

Investment properties (commercial and market rent) were valued at 31 March 2017 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%**

Commercial properties have been transferred from other tangible fixed assets into investment properties

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	Leasehold Offices	Motor Vehicles	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2016	12,775	1,532	8,682	4,202	107	27,298
Additions	-	110	994	-	-	1,104
Disposals	-	-	-	-	(9)	(9)
Assets transferred to intangible fixed assets	-	(54)	(846)	-	-	(900)
Transfer to investment properties	(116)	-	-	(4,202)	-	(4,318)
At 31 March 2017	12,659	1,588	8,830	-	98	23,175
Depreciation and Impairment						
At 1 April 2016	2,609	1,443	7,023	1,055	93	12,223
Charge for the year	300	70	687	-	11	1,068
Disposals	-	-	-	-	(9)	(9)
Assets transferred to intangible fixed assets	-	(47)	(815)	-	-	(862)
Write off on transfer to investment properties	(45)	-	-	(1,055)	-	(1,100)
At 31 March 2017	2,864	1,466	6,895	-	95	11,320
Net Book Value at 31 March 2017	9,795	122	1,935	-	3	11,855
Net Book Value at 1 April 2016	10,166	89	1,659	3,147	14	15,075

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 2016	-	-	-
Additions	-	108	108
Assets reclassified from Tangible fixed assets - other	798	54	852
At 31st March 2017	798	162	960
Depreciation and impairment			
At 1 April 2016	-	-	-
Charge for the year	30	23	53
Assets reclassified from Tangible fixed assets - other	768	47	815
At 31st March 2017	798	70	868
Net book value at 31 March 2017	-	92	92
Net book value at 1 April 2016	-	-	-

The Association does not hold any intangible assets.

16. Investments - Other

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Cost of Holding*	-	-	-	136
Igloo Insurance PCC Limited (Cell BRO4)	-	220	-	-
	-	220	-	136

	Country of Incorporation	Principal Activity	Class of Shares held	Percentage of Shares held
Igloo Insurance PCC Limited (Cell BRO4) Further details can be found in note 37.	Guernsey	Insurance	Ordinary	100%

*The Association's investment represents the costs of acquisition of Fosseway Housing Association Limited (now amalgamated as part of Bromford Housing Association).

17. Homebuy loans

	Group	
	2017	2016
	£'000	£'000
At at 1st April	**1,555**	1,125
Loans issued in the year	**-**	636
Loans redeemed in the year	**(153)**	(79)
Provisions against loans	**-**	(127)
As at 31st March	**1,402**	1,555

The Association does not hold any Homebuy loans.

18. Stocks and work in progress

	Group	
	2017	2016
	£'000	£'000
Consumable stock	**550**	424
Properties developed for outright sale	**761**	120
Properties developed for retirement living	**7,145**	3,307
Land costs	**7,141**	1,047
Cost of first tranche element of shared ownership properties	**8,523**	5,192
	24,120	10,090
Shared ownership properties:		
Completed	**401**	369
Under construction	**8,122**	4,823
	8,523	5,192
Properties developed for outright sale		
Under construction	**761**	120
	761	120
Properties developed for retirement living		
Completed	**-**	-
Under construction for outright sale	**3,039**	2,039
Under construction for shared ownership	**4,106**	1,268
	7,145	3,307

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

19. Trade and other Debtors

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:-				
Rent arrears	**4,637**	5,842	**-**	-
Less: provision for bad debts	**(1,563)**	(2,243)	**-**	-
	3,074	3,599	**-**	-
Trade debtors	**390**	434	**-**	-
Other debtors	**920**	651	**43**	15
Prepayments and accrued income	**2,508**	2,329	**289**	533
Amounts due from group companies	**-**	-	**1,757**	1,837
	6,892	7,013	**2,089**	2,385

20. Current Asset Investments

	Group	
	2017	2016
	£'000	£'000
Opening fair value at 1 April	**9,643**	8,413
Addition to Investment	**5,967**	1,244
Interest	**-**	170
Gains/(losses) on remeasurement to fair value	**(40)**	(184)
Fair Value at 31st March	**15,570**	9,643

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

	Group	
	2017	2016
The analysis of these monies is:	**£'000**	£'000
Dexia Bond	**2,974**	2,904
Haven Bond	**5,037**	5,015
Haven Cash Account	**705**	480
AHF Bond	**1,748**	1,244
Money held in support of bond finance	**10,464**	9,643
Other current asset investments	**5,106**	-
Total current asset investments	**15,570**	9,643

The Association does not have any Current Asset Investments.

21. Cash and Cash equivalents

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Cash at bank	**15,741**	18,849	**37**	116
Cash equivalents	**4,233**	45,639	**-**	-
	19,974	64,488	**37**	116

In the above are balances totalling £2.6m (2016: £2.4m) which are held in trust for shared ownership leaseholders.

22. Creditors: amounts falling due within one year

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Prepaid rental income	**4,293**	3,300	**-**	-
Loans	**9,941**	13,355	**-**	-
Trade creditors	**3,191**	2,707	**50**	203
Other taxation & social security	**773**	668	**769**	657
Corporation tax	**70**	82	**91**	70
Due to group companies	**-**	-	**913**	1,492
Balances with supported housing partners	**949**	855	**-**	-
SHPS pension agreement plan	**1,928**	1,853	**-**	-
Funds held on trust	**318**	333	**-**	-
Deferred capital grant	**4,932**	4,909	**-**	-
Recycled capital grant fund	**4,381**	1,761	**-**	-
Interest rate swaps	**3,469**	3,260	**-**	-
Stock issue premium	**133**	133	**-**	-
Accruals and deferred income	**14,815**	11,753	**744**	1,000
Other creditors	**925**	173	**-**	-
	50,118	45,142	**2,567**	3,422

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

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Loans	**552,635**	569,692	**-**	-
Stock issue premium	**3,964**	4,151	**-**	-
Interest rate swaps	**27,182**	26,945	**-**	-
Deferred Taxation	**12**	-	**-**	-
Other long term creditors	**105**	105	**-**	-
Leaseholder sinking funds	**2,707**	2,512	**-**	-
Balances with supported housing partners	**2,132**	2,132	**-**	-
SHPS pension agreement plan	**11,500**	12,784	**-**	-
Deferred capital grant	**435,454**	442,407	**-**	-
Recycled capital grant fund	**4,259**	4,563	**-**	-
	1,039,950	1,065,291	**-**	-
Loans repayable by instalments				
Repayable within one year	**9,941**	10,855	**-**	-
Repayable between one and two years	**10,572**	10,459	**-**	-
Repayable between two and five years	**40,638**	40,453	**-**	-
After five years	**345,958**	363,079	**-**	-
Less : loan finance costs	**(4,153)**	(3,919)	**-**	-
	402,956	420,927	**-**	-
Amounts repayable otherwise than by instalments				
Repayable within one year	**-**	2,500	**-**	-
Repayable between one and two years	**8,500**	-	**-**	-
Repayable between two and five years	**45,120**	53,620	**-**	-
Repayable after five years	**106,000**	106,000	**-**	-
	562,576	583,047	**-**	-

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 by the trustee.

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Loans as stated above	**562,576**	583,047	**-**	-
Less : Dexia charged cash deposit (note 20)	**(2,974)**	(2,904)	**-**	-
Less : Haven debt service reserve (note 20)	**(5,037)**	(5,015)	**-**	-
Less : AHF Liquidity Reserve	**(1,748)**	(1,244)	**-**	-
Loans net of related cash deposits	**552,817**	573,884	**-**	-

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**
				86,000

Interest rate swap creditor profile:

	2017	2016
	£'000	£'000
Due within one year	**3,469**	3,260
Due between one and two years	**3,323**	3,177
Due between two and five years	**9,021**	8,723
Due after five years	**14,838**	15,045
Total	**30,651**	30,205

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

	2017	2016
	£'000	£'000
Floating rate - average 0.77% (2016: 1.05%)	**90,143**	119,927
Fixed rate - average 5.08% (2016: 5.36%)	**476,586**	467,039
	566,729	586,966

Undrawn committed borrowing facilities at 31 March were as follows:

	2017	2016
	£'000	£'000
Expiring within one year	**33,500**	67,900
Expiring between one and two years	**59,857**	40,000
Expiring between two and five years	**37,745**	13,745
After 5 years	**22,749**	-
Total	**153,851**	121,645

All of the £153,851,000 undrawn committed borrowing facilities are currently secured.

24.Deferred Tax

	2017	2016
	£'000	£'000
As at 1st April	**-**	-
Origination and reversal of timing differences	**12**	-
As at 31st March	**12**	-

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

	2017	2016
	£'000	£'000
At at 1st April	**447,316**	451,128
Grant received in the year	**-**	218
Grants recycled from the recycled capital grant fund and disposal proceeds fund	**55**	2,580
Grants recycled to the recycled capital grant fund	**(2,347)**	(1,955)
Released to income in the year	**-**	-
Amortised in the year	**(4,941)**	(4,916)
Amortised grant on disposal	**303**	215
Other	**-**	46
At at 31st March	**440,386**	447,316

	£'000	£'000
Amount due to be released < 1 year	**4,932**	4,909
Amount due to be released > 1 year	**435,454**	442,407
	440,386	447,316

The Association does not hold any deferred capital grant.

26. RCGF and DPF Creditors - Group

	2017	2016
	£'000	£'000
a) Recycled Capital Grant Fund		
As at 1st April	**6,324**	6,900
Inputs to reserve:		
Grants recycled	**2,347**	1,955
Interest accrued	**24**	27
Utilised:		
New build	**(55)**	(2,558)
As at 31st March	**8,640**	6,324
Amount three years or older where repayment may be required	**1,734***	-

Withdrawals from the recycled capital grant fund were used for the development of new schemes for letting and retirement living.
*Consent has been received from the HCA for these funds to be used during 2017/18

	£'000	£'000
b) Disposal Proceeds Fund		
As at 1st April	-	21
Inputs to reserve:		
Use/allocation of funds:		
New build	-	(21)
As at 31st March	-	-
Amount three years or older where repayment may be required	-	21

Withdrawals from the disposals proceeds fund were used for the development on new schemes for retirement living.

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

27. Provision for liability and charges

	LGPS Pension
	£'000
Group and Association	
At at 1 April 2016	**10,667**
Charged to Income and Expense	
- Additions	**993**
-Remeasurement	**380**
Contributions Paid	**(1,746)**
As at 31 march 2017	**10,294**

28. Called Up Share Capital

	2017	2016
	£	£
Alloted, issued and fully paid		
As at 1st April	**6**	7
Cancelled during the year	**(2)**	(3)
Alloted during the year	**2**	2
As at 31st March	**6**	6

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

29. Reconciliation of net cashflow to movement in net funds

	Group	
	2017	2016
	£'000	£'000
(Decrease)/Increase) in cash and cash equivalents per cashflow	**(44,514)**	33,597
Cash Increase in investments	**5,967**	1,414
Revaluation of investments	**(40)**	(184)
Amortisation of loan costs	**(128)**	(200)
Increase in creditor for loan payments	**37,939**	1,061
Cash inflow from increase in debt and lease financing	**(17,340)**	(30,041)
Change in net debt resulting from cashflows	**(18,116)**	5,647
Actuarial surplus on pension provision	**373**	4,676
Amortisation of premium	**187**	132
Movement in net debt in the year	**(17,556)**	10,455
Net funds at 1 April 2016	**(523,867)**	(534,322)
Net funds at 31 March 2017	**(541,423)**	(523,867)

30. Analysis of changes in net funds - Group

	At 1 April 2016 £'000	Cashflows £'000	Amortisation of premium/ loan costs £'000	Revaluation of Investment £'000	Movement In Creditors Due < 1 Year £'000	At 31 March 2017 £'000
Cash at bank and in hand	**64,488**	**(44,514)**	**-**	**-**	**-**	**19,974**
Short term investments	**9,643**	**5,967**	**-**	**(40)**	**-**	**15,570**
	74,131	**(38,547**	**-**	**(40)**	**-**	**35,544**
Housing loans < 1 year	**(13,355)**	**13,355**	**-**	**-**	**(9,941)**	**(9,941)**
Housing loans > 1 year	**(569,692)**	**(30,695)**	**(128)**	**-**	**47,880**	**(552,635)**
Change in debt resulting from cashflows	**(508,916)**	**(55,887)**	**(128)**	**(40)**	**37,939**	**(527,032)**
Pension liability movement	**(10,667)**	**-**	**-**	**-**	**373**	**(10,294)**
Stock issue premium	**(4,284)**	**-**	**187**	**-**	**-**	**(4,097)**
	(523,867)	**(55,887)**	**59**	**(40)**	**38,312**	**(541,423)**

31. Capital commitments

	Group	
	2017	2016
	£'000	£'000
Capital expenditure contracted for but not provided in the financial statements	**100,883**	81,116
Capital expenditure authorised but not yet contracted for in the financial statements	**32,438**	46,447

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	**44**	2,055
Proceeds from the sale of properties	**31,445**	20,870
Loans and reserves	**101,832**	104,638
	133,321	127,563

32. Other financial commitments - Group

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

	Land and Buildings		Vehicles & Office Equipment		Total Leases	
	2017	2016	**2017**	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Operating leases which expire:-						
Within 1 year	**217**	131	**112**	506	**329**	637
Within 2 to 5 years	**301**	616	**1,531**	499	**1,832**	1,115
After 5 years	**203**	5	**-**	-	**203**	5
	721	752	**1,643**	1,005	**2,364**	1,757

The Association has no commitments under non cancellable operating leases.

33. Grant and financial assistance

	Group	
	2017	2016
	£'000	£'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	**440,386**	447,316
Recognised as income in statement of Comprehensive Income	**87,131**	82,494
	527,517	529,810

34. Financial Instruments

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

	Group		Association	
		Restated		Restated
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Financial assets				
Financial assets measured at amortised cost				
- Rent debtors	**3,074**	3,599	**-**	-
- Other receivables	**1,778**	1,085	**1,815**	1,852
- Investments	**-**	220	**-**	136
- Investments in short term deposits	**15,570**	9,643	**-**	-
- Cash and cash equivalents	**19,974**	64,488	**38**	116
Financial assets that are debt instruments measured at amortised cost				
Homebuy loans	**1,402**	1,555	**-**	-
Total financial assets	**41,798**	80,590	**1,853**	2,104
Financial liabilities				
Financial liabilities measured at amortised cost				
- Trade creditors	**3,191**	2,707	**50**	203
- Other creditors	**23,871**	21,907	**1,682**	2,219
- Balances with Supported Housing partners	**949**	855	**-**	-
- Funds held on trust	**3,025**	2,845	**-**	-
- Loans payable (due within 1 year)	**9,941**	13,355	**-**	-
- Loans payable (due after 1 year)	**552,635**	569,692	**-**	-
Financial liabilities measured at fair value through statement of comprehensive income				
- Derivative financial instruments	**30,651**	30,205	**-**	-
Total financial liabilities	**624,263**	641,566	**1,732**	2,352

35. Sale of properties and other fixed assets

Group

	Proceeds of Sales £'000	Less: Cost of Sales £'000	Surplus/ Deficit £'000	Capital grant recycled (note 25) £'000
Further tranches of shared ownership	**9,801**	**(6,002)**	**3,799**	**1,459**
Right to Buy	**766**	**(766)**	**-**	**23**
Other property disposals	**8,258**	**(3,383)**	**4,875**	**723**
Other fixed asset disposals	**1,202**	**(1,682)**	**(480)**	**-**
Total 2017	**20,027**	**(11,833)**	**8,194**	**2,205**
Total 2016	16,139	(9,149)	6,990	1,955

Association

	Proceeds of Sales £'000	Less: Cost of Sales £'000	Surplus/ Deficit £'000
Other fixed asset disposals	**-**	**-**	**-**
Total 2017	**-**	**-**	**-**
Total 2016	**6,638**	**(6,634)**	**4**

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

2017

Non-regulated entities:	£'000 Mangement Charges	£'000 Administrative Recharges	£'000 Construction Services	£'000 Rental Income	£'000 Property Purchase	£'000 Insurance Services
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
	6	1,564	13,061	179	131	700

Restated 2016

Non-regulated entities:	£'000 Mangement Charges	£'000 Administrative Recharges	£'000 Construction Services	£'000 Rental Income	£'000 Property Purchase	£'000 Insurance Services
Bromford Developments Limited	-	829	8,956	-	-	-
Bromford Assured Homes Limited	-	102	-	-	-	-
Street Services Limited	-	-	-	178	130	-
Strand Services Limited	4	-	-	-	-	-
Riverside Mews Ltd	1	-	-	-	-	-
Igloo Insurance PCC Limited (Cell BRO4)	-	-	-	-	-	650
	5	931	8,956	178	130	650

Association

Non-regulated entities:	2017 £'000 Administrative Recharges	2017 £'000 Inter-group balances	2016 £'000 Administrative Recharges	2016 £'000 Inter-group balances
Bromford Developments Limited	1,434	720	829	993
Street Services Limited	-	869	-	756
	1,434	1,589	829	1,749

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

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)	75% 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
Queen Street Management Company (Lichfield) Limited (Reg. No. 01764379)	100% owned by BHA	Dormant company	n/a

38. Pension obligations

The Group participates in three schemes, the Social Housing Pension Scheme (SHPS), the Staffordshire County Council pension scheme and the Gloucestershire County Council pension scheme. All of hich 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.

Social Housing Pension Scheme (SHPS)
The Group participates in the SHPS 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 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 2014. This 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 the Group has agreed to a deficit funding arrangement, a liability for this obligation has been recognised. 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 2017 £'000	31 March 2016 £'000
Preset value of provision	13,355	14,560

Reconciliation of opening and closing provisions

	31 March 2017 £'000	31 March 2016 £'000
Provision at start of period	14,560	11,947
Unwinding of the discount factor (interest expense)	279	216
Deficit contribution paid	(1,845)	(1,427)
Remeasurements - impact of any change in assumptions	361	(85)
Remeasurements - amendments to the contribution schedule	-	3,909
Provision at end of period	13,355	14,560

Income and expenditure Impact

	31 March 2017 £'000	31 March 2016 £'000
Interest expense	279	216
Remeasurements - impact of any change in assumptions	361	(85)
Remeasurements - amendments to the contribution schedule	-	3,909
Contributions paid in respect of future service	853	881
Costs recognised in income and expenditure account	1,493	4,921

Assumptions

	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	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 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 – BHG

The Group participates in the Growth plan 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 company 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 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. 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 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each year on 1st April)

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 31 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each year on 1st April)

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 company has agreed to a deficit funding arrangement the company 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 2017 £'s	31 March 2016 £'s
Present values of provision	**73,068**	**77,170**

Reconciliation of opening and closing provisions	Period Ending 31 March 2017 £'s	Period Ending 31 March 2016 £'s
Provision at start of period	**77,170**	**131,666**
Unwinding of the discount factor (interest expense)	**1,509**	**2,153**
Deficit contribution paid	**(7,884)**	**(15,883)**
Remeasurements - impact of any change in assumptions	**2,273**	**(1,206)**
Remeasurements - amendments to the contribution schedule	**-**	**(39,560)**
Provision at end of period	**73,068**	**77,170**

Statement of comprehensive income impact	Period Ending 31 March 2017 £'s	Period Ending 31 March 2016 £'s
Interest expense	**1,509**	**2,153**
Remeasurements - impact of any change in assumptions	**2,273**	**(1,206)**
Remeasurements - amendments to the contribution schedule	**-**	**(39,560)**
Costs recognised in income and expenditure account	**3,782**	**(38,613)**

Assumptions

	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	**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 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 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.

Staffordshire County Council and Gloucestershire County Council pension schemes

Both schemes are defined-benefit schemes, with the assets held in separate funds administered by Staffordshire County Council (SCC) and Gloucestershire County Council (GCC).

Contributions for year ended 31 March 2017:	Staffordshire County Council £'000	Gloucestershire County Council £'000
Employee	**98**	**45**
Employer	**316**	**243**
Employer Deficit	**399**	**778**
Total	**813**	**1,066**
Agreed contribution rates for future years:	**%**	**%**
Employee (% dependent on salary)	**5.5% - 9.9%**	**5.8% - 8.5%**
Employer	**24.8%**	**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 2017 by a qualified independent actuary.

	Staffordshire County Council		Gloucestershire County Council	
	As 31 March 2017	As 31 March 2016	**As 31 March 2017**	As 31 March 2016
Rate of increase for pensions in payment / inflation	**2.4%**	2.2%	**2.4%**	2.2%
Rate of increase in salaries	**2.8%**	4.2%	**2.7%**	3.7%
Discount rate for scheme liabilities	**2.6%**	3.5%	**2.5%**	3.5%

38. Pension obligations (continued)

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:

	Staffordshire County Council		Gloucestershire County Council	
	Males	Females	Males	Females
Current Pensioners (years)	22.1	24.4	22.4	24.6
Future Pensioners (years)	24.1	26.4	24.0	26.4

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

	Staffordshire County Council	Gloucestershire County Council	Total
	As 31 March 2017	As 31 March 2017	As 31 March 2017
	£'000	£'000	£'000
Fair value of funds assets	19,644	21,395	41,039
Present value of defined benefit obligation	(26,428)	(24,905)	(51,333)
Pension deficit	(6,784)	(3,510)	(10,294)

	Staffordshire County Council	Gloucestershire County Council	Total
	As 31 March 2016	As 31 March 2016	As 31 March 2016
	£'000	£'000	£'000
Fair value of funds assets	16,147	17,704	33,851
Present value of defined benefit obligation	(23,201)	(21,317)	(44,518)
Pension deficit	(7,054)	(3,613)	(10,667)

38. Pension obligations (continued)

Asset and Liability Reconciliation	Staffordshire County Council	Gloucestershire County Council	Total
	As 31 March 2017	As 31 March 2017	As 31 March 2017
	£'000	£'000	£'000
Reconciliation of assets			
Assets at start of period	16,147	17,704	33,851
Return on plan assets	570	625	1,195
Remeasurements	2,641	2,711	5,352
Employer contributions	725	1,021	1,746
Employee contributions	98	45	143
Benefits paid	(537)	(711)	(1,248)
Assets at end of period	19,644	21,395	41,039
Reconciliation of liabilities			
Liabilities at start of period	(23,201)	(21,317)	(44,518)
Service cost	(409)	(193)	(602)
Interest cost	(811)	(738)	(1,549)
Employee contributions	(98)	(45)	(143)
Remeasurements	(2,446)	(3,286)	(5,732)
Benefits paid	537	711	1,248
Past Service cost	-	(37)	(37)
Curtailments and settlements	-	-	-
Liabilities at end of period	(26,428)	(24,905)	(51,333)

38. Pension obligations (continued)

	Staffordshire County Council	Gloucestershire County Council
Actual returns on plan assets 1 April 2016 to 31 December 2016	**17.7%**	**15.7%**
Total return on plan assets 1 April 2016 to 31 March 2017	**23.2%**	**21.0%**

The fair value of the assets at 31 March 2017:	**Staffordshire County Council**	**Gloucestershire County Council**	**Total**
	£'000	**£'000**	**£'000**
Equities	**14,536**	**15,190**	**29,726**
Bonds	**2,554**	**4,279**	**6,833**
Property	**1,572**	**1,498**	**3,070**
Cash	**982**	**428**	**1,410**
	19,644	**21,395**	**41,039**
The fair value of the assets as 31 March 2016:			
Equities	12,110	12,393	24,503
Bonds	1,776	3,718	5,494
Property	1,454	1,416	2,870
Cash	807	177	984
	16,147	17,704	33,851

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

	Staffordshire County Council	**Gloucestershire County Council**	**Total**
	As 31 March 2017	**As 31 March 2017**	**As 31 March 2017**
	£'000	**£'000**	**£'000**
Employer service cost (net of employee contributions)	**(409)**	**(193)**	**(602)**
Past service cost	**-**	**(37)**	**(37)**
Total operating charge	**(409)**	**(230)**	**(639)**
Analysis of pension finance income / (costs)			
Expected return on pension scheme assets	570	625	1,195
Interest on pension liabilities	(811)	(738)	(1,549)
Amounts charged/credited to financing costs	**(241)**	**(113)**	**(354)**

38. Pension obligations (continued)

Analysis of gains and losses recognised in the Statement of Comprehensive Income

	Staffordshire County Council	Gloucestershire County Council	Total
	As 31 March 2017	As 31 March 2017	As 31 March 2017
	£'000	£'000	£'000
Actuarial gains on pension scheme assets	2,641	2,711	**5,352**
Actuarial losses on scheme liabilities	(2,446)	(3,286)	**(5,732)**
Actuarial gains/(loss) recognised	**195**	**(575)**	**(380)**

Movement in deficit during the year

	Staffordshire County Council	Gloucestershire County Council	Total
	As 31 March 2017	As 31 March 2017	As 31 March 2017
	£'000	£'000	£'000
(Deficit) in scheme at 1 April	**(7,054)**	**(3,613)**	**(10,667)**
Movement in year:			
Employer service cost (net of employee contributions)	**(409)**	**(193)**	**(602)**
Employer contributions	**725**	**1,021**	**1,746**
Past service cost	**-**	**(37)**	**(37)**
Net interest/return on assets	**(241)**	**(113)**	**(354)**
Remeasurements	**195**	**(575)**	**(380)**
(Deficit) in scheme at 31 March	**(6,784)**	**(3,510)**	**(10,294)**

39. Explanation of restated figures

The statement of comprehensive income and Note 2 for year ended 31st March 2016 have been restated to show the movement of gain on the disposal of property, plant and equipment and the movement in the value of investment properties to be included within Operating Surplus. This has resulted in Operating Surplus having increased, Surplus before Tax and Total Comprehensive Income remains the same.

40. Cash flow from operating activities

	2017	2016
Cash flow from operating activities	**£'000**	£'000
Surplus for the year	**49,664**	48,666
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**22,608**	22,699
Amortisation of Government grant	**(4,941)**	(4,916)
(Increase) in stock	**(14,030)**	(6,279)
(Increase) /decrease in trade and other debtors	**(696)**	436
Increase in trade and other creditors	**4,013**	4,366
Pension costs less contributions payable	**(2,960)**	(2,263)
Carrying amount of tangible fixed asset disposals	**11,833**	9,148
Consolication of Igloo insurance cell	**716**	-
Adjustments for investing or financing activities:		
Proceeds from sale of tangible fixed assets - other	**(1,202)**	(12)
Movement on Shared Equity Loans	**153**	(430)
Movement in value on swaps	**446**	347
Movement in value of investments	**40**	184
Movment in value of investment property	**(947)**	(121)
Interest payable	**26,381**	27,037
Interest receivable	**(512)**	(531)
Taxation	**97**	248
Net cash generated from operating activities	**90,663**	98,579