

BROMFORD HOUSING ASSOCIATION LIMITED

Financial Statements

for the year ended 31 March 2021

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

**Regulator of Social Housing
Registration Number 4819**

Bromford.

Bromford Housing Association Limited

**Financial Statements
For the year ended 31 March 2021**

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Board Members as at 31 March 2021:

Bromford Housing Association Limited

General Information

For the year ended 31 March 2021

The Board members who served from 1 April 2020 up to the date of approval of these financial statements were as follows:

	Position	Appointment/Retirement Date	Meetings Attended 2020/21
Stephen Dando	Independent Non-Executive Director Chair	Appointed 24 November 2015 Appointed chair 1 April 2020	15/15
Vivienne Horton	Vice Chair and Senior Independent Director	Appointed 2 July 2018	15/15
Helen Adlard	Independent Non-Executive Director	Appointed 2 January 2019	7/9
Richard Bird	Independent Non-Executive Director	Appointed 2 July 2018	14/15
Lee Gibson	Executive Director of Finance	Appointed 1 August 2016 Resigned 31 March 2021	15/15
Robert Nettleton	Chief Executive	Appointed 31 December 2018	15/15
Richard Penska	Independent Non-Executive Director	Appointed 2 July 2018	13/15
Neil Rimmer	Independent Non-Executive Director	Appointed 2 July 2018	15/15
Sarah Simpson	Independent Non-Executive Director	Appointed 1 April 2020	15/15
Jerry Toher	Independent Non-Executive Director	Appointed 1 April 2020	13/15
Charles Hutton-Potts	Independent Non-Executive Director	Appointed 1 April 2021	-

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

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

Advisors:

External Auditors:	Business Assurance Provider:	Banker:	Taxation Advisor:
Beever and Struthers St George's House 215-219 Chester Road Manchester, M15 4JE	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR	Barclays Bank plc 15 Colmore Row Birmingham B3 2BH	Deloitte LLP Four Brindley Place, Birmingham, B1 2HZ.

Registered office:

Exchange Court
Brabourne Avenue
Wolverhampton Business Park
Wolverhampton WV10 6AU

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2021

The Board of Bromford Housing Association Limited ('BHA') is pleased to present its annual report and financial statements for the year ended 31 March 2021.

Who are we and what do we do?

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

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

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

Bromford is a housing group – one that owns almost 45,000 homes; has individual relationships with more than 100,000 customers; has a very strong balance sheet. All this is only possible because of the 1,800 people who work for the organisation.

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

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

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

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

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



Fig 1. Bromford DNA

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2021

Board composition, meetings, decisions and delegations

The BHA Board operates as a unitary Board.

From the 1 April 2020, our Board comprised ten members – two Executive Directors (our Chief Executive and Executive Director of Finance (resigned 31 March 2021) and eight NEDs.

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

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

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

Board effectiveness

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

Each year the Board carries out a formal evaluation of Board, committee, and individual director performance. At least every three years, as recommended by the code, this evaluation is facilitated by an external advisor to provide an independent perspective. There was an independent review of governance effectiveness in 2018 and the chair carried out an internal review in 2019. As there had been a significant amount of change within the Board over the last 12 months, Altair were asked to carry out a further external review at the end of 2020. The findings were very positive:

- the Board is seen as effective and governs appropriately with individuals understanding their roles and responsibilities
- the governance structure and framework provide assurance to the Board and third-party assurance is sought where this is seen as necessary
- the updated skills matrix shows that there are no major skills gaps on the Board

Despite the findings in the report, the Board were concerned that the recommendation to reduce the size of the Board membership in November would create a skills gap and it was agreed that a further NED be appointed to take up office in November.

Our senior independent director carried out a review of the chair's performance.

Board and Committee Decision-making

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

To retain control of key decisions and to provide a clear division of responsibility between the running of the Board and the running of the business, the Board and the other Registered Providers in the group, have identified 'reserved matters' that only those Boards can approve.

Other matters have been delegated to the committees by the Boards. Any matters outside of these delegations fall within the chief executive's responsibility and authority.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2021

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

The Board is scheduled to meet 10 times a year. During 2020 to 2021, and in response to the Covid-19 pandemic, have met remotely and more frequently. From April to September 2020, they have had an additional meeting each month receiving an update on the coronavirus response. The annual strategy setting event was held in December.

Each Board meeting has a planned agenda, which allows enough time to discuss both strategic and operational matters and includes consideration of performance and risk management.

Each Board committee meets as many times as necessary to discharge their duties and responsibilities under their terms of reference. For reports from our committees, refer to the Bromford Housing BHG Annual Report and Accounts.

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

Value for Money

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

Statement of compliance with the regulatory standards

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

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

As part of being regulated by the RSH, Bromford has been given a rating for governance, as assessed against the governance and financial viability standard. Following an In-depth Assessment carried out by the RSH in 2019, Bromford maintains a G1 governance and V1 financial viability rating, the highest ratings on the scale throughout the financial year ended 31 March 2021.

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

Each year the RSH requires RPs to assess their compliance with the governance and financial viability standard and provide assurance to customers and stakeholders that the RSH specific expectations are being complied with.

We have undertaken an annual review of compliance. The Board is assured that Bromford is compliant with the regulatory framework including the governance and financial viability standard and its accompanying code of practice.

Statement of compliance with our code of governance

The Bromford Housing Group has adopted the UK Corporate Governance Code 2018 (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.

To support implementation of the code it has adopted a group wide Governance Framework and Delegations Framework that set out how the Group and each subsidiary registered provider will conduct its business in this respect. The Governance Framework and Delegations Framework include matters reserved for the Board and

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2021

delegations to the group wide committees. This ensures that information from the Committees also reaches the Board of each subsidiary registered provider where appropriate. In this way the provisions of the UK Corporate Governance Code are met by Bromford Home Ownership Limited.

As we do not have shareholders in a conventional sense; some aspects of the UK code do not apply to us. However, we strongly support the objectives that this section aims to achieve, and this is reflected in the open and transparent way we deal with our partners and stakeholders.

The UK Corporate Governance Code 2018 applies for our financial year 2020 to 2021.

Each year the Board reviews compliance with the UK code and during the financial year ended 31 March 2021, we consider that Bromford has complied with all relevant principles and provisions of the UK Corporate Governance Code 2018.

Risk management and internal control

Risk Overview

Applying the principles of risk management effectively allows Bromford to create value, by enabling us to take informed opportunities whilst protecting value by reducing the uncertainty of achieving our strategy. Our Board has overall responsibility for ensuring the group has appropriate systems for managing risk.

We operate a five-step risk management process. These steps are designed to identify problems before they occur, so that risk management activity may be planned and invoked as needed to mitigate impacts on achieving our strategy. The process aims to manage, rather than eliminate risk. Our Board defines clear statements and tolerances that set out the type and amount of risk we are prepared to assume as we deliver our strategy. This informs our strategy for responding to risks and determines the controls we put in place to manage them.

Regular reporting to Board highlights any movement in the assessment of key risks and provides assurance that systems for managing risk remain effective.

In this last year, our risk and business continuity frameworks have been tested as we responded to challenging and uncertain times with the changing impacts of the Covid-19 pandemic and uncertainty attached to Brexit. They have proved effective throughout in enabling us to maintain core services with an absolute focus on the safety and wellbeing of our customers and colleagues and have kept our Board appraised and assured.

How we manage our risks

Bromford operates a three lines of defence model, ensuring clear separation between risk and control ownership (first line), oversight, support and challenge (second line), and audit assurance (third line).

Business units use the risk management frameworks to help them manage risks in line with our defined risk appetite. Assurance is provided by the first line through its managerial and supervisory activities.

Our second line functions set the frameworks for managing risk and provide guidance and challenge to the first line through a business partnering model. This is supported by risk and compliance reviews and reporting which gives assurance that risks are being managed in line with our risk appetite.

Internal audit provide independent, objective assurance to management and the Board over the effectiveness of first and second lines and is independent of our executive management. This includes an agreed programme of reviews which highlight any areas where risks are not being managed within our appetite or where we may need to re-calibrate our appetite in the context of internal and external changes.

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

Risk appetite

Our Board have defined clear risk appetite statements and metrics central to the core elements of our strategy. These set out the type and amount of risk we are prepared to take to five key enterprise risk types as we deliver our strategy, plans and run our day-to-day operations. These are integral to our corporate decision making and dialogue.

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Board and Strategic Report For the year ended 31 March 2021

We measure and monitor our exposures within agreed tolerances, with forward looking risk indicators and triggers in place.

We manage our responses to risks and opportunities with a clear understanding of risk appetite and capacity.

	Averse	Minimal	Balanced	Open	Embracing
Legal and regulatory Our risk appetite is minimal, as we will do everything that is reasonably practicable to ensure compliance and is averse with respect to landlord asset compliance and health and safety risks.	←————→				
Operational Our appetite is balanced as whilst we will explore new options for providing our services, we remain focused on operating our business to ensure a minimal level of disruption to our customers, brand and reputation.			←————→		
Financial risk Our appetite is balanced, as we will not accept risks which threaten our financial viability, but we will be open to diverse investment options.			←————→		
Development/commercial Our appetite is open as we seek to remain competitive in the marketplace whilst proactively seeking new opportunities for sustainable growth both in the short and longer term.				←————→	
Strategic risk As an innovative business our appetite is open as we have set ambitious plans and have multiple channels for delivery to achieve the targets set.				←————→	

Our risk appetite and capacity

Our Board approved risk appetite statements and tolerances remain integral to our corporate decision-making processes and the actions we take in managing our business and overall strategy.

We remain true to our attitude towards management of actual and potential risks arising from serious detriment, the health and wellbeing of our customers and colleagues, legal and regulatory risk and have similarly focussed allocation of resource and investment in areas such as regulatory reporting, information security and business continuity planning.

We have seen our capacity for risk being translated in earnest most recently in how we have responded to the coronavirus pandemic, and how we manage and monitor our risk profile, mitigation and opportunities activity through into the recovery and beyond.

We continue to share our risk appetite position with our global investors and UK stakeholders.

Our principal risks

Bromford is exposed to the principal risks as set out below. Key risks are determined by the Board, and appetite and tolerances set. The risks and indicators are monitored on a monthly basis by the Board. Business risks are monitored for emerging threats and operational trends with escalation through executive forums, Audit and Risk Committee and then to Board.

Below we set out the profile of risks for Bromford.

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Board and Strategic Report For the year ended 31 March 2021

Emerging risks

In addition to the principal risks monitored by the Board, the business monitor operational risks which are reported through the governance channels to highlight new and growing threats.

Across the group we have a dependency on third parties and counterparties to deliver our strategic objectives. The ongoing uncertainty attached to Brexit combined with Covid-19 has seen challenges across partner providers and specifically our supply chain. Whilst mitigations have ensured no disruption to services to date, we expect the impacts to continue into 2021 to 2022. This is being monitored as a 'material operational risk' by Board.

Following the tragic events of Grenfell, across the sector we are seeing a hardening market for Professional Indemnity Insurance in construction. Whilst we do not expect the risk to materialise in the year, with ongoing insurance cover in contract, the risk is being tracked by the Audit and Risk Committee, with Bromford joining with other providers to actively engage the insurance sector in these discussions.

Health and safety		Direction of travel: Stable	Link to Strategy: Homes that enable
Risk	Our approach to health and safety lacks robust controls and oversight. This results in death, injury, or harm caused to colleagues, customers, contractors, or members of the public.		
Mitigation strategies		Changes in year	
Health and safety management systems follow the concepts of ISO 45001, with regular reporting and oversight across dedicated business groups, Audit and Risk Committee and Board and independent assurance sought from technical experts throughout the year.		Integrated health and safety management application launched across Bromford. Health and safety management systems were adapted to take account of new covid secure measures, with the primary objective to keep colleagues and customers safe.	

Customer involvement and engagement		Direction of travel: Improving	Link to Strategy: Our relationship with customers
Risk	Failure to effectively engage our customers will result in homes and relationships that fail to meet their needs.		
Mitigation strategies		Changes in year	
Our coaching approach, combined with a number of involved customer networks, ensures the voice of the customer is heard with the customer and communities' model subject to an annual effectiveness review, reported to Board.		Work has commenced to introduce a brand-new feedback platform for customers. Both the customer inclusion networks, and coaching models moved to remote operation during lockdown.	

Financial planning and performance		Direction of travel: Improving	Link to Strategy: Future ready
Risk	Our financial and resilience planning and/or monitoring fails to mitigate substantial macro-economic or political events.		
Mitigation strategies		Changes in year	
Robust financial planning, stress testing scenarios and resilience plans are in place, incorporating plausible macro-economic and political impacts, with close tracking at forum, committee and Board level against the financial framework and golden rules.		Despite market uncertainty, and the UK incurring a downgrade from the credit rating agency, Bromford maintained its A2 stable Moody's rating. Secured our first ESG linked financing deal, as we launch our Sustainability Finance Framework	

People		Direction of travel: Stable	Link to Strategy: Enabling colleagues
Risk	A lack of skilled colleagues who are thriving in their role will impact our ability to achieve our objectives. This may be due to a failure to recruit, retain and/or motivate engaged colleagues.		
Mitigation strategies		Changes in year	
A clear strategy with values-based recruitment and embedding of our DNA ensures we retain and attract colleagues aligned to our purpose, with data and insight on recruitment, leavers, movers, and our engagement survey tracked in year.		Commenced a new leadership development programme to create brilliant leadership. Wellbeing offering adapted and promoted throughout the pandemic to ensure colleagues were supported to thrive in challenging circumstances.	

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Board and Strategic Report For the year ended 31 March 2021

Development and market sales		Direction of travel: Worsening	Link to Strategy: Growing the business
Risk	We fail to deliver our new homes and market sales aspirations. Rising costs, market downturn, competition in the market and/or a lack of opportunity could impact our ability to deliver against plan.		
Mitigation strategies		Changes in year	
A dedicated forum considers opportunities against strategy to ensure compliance with business policy, tracks programme delivery and monitors the external market for potential impacts.		The combined challenges of Covid-19 and Brexit saw a temporary halt on construction and sales through April and May. Ongoing impacts across market and supply chain are being managed.	

Data governance		Direction of travel: Stable	Link to Strategy: Future ready
Risk	Poor data governance or data architecture leads to inaccuracies in customer, financial, asset, or other key data and consequent service/compliance failures and sub optimal decision making.		
Mitigation strategies		Changes in year	
Data Governance Framework based on the ISO/IEC 38505 standards with a dedicated data governance group to assess business practice, monitor risks and improvement plans and provide assurance reporting to Audit and Risk Committee and Board.		Ongoing transformation activity is supporting extensive data cleansing activity and increased PowerBI reporting to provide transparency over data quality.	

Cyber security and network controls		Direction of travel: Stable	Link to Strategy: Future ready
Risk	Lack of robust network controls and security protocols. This results in susceptibility to denial of service attacks, hacking, and unauthorised access.		
Mitigation strategies		Changes in year	
Information security management systems aligned to ICO/EIC 27000 standards, with oversight through business forums and Audit & Risk Committee reporting.		New chief information officer role appointed Following roll out in 2019 to 2020, ongoing programme of vulnerability and penetration testing drove reduced security and vulnerability threats.	

Business continuity		Direction of travel: Improving	Link to Strategy: Future ready
Risk	Failure to have effective business continuity, ICT disaster recovery, and major incident plans that are regularly tested. This may result in adverse and significant operational, financial, reputational, and legal and regulatory impacts.		
Mitigation strategies		Changes in year	
Business continuity frameworks follow the guidance within ISO 22301, with regular reporting and oversight across dedicated business groups, Audit and Risk Committee and Board.		Both Bromford and third-party plans have been thoroughly tested in year in response to business disruption events and have supported maintenance of services.	

Environmental and sustainability		Direction of travel: Improving	Link to Strategy: Future ready
Risk	Inability to respond to carbon reduction requirements by 2025 in our new and existing homes. This may result in material financial implications, regulatory intervention, and reputational damage.		
Mitigation strategies		Changes in year	
A roadmap has been developed to illustrate route to targets, which is monitored and tracked through the Sustainability Group.		A sustainability group has been established, who have launched the Sustainability Finance Framework and will track carbon footprint reporting and progress to targets for the group.	

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

Internal control

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

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Board and Strategic Report For the year ended 31 March 2021

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2021, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

Internal audit

The committee has overseen the conclusion of internal audit plan. The committee works closely with the internal auditor, who report directly to the chair of the Audit and Risk Committee. Throughout the year, the committee carefully monitored the progress of the internal audit function. The committee approves the work of internal audit annually and specifically approving any changes to the audit plan through regular quarterly updates. The scope of work takes account of the function's own assessment of risks, the input of first and second line management and the Audit and Risk Committee itself.

Significant issues considered by the Audit and Risk Committee for the year ended 31 March 2021

Significant issues were discussed with management and the external auditor in January 2021 when the Audit and Risk Committee reviewed the *Audit Plan and Strategy for the year*, and at the conclusion of the audit, when the financial statements were reviewed in July 2021.

The committee also considered all relevant reports and findings presented by the external auditor, and also the adequacy of management's response. In addition, the committee reviewed the external auditor's independence, objectivity and effectiveness of the audit.

The audit plan and strategy for the year identified the key audit matters which are considered below.

Key audit matter	Committee response
Loan Covenants and Treasury Management	The Group has borrowing, which includes undrawn facilities (predominantly revolving credit facilities), with stand alone interest rate swaps for periods up to 2032 to manage market-to-market exposure. These have been categorised as non-basic and are measured at fair value. Management gave assurances that loan covenant positions remain compliant with funder requirements and that long term financial plans support that the Group is able to avoid breaching loan covenants, even in a stressed scenario. The committee was satisfied with the outcomes and management responses.
Property Sales	The Group generate proceeds from sales of existing homes, first tranche low-cost home ownership and outright sales. The impact of COVID-19 has resulted in lower-than-expected sales achieved, which could impact on recoverability of stock. Management gave assurances to the committee that appropriate assumptions and judgements had been used, with year-end sales figures exceeding re-forecast assumptions. The committee was satisfied with the assurances received, noting the margins and surplus achieved.
Pensions	Bromford partakes in two LGPS pensions schemes and the Bromford defined pension scheme. As at 31 March 2021 the valuations of the schemes rely on a number of actuarial assumptions, which are approved by Bromford. Management gave assurances to the committee that the actuaries used appropriate assumptions which were based on the most recent valuations and are derived on a consistent basis, year on year. The external auditor presented the audit testing of the pension's assets and liabilities. The committee was satisfied that the appropriate assumptions and disclosures have been applied to the pension's liabilities presented in the financial statements.

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Board and Strategic Report For the year ended 31 March 2021

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

Area of focus	Committee action
Covid-19 response	At the start of the year the key risk register was adapted to reflect the impacts and mitigations in response to the Covid-19 pandemic. Through risk profile and assurances, the committee tracked the businesses response and maintenance of services throughout the pandemic. In addition, an internal audit was commissioned in the year to assess the business response, gaining assurance of a continued focus on the safety and wellbeing of customers and colleagues and maintenance of our critical services.
Brexit preparedness	Following on from activities through 2019 to 2020 the committee received updates against actions plans, tracking risks and mitigations linked to the end of the transition period. The committee noted the reports and were satisfied with the actions taken.
Transformation governance	With a large transformation programme underway, the committee requested a report on governance and risk management in the programme. This was presented in September 2020. The committee were satisfied with the proposals and agreed ongoing assurance regarding data cleansing.
Fire safety review	Following heavy assurance through 2018 to 2019 and 2019 to 2020, the committee requested an update on business preparedness for the revised Fire Safety Bill. A report was presented in February 2021 which detailed actions taken and next steps. The committee noted the report.
Appointment of external auditor	The committee tracked the progress of the successful appointment of a new external audit provider, with the committee chair a member of the interview panel. The committee noted the scoring methodology used and received assurance that robust handover would mitigate any risk to audit timescales.
Information security and resilience	Following an update to the information security framework at the start of the year, the committee received updates throughout the year on the outcomes of penetration and vulnerability testing, the committee noted that good progress had been made.
Value for Money benchmarking	The committee received a report on Value for Money, benchmarking current performance against historical performance and that of peers. The report showed a deteriorating trend across Bromford and the sector, but with group strengths on reinvestment and supply of new homes. The committee were satisfied with management proposals in place and planned to improve Bromford's position over the medium term.
Internal review plan	Reviewing and approving the schedule of internal review activity being undertaken by the risk and health and safety business assurance function.
Trading updates	Receiving and approving Bromford market trading updates.

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Board and Strategic Report For the year ended 31 March 2021

Financial review (5-year summary)

Income and Expenditure £'m	2017	2018	2019	2020	2021
Turnover	162	169	192	183	175
Operating costs and cost of sales	(99)	(114)	(137)	(132)	(127)
Surplus on disposal of assets	6	9	4	11	12
Change in valuation of investment properties	1	-	-	-	-
Operating surplus	70	64	59	61	60
Net interest charge and other finance costs	(26)	(25)	(34)	(35)	(32)
Movement in fair value of financial instruments	-	5	-	(3)	6
Financing cost of new group structure	-	-	(30)	-	-
Gift aid received	6	6	1	6	1
Surplus/ (loss) for the year	50	50	(4)	29	35

Statement of Financial Position £'m	2017	2018	2019	2020	2021
Housing properties at cost less depreciation	1,459	1,536	1,619	1,714	1,761
Other tangible fixed assets, intangible fixed assets and investments	25	26	34	40	53
Debtors due after more than one year	20	19	23	21	7
Net current assets	9	31	27	27	12
Total assets less current liabilities	1,513	1,612	1,703	1,802	1,833
Loans due after one year	(547)	(590)	(721)	(525)	(508)
Unamortised grant	(419)	(416)	(413)	(412)	(413)
Other long-term liabilities and provisions	(61)	(82)	(51)	(307)	(335)
Total net assets	486	524	518	558	577
Total reserves	486	524	518	558	577

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

We continue to focus on two main areas; cost control within a value for money framework and strong cash generation from core activities, allowing us to invest in our existing and new homes and in our services to customers. Our principle financial ratios show good performance in both areas. Social housing letting operating margin was 31% (2020: 29%) and overall operating margin of 35% (2020: 34%). The overall operating margin on underlying business activities excluding fixed asset sales was 28% (2020: 28%).

Liquidity remains a key focus and, at March 2021 we have:

- Cash and cash equivalents of £16.5m (2020: £35.7m)
- £22.7m (2020: £60.5m) in undrawn loan facilities (Revolving Credit Facilities)

Income and expenditure

The surplus before tax of £35.2m (2020: £29.1m) is a solid financial performance for BHA.

The vast majority (89%) of our income (2020: 83%) is derived from rents and service charges and we are not dependent upon income from asset disposals.

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Board and Strategic Report For the year ended 31 March 2021

Rental income

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

Shared Ownership

Total Shared ownership sales income for the year was £19.4m (2020: £30.1m). We sold 188 shared ownership homes at an average 100% sales value of £240k (2020: 296 homes, 100% value: £256k). The average first tranche share sold was 43.0% (2020: 41.0%).

Costs

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

Over the last year we have seen an increase of 2.5% in our total operating costs per the Statement of Comprehensive Income from £109m last year to £112m in the current year. The underlying cost base is impacted by colleague pay rises, general inflation and the impact of Covid-19.

Disposals

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

Disposal profits in the year were £12.2m (2020: £10.7m). The increase was largely due to disposals in line with our Bromford strategy, where we continue to withdraw from non core geographies, increasing sales and profits as set out in note 34.

Corporation tax

We continue the policy of gift aiding taxable surpluses from non-charitable Group Members to charitable Group Members. BHA received £0.7m in gift aid payments from other group members (2020: £6.3m).

Balance sheet

Fixed assets

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

Sales exposure

Exposure to unsold Shared Ownership stock is not a material issue for us. At 31 March, we had £0.4m of completed shared ownership properties held as stock (2020: £1.3m), refer note 18.

Investment in our homes

In the year we invested £26.3m in major repair and refurbishment programmes (2020: £26.2m) and £87.5m in new homes (2020: £113.2m).

Effects of material estimates and judgments within these financial statements

- On an annual basis we review for potential **Impairment of non-financial assets**; following the review no impairment was required.
- 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 pages 28 to 30.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2021

Treasury

The following table highlights our position on key measures:

	2021	2020
Borrowing	£821m	£808m
Undrawn facilities	£22.7m	£60.5m
Cash and cash equivalents	£16.5m	£35.7m
Fixed rate borrowing	96%	95%
Cost of borrowing	5.36%	5.01%
Interest cover covenant*	2.9 times	2.3 times
Asset gearing covenant (66.67% max)*	38%	40%

*These are based on Group results

Cash and liquidity

Rigorous control of cash is a key focus for us. Operating cash flow was again strong at £139m (2020: £94m) and represents 230% (2020: 153%) of operating surplus, an excellent cash conversion performance. Cash balances remain strong at £16.5m, with a further £21.9m (2020: £25.7m) held as investments.

Facilities and funding

External loans of £523m (2020: £537m) decreased by £14m during the year and group loans of £298m (2020: £271m) increased by £27m. A further £28m was drawn during the year from on-lending from BHG. £11m of loan repayments were made in the year. The remaining movement is due to the change to effective interest rate which decreased loans by £4m.

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

Interest rate management and mark to market position

We use fixed rate borrowings to manage our exposure to increases in interest rates and 96% of our borrowings are at fixed rates (2020: 95%) taking advantage of the low current low cost of long term debt. No further interest rate hedging was undertaken during the year.

The average cost of borrowing was 5.36% (2020: 5.01%). The increase has primarily come from the repayments in the year being mainly on variable or debt with a lower than average interest rate, bringing up the average cost of borrowing. We have a portfolio of cancellable interest rate swaps for periods up to 2031. The swaps are with banks with whom we already have a borrowing relationship. We manage our mark to market (MtM) position carefully, using the MtM thresholds built into our International Swaps and Derivatives Association agreements and are able to use property as security.

The full MtM value of the cancellable swaps at year-end was £22.9m which was lower than last year's level of £28.4m. The movement in fair value of these financial instruments of £5.5m has been credited to the Statement of Comprehensive Income. The movements in the MtM value were due to increases in the yield curve and long term rates. At year end the MtM call amount over our contracted threshold levels decreased to £2.9m (2020: £8.4m) mainly as a result of movement in the yield curve.

Security

We have a healthy level of available uncharged security. Our £22.7m of undrawn facilities are all fully secured. In addition, we have £19m pre-charged security ring-fenced to cover any further movements in our MtM exposure over and above our substantial contractual thresholds.

We continue to review our security pool for excess security which could be released to support future funding plans. £22m is currently held by our Security Trustee and is available subject to renewing searches, together with our as yet uncharged security, these pools are being managed in line with future funding plans, funder security covenant requirements and market changes to the extent they effect security valuations.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2021

Covenants

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

Operating performance

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

Value for money (VfM)

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

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

Sector metrics

Ref	Metric Name	2017	2018	2019	2020	2021
1	Reinvestment %	4.94%	6.18%	6.18%	6.78%	5.23%
2A	New supply delivered (Social housing units) %	1.69%	3.01%	3.15%	2.11%	2.08%
2B	New supply delivered (Non-social housing units) %	0.00%	0.00%	0.00%	0.00%	0.05%
3	Gearing %	32.44%	32.80%	36.42%	39.22%	39.68%
4	EBITDA MRI	236%	197%	151%	153%	157%
5	Headline Social housing cost per unit (£000s)	2.90	3.02	3.27	3.59	3.53
6A	Operating Margin (social housing lettings only) %	43.89%	40.56%	33.78%	29.01%	31.43%
6B	Operating Margin (overall) %	39.54%	32.32%	28.95%	27.65%	27.63%
7	ROCE	4.63%	3.97%	3.48%	3.42%	3.31%

The metrics show another strong performance with operating margins at 31.43% for social housing lettings (2020: 29.01%) and 27.63% overall (2020: 27.65%).

Reinvestment reduced as less development work occurred due to delays arising from COVID, also being a factor of new supply delivered reducing from 2.11% to 2.08%.

Headline social housing cost per unit reduced compared to 2020 as a result of lower overall spend due to the pandemic.

Social value

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

Welfare reform

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

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2021

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

We participated in the National Housing Federation (NHF) Voluntary Right to Buy pilot for the West Midlands.

Board compliance statements

Public benefit Entity

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

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

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

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

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

Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

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

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

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2021

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

Information for Auditors

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

Going Concern

In preparing the financial statements, the Board members have reviewed the Association's financial plan for 2021/24 and has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

Viability statement

As required by the provisions of the UK Corporate Governance Code, the Board has undertaken an assessment of the future prospects of the Association taking into account its current position and principal risks, including changes arising from year two of the Coronavirus pandemic.

This assessment was made using the following core business processes:

Thirty year business plan (the 'plan') – the Board reviews each iteration of the plan during the year as part of its strategic planning process, the most recent business plan was approved in May 2021 by the Board. This process includes detailed stress testing of the plan which involves flexing a number of assumptions underlying the forecast both individually and together under particular scenarios.

- Risk management – as set out in the risk section of the strategic report, Bromford has a structured approach to the management of risk and the principal risks identified are reviewed regularly by the Board.
- Liquidity – based on the output of the plan and regular reforecasting of cashflows the Board reviews the liquidity position of the group ensuring funding is secured in accordance with Bromford's treasury policy. Current available cash and unutilised loan facilities are over £500m which gives significant headroom for committed spend and other forecast cash flows that arise.

In undertaking this assessment, a period of three years has been selected. For the initial year of this three year period there is a greater level of certainty because detailed annual budgets are prepared and regularly reforecast. Monthly cashflow forecasts are reviewed by the Board covering a rolling 36 month period and are used to ensure sufficient facilities are in place. While reducing, the largest single area of spend remains the development programme and the bulk of the committed programme completes within this timeframe. Whilst development spend and required facilities are planned over a longer term than three years, the period chosen ensures that Bromford is viable beyond its usual development commitment timeframe.

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

Appointment of Auditors

Beever and Struthers were appointed as Bromford's external auditors in the financial year.

The report of the Board was approved on 20 July 2021 and signed on its behalf by:

Steve Dando - Chair

Bromford Housing Association Limited

Independent Auditor's Report to Bromford Housing Association Limited

Opinion

We have audited the financial statements of Bromford Housing Association Limited (the Association) for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves and the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

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

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

Materiality for the financial statements as a whole was set at £3,488,444, determined with reference to a benchmark of Turnover (of which it represents 2%). We consider turnover to be the most appropriate benchmark, and more appropriate than a profit-based benchmark as the Association is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested in the Association.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £174,422, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Bromford Housing Association Limited

Key Audit Matters

Recoverability of stock and work in progress

The risk – significant risk medium value

The Association recorded turnover from properties developed for first tranche shared ownership sale of £19.4m (2020: £30.1m). Other property sales (such as staircasing, RTB and asset disposals) generated a surplus of £12.2m (2020: £10.7m). At 31 March 2021, the Association held within current assets unsold properties with cost value of £0.4m (2020: £1.3m). Work in progress in relation to properties being developed for sale but still under construction at 31 March 2021 totalled £11.6m (2020: £11.0m).

Refer to page 35 (accounting policies) and page 49 (financial disclosures).

Our response

Our procedures included the following tests of detail:

- **Test of detail:** Agreeing the calculation of the surplus on sale for a sample of sales in the period.
- **Assessment of recoverability:** For a sample of development schemes, we reviewed the carrying value of the Association's stock and work-in-progress at the year-end including the financial appraisals of each scheme. This included testing on a sample basis the expected profitability of the current schemes, and reviewing post-year end sales of properties held in stock at 31 March 2021.

Our results

We found no evidence that the year end balance of stock and work in progress is overstated at the year end.

Our review of schemes under development did not identify any indication of work in progress that required provision or impairment write down.

We found no errors in the calculation of surplus on sale of properties.

Valuation of defined benefit pension obligations

The risk – significant risk high value

The Association participates in two defined benefit pension schemes. The actuaries of the schemes valued the pension liabilities for Section 28 of FRS 102 purposes, the net pension liability on each of these schemes at 31 March 2021 are reported as follows:

- The Staffordshire County Council Pension Scheme (£878k).
- The Bromford Pension Scheme (£4,043k).

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

Refer to page 36 (accounting policies) and pages 61 to 67 (financial disclosures).

Our response

Our procedures included the following:

- **Assessing the credentials of the schemes' actuaries:** We reviewed the credentials of the scheme actuaries to assess that they are one of the small number of experienced, skilled advisors appointed to undertake the pension scheme valuations, as we place reliance on the their valuation.
- **Confirmation of value:** We challenged, with the support of our own actuarial expert, the key assumptions and actuarial methodology applied, including the discount rate, inflation rate and mortality/life expectancy.
- **Test of detail:** We agreed the relevant accounting entries and disclosures in the financial statements to the reports prepared by the scheme actuaries.

Our results

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

Bromford Housing Association Limited

Treasury management and going concern

The risk – significant risk high value

The Association posted a full year surplus of £35.2m before actuarial movements on pension schemes (refer to page 28 (accounting policies) and page 24 (financial disclosures)).

At 31 March 2021 the Association had borrowings of £523.6m (refer to page 37 (accounting policies) and page 52 (financial disclosures)).

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

Our response

Our procedures included the following:

- **Assessment of recoverability:** Reviewed the Association's 2021/22 budget and longer term financial forecasts, and the underlying assumptions, to assess the Association's ability to service and repay the debt. We also reviewed the stress testing performed by the Association on its long term financial plan.
- **Confirmation of value:** Agreed loan balances to the accounting records and to external confirmation from the funders.
- **Test of detail:** Tested the detailed calculations for loan covenant compliance prepared by management, both for the year ended 31 March 2021 and projected future performance.

Our results

Our audit work concluded that all loan covenants were comfortably met at 31 March 2021. We confirmed that the Association held cash reserves of £16.5m at 31 March 2021, and had undrawn loan facilities of £22.7m. The Association also has access to on lending from Bromford Housing Group Limited, which held cash reserves of £169.1m at 31 March 2021, and had undrawn loan facilities of £337.7m. This available funding equates to approximately 26 months of Group operating expenditure and is sufficient to meet committed capital expenditure at 31 March 2021.

Forecast performance at 31 March 2022 shows a similar position, with Group gearing and interest cover forecast to be 37.3% and 295% respectively, against covenant limits of 67% and 110% respectively. Across a range of stress testing scenarios, including those linked to COVID-19, the Group remains comfortably within its funding covenants.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

Bromford Housing Association Limited

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

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

Corporate governance disclosures

We are required to report to you if:

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

We have nothing to report in these respects.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 17, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

- We obtained an understanding of laws and regulations that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.

Bromford Housing Association Limited

- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing, recognising the nature of the Association's activities and the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.

Lee Cartwright

For and on behalf of Beever and Struthers Chartered Accountants, Statutory Auditor
St Georges House
215 Chester Road
Manchester
M15 4JE

Date:

Bromford Housing Association Limited

Statement of Comprehensive Income For the year ended 31 March 2021

	Notes	2021 Total £'000	2020 Total £'000
Turnover	2	175,182	182,570
Cost of sales	2	(15,309)	(23,209)
Operating costs	2	(111,650)	(108,920)
Gain on disposal of property assets	34	12,198	10,730
Increase in valuation of investment properties	13	180	229
Operating surplus	5	60,601	61,400
Interest receivable	6	259	555
Interest and financing costs	7	(31,792)	(32,110)
Loan break costs	7	-	(4,276)
Movement in fair value of financial instruments	33	5,540	(2,748)
Movement in fair value of investments	20	(74)	-
Gift Aid		681	6,326
Surplus before tax		35,215	29,147
Taxation	10	-	7
Surplus for the year after tax		35,215	29,154
Actuarial (loss)/gain relating to pension scheme	36	(16,552)	13,196
Closure of multi-employer defined benefit pension scheme (SHPS)		-	(2,395)
Total comprehensive income for the year		18,663	39,955

The Association's results relate wholly to continuing activities.

The notes on pages 28 to 67 form an integral part of these financial statements

The financial statements on pages 24 to 67 were approved and authorised for issue by the Board on 20 July 2021 and were signed on its behalf by:

Steve Dando - Chair

Robert Nettleton - Chief Executive

Sarah Beal - Company Secretary

Bromford Housing Association Limited**Statement of Financial Position****As at 31 March 2021**

Registration number 4109

	Notes	2021 £'000	2020 £'000
Fixed Assets			
Tangible fixed assets - housing properties	11	1,761,346	1,713,624
Investment properties	13	6,728	6,277
Tangible fixed assets - other	14	12,407	10,464
Intangible Fixed Assets	15	29,334	19,030
Investments - other	16	4,220	4,220
Homebuy loans receivable	17	280	390
		<u>1,814,315</u>	<u>1,754,005</u>
Assets: amounts receivable in more than one year			
Pension asset	36	-	12,471
Debtors	19	7,216	8,206
		<u>7,216</u>	<u>20,677</u>
Current Assets			
Stocks	18	21,589	13,532
Trade and other debtors : receivable within one year	19	29,076	23,759
Investments	20	21,940	25,697
Cash and cash equivalents	21	16,492	35,740
		<u>89,097</u>	<u>98,728</u>
Creditors: amounts falling due within one year	22	<u>(77,363)</u>	<u>(71,356)</u>
Net current assets		<u>11,734</u>	<u>27,372</u>
Total assets less current liabilities		<u>1,833,265</u>	<u>1,802,054</u>
Creditors - Amounts falling due after more than one year			
Loans	23	(508,413)	(524,553)
Interest rate swaps	23	(20,182)	(25,070)
Deferred Capital Grant	23,24	(413,192)	(411,934)
Other Creditors	23	(308,096)	(281,007)
		<u>(1,249,883)</u>	<u>(1,242,564)</u>
Provisions for liabilities			
Pension liability	36	(4,921)	(1,254)
Other provisions	26	(1,929)	(367)
Total net assets		<u>576,532</u>	<u>557,869</u>
Reserves			
Called up share capital	27	-	-
Income and Expenditure Reserve		497,724	477,657
Revaluation Reserve		78,808	80,212
Total reserves		<u>576,532</u>	<u>557,869</u>

The notes on pages 28 to 67 form an integral part of these financial statements. The financial statements on pages 24 to 67 were approved and authorised for issue by the Board on 20 July 2021 and were signed on its behalf by:

Steve Dando
Chair

Robert Nettleton
Chief Executive

Sarah Beal
Company Secretary

Bromford Housing Association Limited

**Statement of Movement in Reserves
For the year ended 31 March 2021**

	Revaluation Reserve £'000	Total Income and Expenditure Reserve £'000	Total £'000
Balance at 1 April 2019	81,946	435,968	517,914
Surplus from Statement of Comprehensive Income	-	29,154	29,154
Other comprehensive income:			
Actuarial gains relating to pension schemes	-	13,196	13,196
Closure of multi-employer defined benefit pension scheme (SHPS)	-	(2,395)	(2,395)
Total comprehensive income for the year	-	39,955	39,955
Reserve transfers:			
Transfer in respect of depreciation	(1,457)	1,457	-
Transfer in respect of disposal	(277)	277	-
Balance at 31 March 2020	80,212	477,657	557,869
Surplus from Statement of Comprehensive Income	-	35,215	35,215
Other comprehensive income:			
Actuarial losses relating to pension schemes	-	(16,552)	(16,552)
Total comprehensive income for the year	-	18,663	18,663
Reserve transfers:			
Transfer in respect of depreciation	(1,404)	1,404	-
Balance at 31 March 2021	78,808	497,724	576,532

The notes on pages 28 to 67 form an integral part of these financial statements

Bromford Housing Association Limited

Statement of Cash flows
For the year ended 31 March 2021

	2021		2020	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities (note 29)		139,163		93,722
Cashflow from investing activities				
Purchase of tangible fixed assets - new housing properties	(82,761)		(117,082)	
Purchase of tangible fixed assets - other	(2,932)		(1,247)	
Purchase of tangible fixed assets - existing housing properties	(18,435)		(19,953)	
Purchase of intangible fixed assets	(14,327)		(7,272)	
Proceeds from sale of tangible fixed assets	-		-	
Proceeds from sale of investments	-		360	
Grants received	2,901		4,486	
Interest received	259		555	
Net cashflow from investing activities		(115,295)		(140,153)
Cashflow from financing activities				
Interest paid	(36,950)		(35,139)	
New secured loans	-		222,120	
Repayment of borrowings	(10,587)		(145,449)	
Transfer from current asset investments	3,740		797	
Gift aid received	681		6,326	
Tax paid	-		-	
Net cashflow from financing activities		(43,116)		48,655
Net change in cash and cash equivalents		(19,248)		2,224
Cash and cash equivalents at the beginning of the year		35,740		33,516
Cash and cash equivalents at the end of the year		<u>16,492</u>		<u>35,740</u>

The notes on pages 28 to 67 form an integral part of these financial statements

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

Legal Status

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

1. PRINCIPAL ACCOUNTING POLICIES

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

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. 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 Association's financial statements have been prepared in compliance with FRS102. The Association meets the definition of a public benefit entity (PBE).

Going concern

The board, after reviewing the company budgets for 2021/22 and the group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the group and company have adequate resources to continue in business for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

Judgements and key sources of estimation uncertainty

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

- **Development expenditure** - The Association capitalises development expenditure in accordance with the accounting policy described on page 32. Initial capitalisation of costs is based on management's judgement that the development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identified as abortive are charged in the Statement of Comprehensive Income.
- **Capitalisation of software** - the Association capitalises software and attributable project costs in intangible assets when it has been identified that these costs can be reliably measured and will provide future economic benefit to the group. These assets are regularly reviewed for impairment with any reduction in value charged to in the Statement of Comprehensive Income. Further details are provided in note 15.
- **Categorisation of housing properties** - The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the 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.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

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

Notes to the Financial Statements

For the year ended 31 March 2021

- **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 36.

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

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

Following a trigger for impairment, the 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.

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

In the previous year following the assessment of the indicators of impairment, the value of our transformation programme intangible asset was reduced by £1.8m, the carrying value has been further assessed this year with no further impairment considered necessary.

- **Leases**

A review of all leases has been carried out to classify leases as either operating or finance. These decisions depend upon an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- **Rent arrears and bad debt provisions**

The amount of arrears that will not be collected is estimated on experience of collection of different types of debt. The impact of changes in welfare reform including universal credit and benefit caps have been estimated based on data provided from pilot studies and the Group's experience based on a small population.

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

Turnover and revenue recognition

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

Bromford Housing Group generates the following material income streams:

Rental income receivable

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

Shared ownership first tranche sales

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

Service charge income

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

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

Supporting people

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

Properties developed for outright sales

Sales of properties developed for outright sale are included in Turnover and Cost of Sales on legal completion. The surplus or deficit arising on an outright sale is shown after deducting the cost of the properties and related sale expenses.

Grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. If there are specific performance requirements, the grant is recognised in Turnover when the performance requirements are met.

Where developments have been financed wholly or partly by social housing grant (SHG) and other grants, the income is recognised in Turnover (using the accruals model) over the estimated useful life of the assets excluding land) which it funds.

Other income

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

Loan interest costs

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

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

Loan finance issuance costs

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

Taxation

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

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

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

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

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

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

Value Added Tax

The Group charges VAT on some of its income and can recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group/ Association and is not recoverable. The balance receivable or payable at the year-end is within the Current Assets or Current Liabilities.

Tangible fixed assets and depreciation

Housing properties

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

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

Freehold land is not depreciated.

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

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

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

UEls for identified components are as follows:

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

The 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

Works to Existing Properties

Works to existing properties have been capitalised when:

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

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

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

Non-component Works to Existing Properties

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

Low cost home ownership properties

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

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31st March 2021, interest has been capitalised at an average rate of 3.93% (2020: 3.96%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments.

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

Capitalisation of intangible fixed assets

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

Intangible fixed assets

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

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

Property managed by agents

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

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

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

Leasing and hire purchase

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

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.

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

Investment property

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

HomeBuy

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

In the event a property is sold, the Group recovers the equivalent loaned percentage value of the property at the time of sale.

- The grant is recyclable up to the value of the original grant;
- If there has been a fall in value of the property, the shortfall in proceeds can be offset against the grant;
- The Group can keep any surplus.

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

Equity loans purchased from house builders

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

Valuation of investments

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

Current asset investments

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

Stock and properties held for sale

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

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

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

Short-term debtors and creditors

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

Social housing and other government grants

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

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

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

Recycling of capital grant

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

Holiday pay accrual

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

Defined benefit pension

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

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

On the 31 March 2019, the Group ceased membership of SHPS and its liability for deferred repayments ceased. The share of assets and liabilities for the Group defined benefit scheme were transferred to a new Bromford standalone defined benefit scheme administered by The Pensions Trust. From this point the pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method.

The Group participates in the defined benefit Gloucestershire County Council, Avon Pension Fund 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.

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

Defined contribution pension

The Association provides a defined contribution stakeholder pension scheme for employees not included in the SHPS scheme. The employer contribution to the scheme is charged to the Statement of Comprehensive Income as it becomes payable. The assets of the scheme are kept separately from those of the Association.

Revaluation reserve

The revaluation reserve represents the difference on transition to FRS102 between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken. The difference between actual depreciation charge and the historical cost depreciation is transferred from the revaluation reserve to the revenue reserve annually.

Cash and cash equivalents

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

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:

- Cash is held at cost
- Financial assets such as current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method;
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest 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.

Notes to the Financial Statements

For the year ended 31 March 2021

Carrying amounts

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

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

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.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

2021

2. Turnover and operating surplus	Note	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on disposal £'000	Revaluation of investment property £'000	Operating surplus/ (deficit) £'000
Social housing lettings							
Housing accommodation	3	128,732	-	(83,841)	-	-	44,891
Supported housing accommodation	3	11,782	-	(10,789)	-	-	993
Shared ownership accommodation	3	9,046	-	(7,917)	-	-	1,129
		149,560	-	(102,547)	-	-	47,013
Other social housing activities							
First tranche shared ownership sales		19,352	(15,286)	-	-	-	4,066
Supported people contract income		1,619	-	(2,829)	-	-	(1,210)
Agency services		1,948	-	(1,804)	-	-	144
Sales and development		44	-	(2,623)	-	-	(2,579)
Other		717	-	(212)	-	-	505
Gain on disposal of property, plant and equipment		-	-	-	12,198	-	12,198
Non-social housing activities							
Market rents		1,183	-	(993)	-	-	190
Sewerage services		14	-	(61)	-	-	(47)
Commercial rents		588	-	(581)	-	-	7
Properties developed for outright sale		-	88	-	-	-	88
Property development/equity loan sales		157	(111)	-	-	-	46
Increase in valuation of investment properties		-	-	-	-	180	180
		175,182	(15,309)	(111,650)	12,198	180	60,601

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

		2020					
2. Turnover and operating surplus	Note	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on disposal £'000	Revaluation of investment property £'000	Operating surplus/ (deficit) £'000
Social housing lettings							
Housing accommodation	3	125,000	-	(84,440)	-	-	40,560
Supported housing accommodation	3	13,076	-	(11,372)	-	-	1,704
Shared ownership accommodation	3	8,188	-	(8,025)	-	-	163
		<u>146,264</u>	<u>-</u>	<u>(103,837)</u>	<u>-</u>	<u>-</u>	<u>42,427</u>
Other social housing activities							
First tranche shared ownership sales		30,109	(22,958)	-	-	-	7,151
Supported people contract income		1,784	-	(2,259)	-	-	(475)
Agency services		1,610	-	(908)	-	-	702
Sales and development		20	-	(1,457)	-	-	(1,437)
Other		537	-	9	-	-	546
Gain on disposal of property, plant and equipment		-	-	-	10,730	-	10,730
							-
Non-social housing activities							
Market rents		1,108	-	(73)	-	-	1,035
Sewerage services		12	-	11	-	-	23
Commercial rents		805	-	(49)	-	-	756
Properties developed for outright sale		145	(145)	(357)	-	-	(357)
Property development/equity loan sales		176	(106)	-	-	-	70
Increase in valuation of investment properties		-	-	-	-	229	229
		<u>182,570</u>	<u>(23,209)</u>	<u>(108,920)</u>	<u>10,730</u>	<u>229</u>	<u>61,400</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2021**

3. Income and Expenditure from Social Housing Lettings	2021			2020	
	Housing accommodation £'000	Supported housing for older people and My Place £'000	Shared Ownership £'000	Total £'000	Total £'000
Income					
Rent receivable net of identifiable service charge	121,434	6,827	6,907	135,168	131,894
Service charge income	3,754	3,841	1,843	9,438	9,175
Charges for support services	134	150	128	412	596
Amortised government grants	3,410	964	168	4,542	4,599
Revenue grants from other sources	-	-	-	-	-
Turnover from social housing lettings	128,732	11,782	9,046	149,560	146,264
Expenditure					
Management	25,543	3,138	3,398	32,079	32,302
Service charge costs	6,681	2,965	767	10,413	10,802
Care and support costs	-	-	-	-	-
Routine maintenance	18,408	1,295	546	20,249	21,797
Planned maintenance	4,856	474	516	5,846	6,881
Major repairs expenditure	7,042	605	247	7,894	6,276
Bad debts	371	72	39	482	717
Depreciation of housing properties	20,940	2,240	2,404	25,584	25,062
Operating expenditure on social housing lettings	83,841	10,789	7,917	102,547	103,837
Operating surplus on social housing lettings	44,891	993	1,129	47,013	42,427
Voids	(1,306)	(544)	(7)	(1,857)	(1,314)

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

4. Accommodation - owned, managed and in development	2021	2020
	Number	Number
Under management at the end of the year		
General needs housing - social rent	20,817	20,875
General needs housing - intermediate rent	5	13
General needs housing - affordable rent	2,988	2,754
Supported housing	1,793	1,863
Low-cost home ownership	2,322	2,261
Leasehold	868	874
Units to be remodelled	183	173
	28,976	28,813
Under development at the end of the year		
General needs housing - social rent	273	483
General needs housing - affordable rent	356	599
Supported housing	-	15
Low-cost home ownership	334	483
Total social housing units	29,939	30,393
Non-social housing		
Staff accommodation	5	5
Market rent	166	150
Commercial	34	34
Offices and resource	104	110
Retained freehold	669	649
Total non social housing units	978	948
Total units	30,917	31,341
Owned and managed	28,508	28,316
Owned and managed by others	447	459
Managed for others	816	813
Under development	963	1,580
Units to be remodelled	183	173
Total Units	30,917	31,341
Garages/parking spaces	1,825	1,891
Garages not lettable (under review)	701	811
Total garages	2,526	2,702

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

5. Surplus on ordinary activities

The surplus on ordinary activities is stated after charging	2021 £'000	2020 £'000
Operating lease rentals		
- office land and buildings	357	543
- Other operating lease rentals	1,593	1,897
Previous auditors' remuneration		
- Audit of financial statements	-	54
- service charge certification	-	21
- Other services	-	22
Current auditors' remuneration		
- Audit of financial statements	50	-
- service charge certification	32	-
- other	8	-

6. Interest receivable and income from investments	2021 £'000	2020 £'000
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Interest receivable from cash, deposits and intragroup loans	259	555
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7. Interest payable and similar charges	2021 £'000	2020 £'000
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Interest on loans, overdrafts and other financing

Repayable wholly within five years	264	2,835
Repayable wholly or partly in more than five years	22,546	21,593
	22,810	24,428

On loans from Bromford Housing Group Limited	8,945	7,939
Other finance charges	278	332
Amortised net finance premium	2,784	553
	34,817	33,252

Interest payable capitalised on housing properties under construction 3.93% (2020: 3.96%)	(2,759)	(1,370)
	32,058	31,882

Interest on pension scheme liabilities	2,916	3,167
Expected return on employer assets	(3,182)	(2,939)
	31,792	32,110

In the previous year, the Association completed the early repayment of a legacy bank loan with a non-active lender. This early repayment incurred break costs of £4,276k. The loan was refinanced through new capital market issuances and the transaction generated significant net savings in cash terms over the remaining life of the loan.

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

8. Colleague costs

	2021	2020
	£'000	£'000
Wages and salaries	38,374	28,984
Social security costs	3,282	2,717
Other pension costs	2,349	2,116
	<u>44,005</u>	<u>33,817</u>

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

	2021	2020
	No.	No.
Asset management	480	457
Central services	-	64
Innovation and new business	-	4
Development, construction and sales	50	51
Housing management and support	421	442
	<u>951</u>	<u>1,018</u>

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

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

9. Directors' emoluments

The total emoluments of the directors are paid through BHG and are disclosed in the BHG Annual Report and Accounts.

Directors' emoluments are part of the overheads recharged to the Association, however cannot be separately identified.

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

10. Taxation on surplus on ordinary activities

	2021	2020
	£'000	£'000
Current tax		
UK corporation tax charge/(credit) on ordinary activities	-	(7)
Tax on surplus on ordinary activities	<u>-</u>	<u>(7)</u>
Total tax reconciliation		
Surplus on ordinary activities	<u>35,215</u>	<u>29,147</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	6,691	5,538
Effects of Surplus relating to charitable entities	(6,691)	(5,545)
	<u>-</u>	<u>(7)</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

11. Tangible fixed assets - housing properties

	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
As at 1 April 2020	1,682,777	75,743	173,737	30,230	1,962,487
Additions	-	71,482	-	16,055	87,537
Replacement of components	18,435	-	-	-	18,435
Transferred on completion	24,266	(24,266)	11,429	(11,429)	-
Disposals	(3,488)	-	(2,426)	-	(5,914)
Components disposed	(7,648)	-	(7)	-	(7,655)
Transfer to another Association	(23,531)	-	(3,988)	-	(27,519)
Transfer to investment properties	(273)	-	-	-	(273)
As at 31 March 2021	1,690,538	122,959	178,745	34,856	2,027,098
Depreciation					
As at 1 April 2020	243,624	-	5,239	-	248,863
Charge for the year	24,548	-	1,036	-	25,584
Disposals	(5,479)	-	(3,216)	-	(8,695)
As at 31 March 2021	262,693	-	3,059	-	265,752
Net book value					
As at 31 March 2021	1,427,845	122,959	175,686	34,856	1,761,346
As at 31 March 2020	1,439,153	75,743	168,498	30,230	1,713,624
				2021	2020
				£'000	£'000
Housing property net book value in respect of long leaseholds				78,285	80,074
Housing property net book value in respect of freeholds				1,683,061	1,633,550
				1,761,346	1,713,624
Component depreciation within the depreciation charge				15,582	14,272
Development administration costs capitalised during the year				4,017	2,729
Aggregate amount of interest and finance cost included within the cost of housing properties				25,586	22,815

Properties held for security

Bromford Housing Association - Registered Social Housing Provider - has property pledged as security value (EUV - SH and MV - STT) of £794m (2020: £791m). The number of units on which security was pledged amounted to 13,648 (2020: 13,250).

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

12. Expenditure on work to existing properties	2021	2020
	£'000	£'000
Replacement of components	18,435	19,953
Amounts charged to income and expenditure account	7,894	6,276
	<u>26,329</u>	<u>26,229</u>

13. Investment properties held for letting	2021	2020
	£'000	£'000
As at 1 April	6,277	6,612
Transfer to tangible fixed assets - housing properties	273	(552)
Transfer to current asset investments	-	-
Gain/(loss) on transfer of properties	41	(45)
Gain/(loss) from adjustment in value		
Commercial investment properties	(140)	48
Market rent investment properties	279	226
Disposals		
Market rent investment properties	(2)	(12)
As at 31 March	<u>6,728</u>	<u>6,277</u>

Investment properties (commercial and market rent) were valued at 31 March 2021 by professional qualified external valuers.

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

Discount rate	6.5%-9%
Annual inflation rate	1%
Level of long term rent increase	<u>1%</u>

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2021**

14. Tangible fixed assets - other

	Freehold offices £'000	Fixtures, fittings & equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
As at 1 April 2020	12,449	1,274	9,603	317	23,643
Additions	789	29	552	1,761	3,131
Disposals	-	-	-	(84)	(84)
As at 31 March 2021	13,238	1,303	10,155	1,994	26,690
Depreciation and impairment					
As at 1 April 2020	3,540	1,213	8,150	276	13,179
Charge for the year	297	57	763	69	1,186
Disposals	-	-	-	(82)	(82)
As at 31 March 2021	3,837	1,270	8,913	263	14,283
Net book value					
As at 31 March 2021	9,401	33	1,242	1,731	12,407
As at 31 March 2020	8,909	61	1,453	41	10,464

15. Intangible fixed assets	Software £'000	Architects' fees £'000	Total £'000
Cost			
As at 1 April 2020	22,630	148	22,778
Additions	12,502	-	12,502
As at 31 March 2021	35,132	148	35,280
Amortisation			
As at 1 April 2020	3,607	141	3,748
Charge for the year	2,191	7	2,198
As at 31 March 2021	5,798	148	5,946
Net book value			
As at 31 March 2021	29,334	-	29,334
As at 31 March 2020	19,023	7	19,030

Amortisation of intangible assets is included in operating costs in the Statement of Comprehensive Income. Included within software are amounts capitalised for our software transformation project of £27.3m (2020: £17.9m), this asset includes various projects, some of which are complete and others that are in progress. Assets in progress of £16.8m (2020: £9.1m) have not yet been amortised as these assets are still being developed, once complete they will be amortised over the useful economic life of 7 years. The remaining amortisation period of the completed assets is between 6 – 7 years. In the previous year there was an impairment charge identified of £1.8m and this is included in the depreciation amounts brought forward. Following an assessment of the carrying value of the intangible asset no further impairment is considered necessary.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

16. Investments - other	2021	2020
	£'000	£'000
Bromford Assured Homes Limited	4,000	4,000
Igloo Insurance PCC Limited (Cell BR04)	220	220
	4,220	4,220
17. Homebuy loans	2021	2020
	£'000	£'000
As at 1 April	390	496
Loans redeemed in the year	(110)	(106)
As at 31 March	280	390
18. Stocks and work in progress	2021	2020
	£'000	£'000
Consumable stock	490	978
Land	9,169	173
Cost of first tranche element of shared ownership properties	11,930	12,381
	21,589	13,532
Completed	354	1,331
Under construction	11,576	11,050
	11,930	12,381
19. Trade and other debtors	2021	2020
	£'000	£'000
Amounts falling due within one year		
Rent arrears	5,188	5,393
Less: provision for bad debts	(2,027)	(1,903)
	3,161	3,490
Trade debtors	93	369
Amounts due from group companies	23,005	16,038
Other debtors	1,238	1,210
Prepayments and accrued income	1,579	2,652
	29,076	23,759
Amounts falling due after more than one year		
Amounts due from group companies	7,206	8,206
Other debtors	10	-
	7,216	8,206

2021 **2020**

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021 20. Current asset investments

	£'000	£'000
Opening fair value at 1 April	25,697	27,169
Additions to investments	88	2,294
Withdrawals from investments	(3,828)	(3,141)
Disposals	-	(360)
Interest	57	50
Reclassification to housing assets	-	(315)
Losses on re-measurement to fair value	(74)	-
Fair value at 31 March	<u>21,940</u>	<u>25,697</u>

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

21. Cash and cash equivalents	2021 £'000	2020 £'000
Cash at bank	16,490	33,082
Cash equivalents	<u>2</u>	<u>2,658</u>
	<u>16,492</u>	<u>35,740</u>

Included in the above are balances totalling £3.6m (2020: £3.5m) which are held in trust for shared ownership leaseholders.

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

22. Creditors: amounts falling due within one year	2021	2020
	£'000	£'000
Prepaid rental income	5,324	4,713
Loans	14,786	12,470
Local Authority RTB share of proceeds	396	823
Interest rate swaps	2,693	3,345
Trade creditors	8,492	7,162
Amounts due to group companies	12,601	11,866
Social security and other taxes	1,384	1,246
Balances with supported housing partners	1,058	912
Funds held on trust	232	228
Deferred capital grant	4,606	4,699
Recycled capital grant fund	1,378	2,500
Other creditors	2,314	2,874
Payments received on account from subsidiary for property	1,968	1,845
Accruals and deferred income	20,131	16,673
	77,363	71,356

23. Creditors: amounts falling due after more than one year	2021	2020
	£'000	£'000
Loans	508,413	524,553
Loans due to group companies	297,620	270,620
Interest rate swaps	20,182	25,070
Leaseholder sinking funds	3,714	3,654
Balances with supported housing partners	2,132	2,132
Deferred capital grant	413,192	411,934
Recycled capital grant fund	4,525	4,496
Other creditors	105	105
	1,249,883	1,242,564

Loan repayment profile		
Repayable within one year	14,786	12,470
Repayable between one and two	13,177	12,904
Repayable between two and five years	44,648	42,837
Repayable after five years	451,002	469,283
Less: Loan finance costs	(414)	(471)
	523,199	537,023

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

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

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

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

Interest rate swap creditor profile	2021	2020
	£'000	£'000
Due within one year	2,693	3,345
Due between one and two	2,769	3,439
Due between two and five years	6,430	7,988
Due after five years	10,983	13,643
	22,875	28,415

The interest risk profile of loan liabilities are as follows	2021	2020
	£'000	£'000
Floating rate - average 0.41% (2020: 0.85%)	23,018	26,697
Fixed rate - average 4.79% (2020: 4.52%)	500,595	510,797
	523,613	537,494

Undrawn committed borrowing facilities (all secured) at 31 March were	2021	2020
	£'000	£'000
Expiring within one year	-	37,745
Expiring between one and two	-	-
Expiring between two and five years	-	-
Expiring after five years	22,749	22,749
	22,749	60,494

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

24. Deferred capital grant	2021	2020
	£'000	£'000
At 1 April	416,633	417,424
Grants received in year	14,808	6,590
Transferred to third party	(11,907)	(2,104)
Grants recycled from the Recycled Capital Grant Fund and disposal proceeds fund	2,508	1,478
Grants recycled to the recycled capital grant fund	(1,408)	(3,104)
Amortised in year	(4,662)	(4,719)
Amortised grant on disposal	1,826	1,068
As at 31 March	<u>417,798</u>	<u>416,633</u>
Amount due to be released within one year	4,606	4,699
Amount due to be released in more than one year	413,192	411,934
	<u>417,798</u>	<u>416,633</u>
25. Recycled capital grant fund	2021	2020
	£'000	£'000
At 1 April	6,996	4,386
Inputs to reserve		
Grants recycled	1,408	3,104
Transfer from group company	-	970
Interest accrued	7	14
Utilised		
New build	(2,508)	(1,478)
	<u>5,903</u>	<u>6,996</u>
Amounts due within one year	1,378	2,500
Amounts due after more than one year	4,525	4,496
	<u>5,903</u>	<u>6,996</u>
Amount three years or older where repayment may be required	<u>-</u>	<u>508*</u>

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

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

26. Provision for liabilities and charges

	£'000
As at 1 April 2020	367
Additions	1,996
Utilised	(434)
As at 31 March 2021	1,929

Provisions include insurance and performance related pay

27. Share Capital and reserves	2021	2020
	£	£
Issued and fully paid (nominal value £1)		
At 1 April	7	10
Allotted	2	-
Cancelled	(1)	(3)
	<u>8</u>	<u>7</u>

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

Revaluation reserve - represents the difference on transition to FRS102 between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

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

28. Analysis of changes in net debt	As at 1 April 2020	Cashflows	Amortisation of loan costs / other non cash	Movement in creditors due within one year	As at 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Cash at bank and cash equivalents	35,740	(19,248)	-	-	16,492
Short term investments	25,697	(3,683)	(74)	-	21,940
	<u>61,437</u>	<u>(22,931)</u>	<u>(74)</u>	<u>-</u>	<u>38,432</u>
Other loans					
Housing loans due within one year	(12,470)	10,587	-	(12,903)	(14,786)
Housing loans due after more than one year	(524,553)	-	3,237	12,903	(508,413)
Change in debt resulting from cashflows	(475,586)	(12,344)	3,163	-	(484,767)

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

29. Cash flow from operating activities	2021	2020
	£'000	£'000
Surplus for the year	35,215	29,154
Adjustments for non-cash items		
Depreciation of tangible fixed assets	26,770	24,941
Amortisation of intangible fixed assets	2,198	1,390
Impairment of intangible fixed assets	-	1,806
Amortisation of government grant	(4,662)	(4,719)
(Increase)/decrease in stock	(8,057)	17
(Increase)/decrease in trade and other debtors	1,583	(169)
Increase in trade and other creditors	3,272	(9,731)
Increase in intergroup balances	21,891	22,116
Increase in provisions	1,562	-
Pension costs less contributions payable	(148)	(20,490)
Carrying amount of tangible fixed asset disposals	34,221	17,044
Carrying amount of intangible fixed asset disposals	-	230
Carrying amount of investment disposals	2	12
Adjustments for investing or financing activities		
Movement on shared equity loans	110	106
Movement in value of swaps	(5,540)	2,748
Movement in value of investment property	(106)	(229)
Interest payable	31,792	36,384
Interest receivable	(259)	(555)
Gift aid	(681)	(6,326)
Taxation	-	(7)
Net cash generated from operating activities	139,163	93,722

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

30. Capital commitments

	2021	2020
	£'000	£'000

Capital expenditure contracted for but not provided for in the financial statements

296,908	<u>218,515</u>
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Capital expenditure authorised by not yet contracted for

21,014	<u>92,234</u>
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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	14,873	9,832
Proceeds from the sale of properties	60,153	60,944
Loans and reserves	242,896	239,973
	317,922	<u>310,749</u>

31. Other financial commitments

The minimum lease payments due under operating leases are as follows

	Land and buildings		Vehicles and office equipment		Total leases	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire						
Within one year	-	126	276	32	276	158
Within two to five years	217	466	2,061	3,539	2,278	4,005
After more than five years	-	91	-	-	-	91
	217	<u>683</u>	2,337	<u>3,571</u>	2,554	<u>4,254</u>

32. Grant and financial assistance

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

	2021	2020
	£'000	£'000
Held as deferred capital grant	417,798	416,633
Recognised as income in Statement of Comprehensive Income	99,108	96,272
	516,906	<u>512,905</u>

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

33. Financial instruments

The company's financial instruments may be analysed as follows

	2021	2020
	£'000	£'000
Financial liabilities measured at fair value through the income and expenditure account		
Derivative financial instruments	22,875	28,415
Total financial liabilities	22,875	28,415

Swap valuations are conducted using standard mark to market (MtM) methodology, where the MtM is the present value of all the future cashflows under the swap contract. They are measured at fair value at each reporting date, any increase or decrease is recognised in the statement of comprehensive income. The valuations used discount rates between 4.183% and 4.655%.

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

	Proceeds of sales £'000	Cost of sales £'000	Surplus £'000	Capital grant recycled £'000
Further tranches of shared ownership	5,988	(4,062)	1,926	462
Right to buy	459	(449)	10	-
Right to acquire	1,226	(636)	590	229
Other property disposals	28,312	(18,606)	9,706	717
Other fixed asset disposals	-	(34)	(34)	-
Total 2021	35,985	(23,787)	12,198	1,408
Total 2020	24,718	(13,988)	10,730	5,208

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

35. Related party transactions

Transactions with non-regulated members of the Group

	2021					
	Bromford Developments Limited BDL £'000	Bromford Assured Homes Limited BAH £'000	Street Services Limited SSL £'000	Strand Services Limited STR £'000	Riverside Mews Limited RIV £'000	Igloo Insurance PCC Limited (Cell BR04) IGL £'000
Income						
Gift Aid	-	499	182	-	-	-
Management recharges	-	-	-	4	2	-
Administration recharges	-	57	-	-	-	-
	<u>-</u>	<u>556</u>	<u>182</u>	<u>4</u>	<u>2</u>	<u>-</u>
Expenditure						
Construction services	13,187	-	-	-	-	-
Rental charges	-	-	202	-	-	-
Insurance fees	-	-	-	-	-	59
	<u>13,187</u>	<u>-</u>	<u>202</u>	<u>-</u>	<u>-</u>	<u>59</u>

The administration recharges are calculated on a number of bases dependent upon the type of expenditure being recharged. Salary costs are recharged to BDL on a contract basis; insurance costs are recharged to BDL/BAH on a unit number basis; administration fees are recharged to BDL/BAH on a unit number basis.

All other income and expenditure is charged on an actuals basis.

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

35. Related party transactions (continued)

2020

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

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

Bromford Housing Group Limited and its subsidiaries has indemnified its Board Members, Executive Team, directors and employees for insurance cover no longer provided within its current directors' and officers' liability insurance for the year ending 31 March 2022 which was previously included in its previous policy. The maximum exposure across the group for this indemnity is £10million and expires on 31 March 2022. This is described in more detail in note 37.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

35. Related party transactions (continued)

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

	2021	2020
	£'000	£'000
Bromford Developments Limited	7,249	4,851
Bromford Assured Homes Limited	448	717
Street Services Limited	(56)	(50)
Strand Services Limited	1	-
Riverside Mews Limited	1	-
	7,643	17,047

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

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

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

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

36. Pension obligations

During the year, the Group participated in two defined benefit (DB) schemes, the Staffordshire County Council Pension Scheme (LGPS) and the Bromford DB Scheme (BDBS). Except for BDBS, the schemes are multi-employer DB schemes.

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

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

Summary of Pension Schemes balances

	At 31 March 2021	At 31 March 2020
	£'000	£'000
Pension asset		
Bromford DB Scheme	-	12,471
Provisions for Pensions		
Staffordshire (LGPS)	(878)	(1,254)
Bromford DB Scheme	(4,043)	-
	(4,921)	(1,254)

Bromford DB Scheme (BDBS)

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

The scheme holds the pension assets to meet long term pension liabilities. Scheme liabilities have been based on data provided for the actuarial valuation as at 30 September 2018 for the Bromford DB Scheme, and 30 September 2017 for the Merlin SHPS element. These have been updated to 31 March 2021 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The company has agreed a Schedule of Contributions with the Trustee that came into force following the completion of the first actuarial valuation, with an effective date of 30 September 2018.

Contributions for the year ended 31 March 2021

	£'000
Employee	94
Employer	2,778
Total	2,872
Agreed contribution rates for future years:	
Employee	
1/80 th DB section	14.5%
1/120 DB section	4.7%
Employer	10%

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

Principal actuarial assumptions

The following information is based upon the actuarial valuation of the scheme at 30 September 2018 updated to 31 March 2021 by a qualified independent actuary.

Mortality assumptions adopted	At 31 March	At 31 March
Life expectancy at age 65 (Years)	2021	2020
Male retiring in 2020 (2019)	21.6	22.3
Female retiring in 2020 (2019)	23.6	24.0
Male retiring in 2039 (2038)	22.6	23.6
Female retiring in 2039 (2038)	24.8	25.3
Other Assumptions		
% per annum		
Discount Rate	2.20%	2.35%
Inflation (RPI)	3.15%	2.50%
Inflation (CPI)	2.75%	1.50%
Salary Growth	2.75%	2.50%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.15%	2.50%
Allowance for pension in payment increases of CPI or 5% p.a. if less	2.70%	1.70%
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	1.95%	1.35%
Allowance for pension in payment increases of CPI or 3% p.a. if less	2.20%	1.50%

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

	At 31 March 2021	At 31 March 2020
	£'000	£'000
Fair value of fund assets	123,346	113,731
Present value of defined benefit obligation	(127,389)	(101,260)
Pension (deficit)/surplus	(4,043)	12,471

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021

The fair value of the assets:

	At 31 March 2021 £'000	At 31 March 2020 £'000
Growth Assets	56,339	49,341
Corporate Bonds	16,908	8,835
LDI Assets	47,116	54,397
Cash	2,983	1,158
Total Assets	123,346	113,731

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

Reconciliation of Assets and Liabilities

Reconciliation of assets at 31 March 2021:

	£'000
Assets at start of period	113,731
Interest income on assets	2,661
Expenses	(147)
Return on assets excluding interest income	7,996
Employer contributions paid	2,778
Employee contributions	94
Benefits paid	(3,767)
Assets at end of period	123,346
Total return on plan assets 1 April 2020 to 31 March 2021	8.64%

Reconciliation of liabilities at 31 March 2021:

	£'000
Liabilities at start of period	101,260
Service cost	2,491
Interest cost	2,366
Employee contributions	94
Re-measurements:	
Actuarial loss on changes in financial and demographic assumptions	25,331
Actuarial loss on scheme experience	(386)
Benefits paid	(3,767)
Liabilities at end of period	127,389

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2021:

	£'000
Employer service cost (net of employee contributions)	2,491
Expenses	147
Total operating charge	2,638
Analysis of pension finance income / (costs)	
Expected return on pension scheme assets	2,661
Interest on pension liabilities	(2,366)
Amounts credited to financing costs	(295)

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March 2021:

	£'000
Actuarial gain / (loss) on pension scheme assets	7,996
Actuarial gain / (loss) on pension scheme liabilities	386
Gain / (loss) from changes in assumptions	(25,331)
Actuarial gains/(losses) recognised	(16,949)

Movement in surplus / (deficit) during the year:

	£'000
Surplus in scheme at 1 April 2020	12,471
Employer service cost	(2,491)
Expenses	(147)
Employer contributions paid	2,778
Net interest/return on assets	295
Re-measurements included in other comprehensive income	(16,949)
Deficit in scheme at 31 March 2021	(4,043)

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2021 Staffordshire County Council (SCC)

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

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2021.

	At 31 March 2021	At 31 March 2020
Rate of increase for pensions in payment / inflation	2.95%	1.90%
Rate of increase in salaries	2.95%	1.90%
Discount rate for scheme liabilities	2.20%	2.30%

Life expectancy is based on the 99% of the S2PA tables with improvements in line with the CMI 2020 model, with a smoothing parameter of 7.5, an initial addition of 0% p.a and assuming current rates of improvement will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners (years)	21.9	23.8
Future Pensioners (years)*	23.2	25.3

*Figures assume members aged 45 as at the last formal valuation date.

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

	31 March 2021 £'000	31 March 2020 £'000
Fair value of fund assets	28,545	22,949
Present value of defined benefit obligation	(29,423)	(24,203)
Pension deficit	(878)	(1,254)

Reconciliation of Assets and Liabilities

Reconciliation of assets at 31 March 2021:

	£'000
Assets at start of period	22,949
Return on plan assets	521
Re-measurements	5,643
Employer contributions paid	8
Benefits paid	(576)
Assets at end of period	28,545
Actual return on scheme assets 01/04/20 to 31/03/21	2.02%

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

Reconciliation of liabilities at 31 March 2021:

	£'000
Liabilities at start of period	24,203
Interest cost	550
Remeasurements	5,246
Benefits paid	(576)
Liabilities at end of period	29,423

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2021:

	£'000
Expected return on pension scheme assets	521
Interest on pension liabilities	(550)
Amounts charged to financing costs	(29)

Analysis of gains and losses recognised in the Statement of Other Comprehensive Income at 31 March 2021:

	£'000
Actuarial losses on pension scheme assets	5,643
Actuarial gains on pension scheme liabilities	(5,246)
Actuarial gains recognised	397

The fair value of the assets:

	31 March 2021	31 March 2020
	£'000	£'000
Equities	20,552	14,917
Bonds	5,424	5,278
Property	2,284	2,295
Cash	285	459
Total fair value of the assets	28,545	22,949

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2021

Movement in surplus / (deficit) during the year:

	£'000
Deficit in scheme at 1 April 2020	(1,254)
Employer contributions paid	8
Net interest	(29)
Re-measurements	397
Deficit in scheme at 31 March 2021	(878)

36. Contingent liability

For the financial year 31 March 2021, Bromford Housing Group Limited and its subsidiaries purchased directors' and officers' liability insurance for the Board Members, the Executive team and its employees through the National Housing Federation. Similar insurance provision with relevant cover was not available for the financial year 31 March 2022 with the insurance policies obtained containing exclusions previously covered in the previous financial year. Therefore, a deed has been entered into by the Board Members of Bromford Housing Group Limited to indemnify its Board Members, Executive Team, directors and employees across Bromford Housing Group Limited and its subsidiaries against the exclusions previously covered in the previous insurance provision. Any claim made would be against the relevant entity with ultimate responsibility for reimbursement being through Bromford Housing Group Limited where required. The maximum exposure across the group for this indemnity is £10million and expires on 31 March 2022.

37. Parent Entity

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

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

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