

Broadacres Housing Association Limited
Annual report and financial statements
for the year ended 31 March 2019

Registered number: 27656R

Broadacres Housing Association Limited

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Broadacres Housing Association Limited

Group Board Members:

Colin Wilkie, Chair
Jacqui Bateson
Ian Foy (Appointed 21 May 2018)
June Mulroy
Ann O'Hanlon (Appointed 21 May 2018)
Peter Ottowell
Gordon Perry
Ruth Snell (Appointed 21 May 2018)
Philip Summers
Martin Warhurst

Co-opted Board Member

Justin Ives (Appointed 21 May 2018)

Independent Members

Gail Monnickendam	Audit & Risk Committee
Nigel Bell	Asset & Development Committee
Ruth Dent	Asset & Development Committee
Peter Hammond	Customer Experience

Executive Directors

Gail Teasdale	Chief Executive	
Chris Fawcett	Director of Business Transformation	
Alison Grainger	Finance Director	Resigned November 2018
Joy Whinnerah	Director of Development and Investment	
Andy Powell	Director of Customer Experience	
David Smith	Director of Resources	Appointed 3 June 2019

Company secretary

Chris Fawcett

Registered office

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Standard Way
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Broadacres Housing Association Limited

Solicitors

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SW19 4DR

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Independent Auditors 2018/19

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Internal Auditors 2018/19

BDO LLP
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Bankers

Barclays Bank plc
193 High Street
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North Yorkshire
DL7 8LJ

Broadacres Housing Association Limited

Chairs statement



I am pleased to present our annual report to you.

2018/19 was our 25th anniversary. I am proud of what we have achieved in that time. We have grown from an organisation of approx. 4,000 homes to one of 6,316 homes; but as we have grown we have remained a rural housing association focused on our local area of North Yorkshire. The local connection is really important as it enables us to deliver more than just homes for rent but important services that include mental health, young people, learning disabilities, money advice and extra care in an area where such services are often concentrated in urban settings. We achieve this through strong partnerships something I have been pleased to see during the year.

In 2018/19 we launched our new five-year corporate strategy with the vision to be the best rural housing association. An ambitious vision but one we believe we can deliver on. Our corporate strategy has three strategic objectives of Great Homes, Great Customer Experience and Great places which we have delivered on in 2018/19

2018/19 was successful year for Broadacres. We have:

- Built 171 homes and have secured delivery of the next phase of the 1,250 homes we want to deliver as part of our corporate strategy.
- Invested £7.0m in our existing homes. This includes the start of our ambitious programme to ensure the energy performance of all our homes is at least SAP C by 2023.
- Continued to deliver a wide range of services in partnerships, including mental health and care and support.

In 2018/19 the Group made a surplus of £3.5m (last year £6.2m), including an Association surplus of £2.8m (last year £5.6m). The reduction reflects increased investment in our existing homes to deliver increased energy efficiency and improved health and safety standards as we seek to ensure all our customers are safe, secure and warm in their homes. It is important that we make a surplus as this means we can fund the development of new homes and investment in existing homes.

Strong governance is vital to responding to the challenges facing Broadacres. We have a Board with a breadth of skills and experience which can take Broadacres forward. It was very pleasing in December 2018 to be re-graded to G2/V1 from G3/V2. This reflects the huge change that Broadacres has undergone in the last two years.

During the year we conducted our first customer experience survey using UK-CSI and were very pleased with our satisfaction of 77.2% which is above average but the survey did tell us that we fell short in how we responded to customer complaints and this is a focus for us now.

I look forward positively to 2019/20. We have a bold, positive vision with customers at its heart and a clear plan on how we will deliver it.

Broadacres Housing Association Limited

Chief Executive's statement



Housing and the challenges people in the UK find securing a home that meets their needs is centre stage in political discussions. Unfortunately, the debate focusses on the issues in cities and rarely mentions the issues facing rural communities. We operate across the whole of North Yorkshire, a stunning area but one where house prices and rents are very high compared to incomes. Research by the National Housing Federation showed that this area had one of the highest unaffordability rates in the North. As a consequence, we have joined several campaigns to improve rural opportunities.

Housing associations are rightly being challenged to demonstrate how they are listening to customers. Our Corporate Strategy developed in conjunction with our customers is at the core of everything we do. In that strategy we have set out our vision to be the Best Rural Housing Association. In 2019/20 we will:

Great Homes:

- Deliver another 135 affordable homes
- Invest £2m in affordable warmth measures which will improve 323 homes to SAP C or above. This responds to our customers main concern being their ability to keep warm
- Continue to develop our new home standard in conjunction with our customers

Great Customer Experience:

- Continuing to focus on the learning from customer complaints
- Improving our mobile working technology to make it easier to deliver a great customer experience in our customers' homes
- Deliver new technology to our customers so they can choose when and how they want to interact with us

Great Places

- Deliver our Care and Support strategy
- Review our customer involvement strategy to ensure it reflects how our customers want to be involved and takes advantage of modern ways of consultation
- Deliver a new extra care scheme to support our ageing population

Ultimately to be the best we need to listen to our customers and use their observations as the basis for improving; so, we are making it easy for our customers to tell when we fall short on our mission statement of:

Great People providing Great Homes and Great Customer Experiences across our rural communities

Finally, I joined Broadacres in January last year. I remain lucky to have joined such a vibrant organisation. I am constantly in awe of the **Great People** that work at Broadacres for whom going the extra mile for our customers is an everyday occurrence, so I will finish with a thank you to everyone at Broadacres.

Broadacres Housing Association Limited Strategic Report

Corporate Strategy

In 2017, the Board began consulting with customers, colleagues and our key stakeholders on the future direction of Broadacres. The outcome is our new Corporate Strategy to take us to 2023.

It is clear our customers and colleagues want Broadacres to focus on the rural, market and coastal towns of North Yorkshire. It is our area of expertise and where our customers aspirations are.

Our mission is:

Great people, providing great homes and great customer experiences across our rural communities

Our vision is to be:

The best rural housing association in the country

The Association's objectives are set out in our new 2018-2023 Corporate Plan. Progress against the objectives is reviewed regularly by the Board. The strategy was formulated by the Board and the delivery targets involve all of Broadacres staff.

Broadacres Corporate Plan objectives are to create:

Great homes

- Deliver 1,250 new homes by 2023 with 60% being for social/affordable rent, 30% for shared ownership and 10% for outright sale. Where appropriate we will work in partnerships with key stakeholders to achieve this,
- Deliver £20m significant investment in our existing homes focusing on actions that will improve the energy efficiency of all or homes to a minimum C rating ensuring our homes are affordable to keep warm,
- Ensure the highest standards of health and safety are maintained.

Great Customer Experience

- Moving our approach to experience focussed from service ensuring our experience meets our customers new expectations,
- Develop a new digital strategy to ensure our customers can take advantage of the benefits new technology brings,
- Good quality repair service.

Great Places

- Rural communities,
- Continue to invest in independent living for our more vulnerable customers including working with health and LA partners,
- Retirement living as well as family housing.

And these will only happen if we have:

Broadacres Housing Association Limited

Strategic Report

Great people – During 2018/19 we reviewed our reward and recognition package to colleagues and in 2019/20 we will look to review our terms and conditions to ensure they meet the needs of a modern workforce. We will continue to invest in our people with a focus on enabling everyone to embrace digital opportunities, be confident delivering a customer experience approach agenda and being safe at work.

Great governance

Our focus for 2019/20 will be regaining our G1 status.

Great finances

Having regained our V1 status in 2018/19 we will now look review our funding to ensure we have the optimum treasury arrangements to deliver our corporate strategy.

Our corporate plan will be reviewed for progress regularly by the Board.

Broadacres Housing Association Limited

Strategic Report

Association highlights, five-year summary

For the Year Ended	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Statement of Comprehensive Income					
Total turnover	38,538	43,563	36,036	33,942	31,723
Operating Surplus from Lettings	8,944	11,687	11,912	10,871	9,563
Surplus for the year before taxation	2,868	5,669	(3,114)	5,177	5,444
Statement of Financial Position					
Intangible and tangible fixed assets at valuation or cost net of depreciation	313,110	302,078	299,745	289,619	277,621
Investments	514	822	3,326	5,515	4,354
Net current assets	17,931	15,174	16,984	16,244	12,356
	331,555	318,074	320,055	311,378	294,331
Long term liabilities	146,789	137,736	143,795	132,126	120,634
Pension liability	7,247	3,516	6,155	6,163	6,057
Provision for liabilities	-	-	-	-	-
	154,036	141,252	149,950	138,289	126,691
Reserves:					
Revaluation	42,176	42,176	42,501	42,501	42,616
Accumulated surplus	135,343	134,646	127,604	130,588	125,024
	177,519	176,822	170,105	173,089	167,640
	331,555	318,074	320,055	311,378	294,331
Accommodation (dwellings at 31st March)					
	2019	2018	2017	2016	2015
	No.	No.	No.	No.	No.
General Needs	5,812	5,705	5,629	5,488	5,361
Supported Housing	342	342	344	291	291
Shared Ownership	162	114	98	77	72
	6,316	6,161	6,071	5,856	5,724
Statistics					
Surplus for the year as a % of turnover	7%	13%	-9%	15%	17%
Rent arrears (net arrears as % of rent and service charges receivable)	1.8%	1.8%	2.1%	2.3%	2.2%
Liquidity (current assets divided by current liabilities)	4.2	4.2	4.2	4.2	0.7

Broadacres Housing Association Limited

Strategic Report

Group Financial Review

The year to 31 March 2019 has resulted in a Group surplus before tax of £3,520k (2018: £6,185k). The core business of providing affordable housing has produced a financial result in line with expectations. The principal reasons for the surplus are as follows:

- The Group's core affordable housing business made an operating surplus of £8,974k (2018: £10,991k). Other activities made an operating surplus of £597k (2018: surplus £1,082k).
- Property sales generated a surplus of £337k (2018: £1,392k),
- The housing stock is shown at gross cost net of depreciation at a value of £307,944k (2018: £298,276k) and the Directors consider that this valuation remains appropriate as at 31 March 2019.
- The Group also conducted its annual impairment review of the value at which it's carrying assets in its balance sheet. This review has resulted in a total impairment of £113k (2018: £480k).
- During the year the Group invested £7.2m (2018: £5.2m) in maintenance reflecting the continued focus of the Group on improving our existing homes.
- During the year housing properties amounting to £14,649k (2018: £8,229k) were completed reflecting the Group's continued focus on development.
- Interest payable reduced to £6,412k (2018: £6,594k) as result of the treasury management strategy.

After the transfer of the total comprehensive surplus for the year, the Association's reserves amounted to £177,687k (2018: £176,664k).

The pension fund liability has increased to £7.2m. (2018: £3.5m) following inclusion of a pension liability of £4.1m at 31 March 2019 for SHPS reflecting the change in accounting treatment.

Statement of Comprehensive Income

The main elements of the Association's financial results are:

Key Elements	2019 £'000's	2018 £'000's	Increase / (Decrease) £'000's
Turnover on social housing lettings	31,796	31,247	549
Turnover from property sales	4,610	9,892	(5,282)
Supporting Peoples services income	858	954	(96)
Home Improvement Agency	-	146	(146)
Ability Based Learning Environment (ABLE)	149	128	21
Broadacres Support Service & Telecare	459	580	(121)
Operating costs (including depreciation)	29,594	31,876	(2,282)
Housing depreciation	6,576	6,499	77
Impairment of housing properties	-	490	(490)
Impairment of investment	113	-	113
Interest payable and other financing costs	6,412	6,477	(65)

Key information about the results is explained as follows:

- Turnover from social housing lettings increased by £0.6m (despite the rent reduction) due to the number of available homes for letting increasing through the completion of development projects.

Broadacres Housing Association Limited

Strategic Report

- Turnover from property sales decreased by £5.2m, due to the sale of land at Boroughbridge in 2017/18. We sold 51 low cost home ownerships / shared equity properties, compared to 21 in the previous year. We expect to sell around 40 in 2019/20.
- Supporting People services include extra care, sheltered, women's refuge, mental health, physical disability, young homeless and learning disability schemes.
- Broadacres Support Service and Telecare includes Lifeline which is our 24-hour response service for vulnerable members of our communities and enables them to call for assistance via pendants or by telephone. We also monitor fall detectors and fire alarms. ABLE is our successful Activity Based Learning Environment which provides diversionary craft activities for disabled people. Both are valued greatly by the communities and customers they assist.
- Operating costs decreased due less costs for property sales.

The majority of the Association's operating surplus continues to be sourced from property rentals. It is important to note that we need to continue to make a surplus to enable us to repay our loans. The timing of payments is shown on page 10.

Statement of Financial Position

At 31 March 2019, Broadacres' Statement of Financial Position showed total assets less current liabilities of £332m (2018 £319m). This is an increase from last year and the main points are:

- Expenditure on developments to deliver new social homes was £14.2m
- At 31 March 2019 our current assets include £3.0m of properties/land available for sale compared to £3.4m last year.
- Broadacres holds £0.5m of land and properties in its land bank which is classified as an investment property.

The Board consider that the results for the year have been as expected and that Broadacres has adequate resources to achieve the objectives set out in its Corporate Plan and Business Plan.

Capital structure and treasury policy

Broadacres has a formal Board approved treasury policy which follows the revised CIPFA Code of Practice. Our approach is that treasury management is a function to allow us access to funds to carry on our business; it is not a separate activity that is expected to produce surpluses. As such, whilst we endeavour to borrow at as low a cost as possible, we primarily aim to manage cash flow effectively and monitor the inherent risks in treasury activities by maintaining a reasonable split of fixed and variable loans. We only borrow or invest with financial institutions that meet strict criteria and aim to keep our fixed rate loan balances to at least 70% of total portfolio.

Our existing loan facilities and borrowings are set out in the following table:

Broadacres Housing Association Limited

Strategic Report

Loan Portfolio March 2019	Natlonwide	RBS Syndicate	Barclays	HDC/ HC	Total Borrowing
	£000's	£000's	£000's	£000's	£000's
Fixed					
Facility A 30 Jun 2036		21,250			21,250
Facility C 30 Jun 2036		8,750			8,750
Facility 10 Oct 2048			55,000		55,000
Hambleton DC				35,000	35,000
Housing Corporation				64	64
Total Fixed Loans (75%)	-	30,000	55,000	35,064	120,064
Revolvers average annual interest rate					
Facility B Revolvers	11,250				11,250
Facility C Revolvers		5,000			5,000
Total Variable Loans (25%)	11,250	5,000	-	-	16,250
Total loans utilised	11,250	35,000	55,000	35,064	136,314
Total Available Facilities	11,250	50,000	55,000	35,064	151,314

The RBS loan will be repaid on a gradual basis commencing 2022. The Barclays loan, taken out in 2009, was a 40-year loan and repayments will not commence until 2040 and will thereafter be paid in 10 equal instalments. The HDC loan repayments commence in 2020 and are repayable between 5 and 25 years. Our Treasury Policy also dictates that we should have access to at least 24 months of funds to meet our operating requirements and this is monitored on a quarterly basis. £8.0m was drawn down from HDC in March 2019, in advance of need, prior to the facility expiring.

The repayment profile of our current loan balance is

Current Loan Portfolio	£'000s
Repayments within 1 year or less	1,250
Repayments beyond 1 year but less than 2 years	2,250
Repayments within 2 years but less than 5 years	6,501
Repayments over 5 years	<u>126,313</u>
	<u>136,314</u>

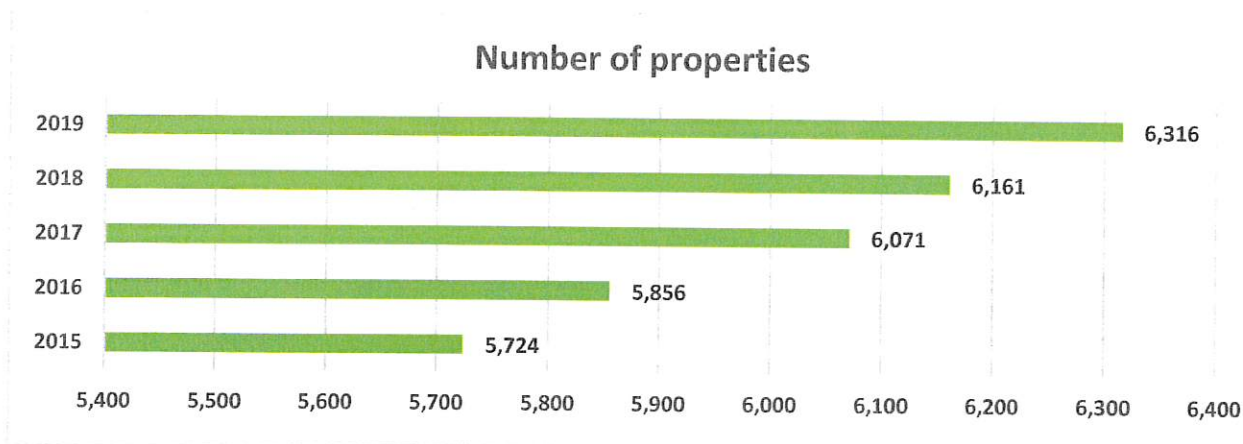
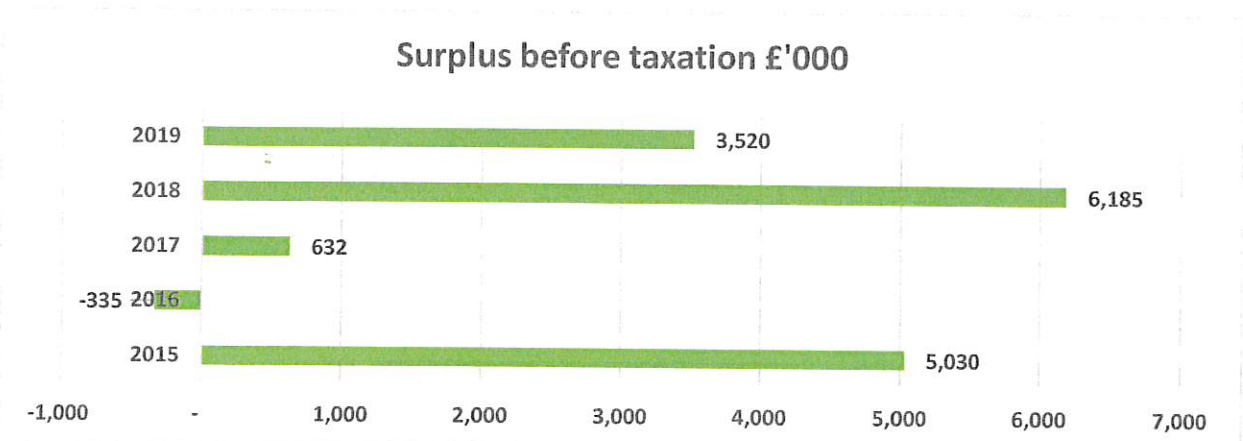
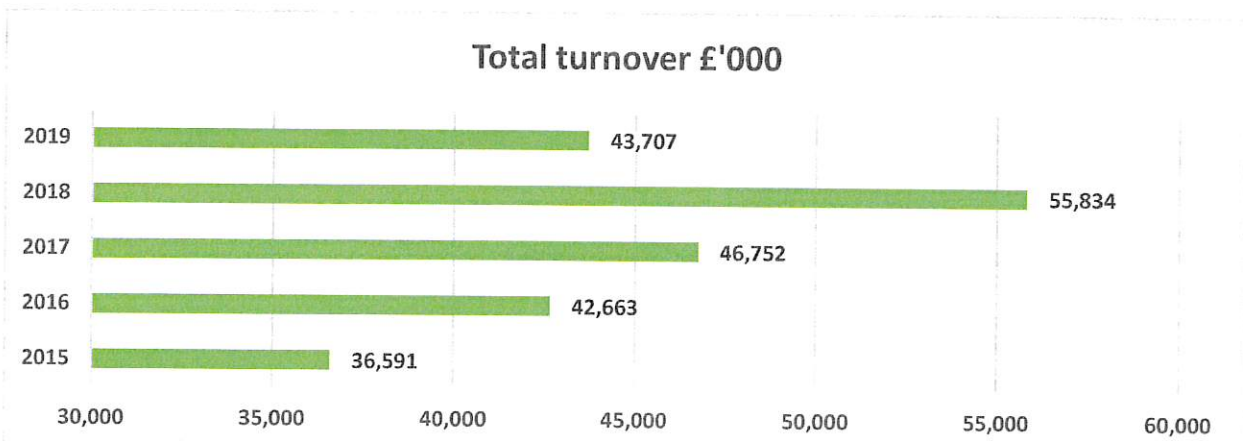
Our average fixed interest rate is 5.22%.

Broadacres Housing Association Limited

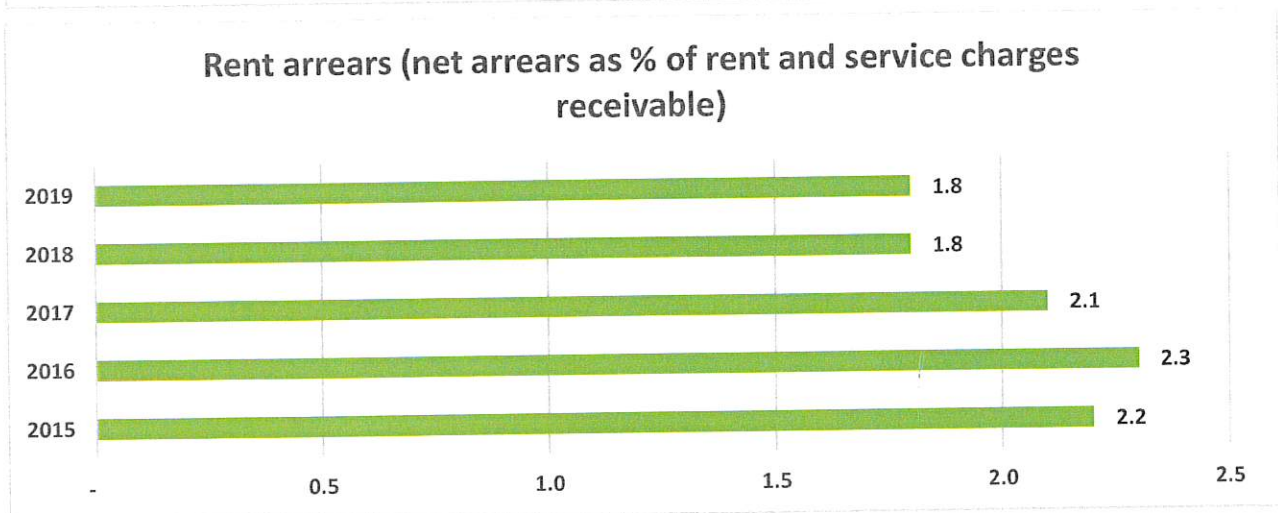
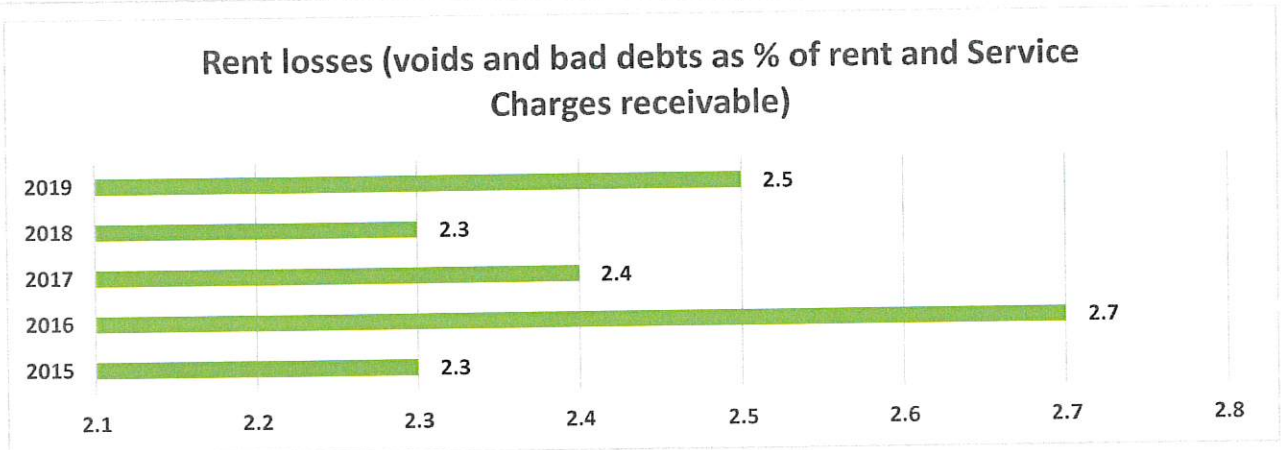
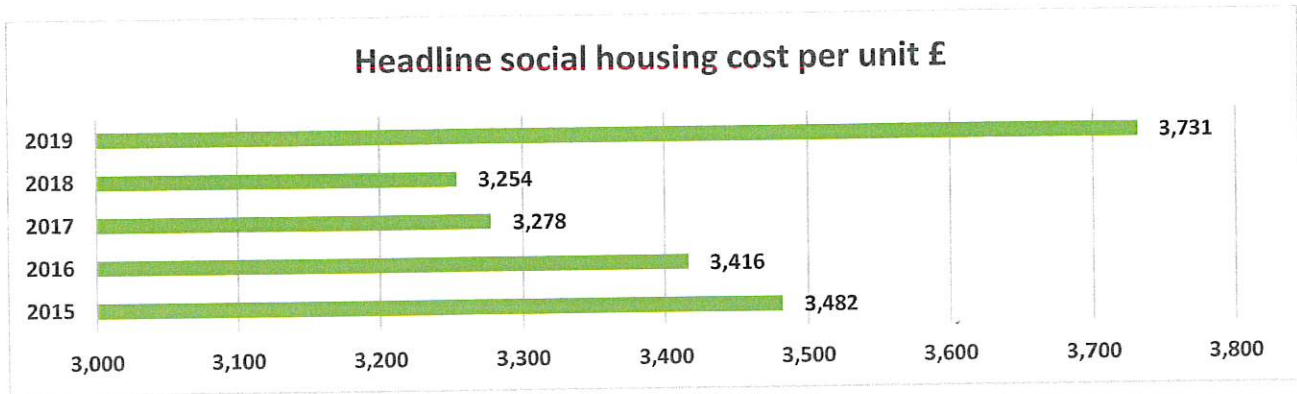
Strategic Report

Cashflows

Cash inflows and outflows for the year ended 31 March 2019 are set out in the cashflow statement on page 38. The net cash inflow from operating activities was £21.0m (2018: £15.8m). At the year-end the Group had £15m of undrawn facilities and an overdraft facility of £0.5m. The undrawn facilities will be required over the next 3 years to fund our on-going development programme. During the year investments in financial assets have been limited to short term deposits in line with our treasury policy.



Broadacres Housing Association Limited Strategic Report



Performance of subsidiaries

Broadacres Services Limited (BSL) achieved a surplus of £502,684. It is the intention to Gift Aid to the parent company Broadacres Housing Association. (2018: loss of £266,699). The performance is in line with expectations as communicated in the prior year statements.

Mulberry Homes Yorkshire Limited (MHYL) made a profit before tax of £527,864 (2018: £1,473,712). The financial performance in year has been in line with expectations with land option sales generating a profit, offsetting losses incurred through schemes at Leeming and Sowerby.

The Richmond & Hambleton Furniture Store (RHFS) made a loss of £38,464 (2018: £1,201). The loss is due to lower income from furniture sales and reflects the decision by the Board of Trustees to cease trading as at 1 April 2019. The services offered by RHFS have instead been assumed by a community company where low cost furniture recycling represents a closer offering to their core business objectives. RHFS is to be wound down with no outstanding liabilities.

Broadacres Housing Association Limited

Strategic Report

Tenant Involvement

Residents from across the Association got involved through various activities and groups as detailed below: -

Activity	No of involved customers
Performance and Improvement Panel:	8
Maintenance Focus Group	10
Diversity Development Team	1
Value for money working group	1
Local Monitors	75
Journey mapping	10
Tenants on the Board	0
Community Development Fund Group	5
Focus Groups in supported housing	103*
Customer Feedback Group:	12
Community projects	108*
Oswaldene Residents Association – Customers and Residents	33*
Training, conferences etc	40*
Customer network (formally Digi Panel)	26
Total	432

*Estimated

During 2018/19 the Performance Improvement Panel has monitored the progress on their previous review on the customer experience of living with storage heaters. The panel have completed a review on Air Source Heat Pumps and our compliance with the consumer standards.

Services to tenants and residents – how are we performing?

Over the past 12 months we have continued to improve the services we provide to our 6,316 households. We completed 171 new homes and re-let 654 properties.

Repairs and maintenance

The following table shows the main key indicators:

Performance Indicator	2018/19	2017/18	2016/17	2015/16	2014/15
Average Time to complete a repair (days)	15.8	13.4	13.4	9.5	10.7
Percentage Appointments kept	97.96%	96.41%	96.33%	92.61%	94.10%
Percentage Satisfied with responsive repairs	98.19%	98.15%	98.70%	95.00%	96.40%
Percentage Gas Serviced	100.00%	100.00%	100.00%	100.00%	100.00%

The increase in the average time to complete a repair was in line with expectation as the focus has been on the customer experience along with the change of fleet vehicles which impacted on availability of staff.

Customer Service and Digital Inclusion

Customer compliments continue to be reported to provide a more balanced view of customer service and service delivery. In 2018/19 203 compliments have been received. None of the complaints escalated to the Local Government Ombudsman (LGO) level.

The following table shows the indicators for complaints and compliments:

Performance Indicator	2018/19	2017/18	2016/17	2015/16	2014/15
Complaints	66	34	48	50	63
Compliments	274	203	256	252	237

Broadacres Housing Association Limited Strategic Report

We have now changed the focus of Customer Service Performance Indicators to benchmark our performance against the UK all sector average and the Public Service (local) average. The figures below show our performance for the year:

Performance Indicator	Broadacres	UK all Sector	Public Sector (Local)
Overall Satisfaction	77.2%	77.7%	75.7%
Net promoter Score – “Likelihood a customer would recommend us to someone”	41.4%	22.4%	18.2%
Customer Effort – “How much effort the customer had to make to complete transaction” out of 10	3.6	5.0	5.3
Satisfaction by Channel			
- Telephone	76.6%	74.3%	69.2%
- Website	80.0%	79.0%	73.6%

Housing Management

Void loss has grown due to voids requiring more work and the decision to undertake more intrusive work to improve the energy efficiency of our homes during the void period.

The following table shows the main key indicators:

Performance Indicator	2018/19	2017/18	2016/17	2015/16	2014/15
Current tenant rental arrears Gross %	3.4%	3.5%	4.0%	4.2%	3.5%
Total Net Arrears £'000s	816	566	633	671	602
Former rental arrears	337	260	290	317	380
Debts written off – Former Arrears	174	163	210	244	134
Voids loss	731	566	519	588	505
Average re-let times (days) Net re-lets days	39.4	28.5	28.2	40.0	28.9
Empty properties	1.9%	1.1%	0.9%	1.0%	1.1%
Evictions due to rent arrears	8	7	7	7	14
ASB Cases	140	130	112	77	97

Health and Safety

During the year there have been 61 incidents (2018:71) 5 (2018:1) of which were RIDDOR reportable. None of the incidents had a material impact on Broadacres. The Group Board has set a risk appetite for Health and Safety which is risk averse.

Growth Strategy

An ambitious growth strategy was approved by the Board in November 2017. This is based upon clearly demonstrated housing need and the financial viability of investment proposals and focusses on developments principally within North Yorkshire. Through our development programme we have provided 171 new properties in 2018/19 as follows:

Broadacres Housing Association Limited

Strategic Report

Colburn Recreation	15	Sowerby Gateway	19
Pecketts Close	3	Morton on Swale	9
Hockley Croft	20	Castlegate	3
Marne Grange	10	Melmerby	4
Gilling West	11	White House Farm	18
Meadowfields	24	The Paddock	8
Crakehall	5	Swanlands	6
The Cloisters	6	Holme Lane	2
Thornton-le-Dale	4	Other properties	4

Broadacres has a target to build or acquire a further 135 units in 2019/20 and a long-term business plan of around 1,250 units over the next 5 years. We continue to have limited numbers of disposals through Right to Buy (4 properties were sold during the year).

Performance indicators	2019	2018	2017	2016	2015
Unit completions	171	112	232	165	173
Right to Buy properties sold	4	6	5	9	8

We continue to have excellent relationships with local house builders and have been successful in receiving properties under S106 requirements and we expect that this will continue where planning arrangements require such provision.

We sold 51 properties via various low-cost home ownership schemes.

Broadacres Services Limited and Mulberry Homes Yorkshire Limited continued to develop houses for private sale. Mulberry Homes sold 8 properties in the year (2018:33) and, in line with the strategy to de-risk, sold land options generating an income of £2,582k (2018: £12,543k). Only three properties remain for sale (2018: 11), all of which were reserved and have now been sold. Broadacres Services Limited had 12 properties remaining for sale at the Richmond House site of which two were reserved and have been sold post year end.

The Board has established an Asset and Development Committee to scrutinise and challenge proposals for development and major asset investment across the Group. The committee makes recommendations to the Board.

Asset Management

In 2018 Broadacres has reviewed its approach to asset management and adopted a new Asset Management Strategy. The strategy centres upon a core purpose which is:

- To maximise the whole life value of the assets we keep in line with our charitable objectives, including by minimising whole life costs.
- To support the business to maximise its balance sheet capacity, for example in terms of security valuations.
- To identify those assets that are not performing, so that action can be taken to our, improve/re-develop the asset, dispose of the asset or address problematic tenant behaviour.
- To identify the appropriate standards for our homes, and ensure that those standards are met.
- To ensure our assets remain compliant, safe, meet legal and regulatory requirements and remain an attractive, value for money option to our current and future tenants/residents.

In implementing the Asset Strategy, we have also reviewed our approach to surveying our stock to give us a more accurate, real time view of decent home compliance. Due to this Broadacres will not report 100% compliance but will survey and replace any component which fails within 12 months of the decent homes lifetime. As at 31st March, we had 215 properties that did not meet the standard, meaning that we were over 97% compliant.

Broadacres Housing Association Limited Strategic Report

As a Registered provider we fund minor (disability) aids and adaptations for our customers up to a value of £2,000. Simple fixings such as lever tap handles, grab rails, small step adaptations and handrails. These are normally done on a self-assessment/referral basis direct from the customer. Anything other would have to be supported or referred by an Occupational Therapist. During 2018/19 we spent £162,000 (2018 - £138,000) on these adaptations.

As part of our Asset Management Strategy we have disposed of assets which have a low return. We currently have 5 properties that have been identified. In 2018/19 we sold 5 properties, which raised a surplus of £312k which will be used for future developments.

Value for Money Report

Regulator of Social Housing Technical Metrics

The measures included here show our performance progress over the three years between 2016/17 and 2018/19 for the Association Group as a whole, consisting of Broadacres plus its subsidiaries, Broadacres Services Limited and Mulberry Homes Yorkshire Limited. Our subsidiaries contribute to VfM through generating their own returns on properties developed for sale as well as land sales.

A more detailed review of our VfM performance is contained in a separate report on our website, including a comparison against benchmarks and peer groups.

VfM Area	Metric	2016/17 BHA Actual	2017/18 BHA Actual	2017/18 Place shapers	2017/18 Peer group	2018/19 BHA Target	2018/19 BHA Actual
Economy	Headline Social Housing Cost per Unit	£3,278	£3,254	£3,462	£2,989	£3,584	£3,731
Efficiency	Return on Capital Employed	3.77%	3.95%	4.37%	5.85%	2.62%	2.69%
Efficiency	Operating Margin – Social Housing Lettings	39%	35%	32%	35%	33%	28%
Efficiency	Operating Margin – Overall	33%	29%	30%	33%	26%	23%
Efficiency	Earnings Before Interest, Taxes, Depreciation and Amortization (Major Repairs Included) - EBITDA (MRI)	247%	237%	189%	226%	191%	205%
Efficiency	Gearing	47%	44%	48%	53%	43%	41%
Effectiveness	New Supply Delivered Social Housing Units	3.82%	1.82%	1.66%	1.88%	2.70%	2.71%
Efficiency	Reinvestment in Housing Stock	6.06%	3.87%	6.77%	9.37%	5.37%	5.72%

Broadacres Housing Association Limited

Strategic Report

Headline Social Housing Cost per Unit

The total cost of our services by each home we manage.

As we invest in new properties and reinvest in existing stock this number will increase and has done so in 2018/19 having fallen in the prior year. This is entirely within expectation. Some of the activities we will be providing will be grant funded, but this is not taken into account in the calculation. This year's value is £3,731 representing an increase of £477 on 2017/18 and £453 on 2016/17.

Return on Capital Employed

Our operating surplus to our total assets less current liabilities.

A measure of 2.69% compares to 3.95% for 2017/18 and 3.77% in 2016/17 and the fall reflects downward pressure on our Operating Margin against a modest increase in our total asset base. The fall in Operating Margin is explained by increased compliance costs alongside falling rental income.

Operating Margin

This measure reflects our surplus, or profitability, of total income over expenditure.

This reduced to 28% from 35% in 2017/18 and 39% prior to that reflecting the ongoing 1% cut in rental income and our increased expenditure on rewiring and improved compliance.

Earnings Before Interest, Tax, Depreciation, Amortisation (Major Repairs Included): EBITDA (MRI)

This represents interest cover for Broadacres and is a key indicator for liquidity (access to money) and our investment capacity.

This reduced in 2018/19 to 205% and continues the downward trend from prior years, (2017/18: 237%; 2016/17: 247%). This is again due to the impact of the rent cut on our surplus (1% rent cut was imposed by central government for the three years 2016-17 to 2019-20) and also reflecting the increased expenditure on reinvestment impacting our margin.

Our plans to invest more in the future will reduce this measure further, but we'll maintain significant headroom against our funders' targets (of 110%) that will remain a key measure of our performance.

Reinvestment in housing stock

This measures our spend on new homes and capital investment on existing homes.

We invested £6.9m (2017/18: £5.8m and 2016/17: £5.4m) in our existing homes reflecting our focus on making warmth affordable for our customers alongside rewiring and improving compliance in our properties. Additionally, our spend on new social homes increased from £8.7m to £14.2m between 2017/18 and 2018/19.

New supply delivered

This represents the number of new homes we have provided in the year.

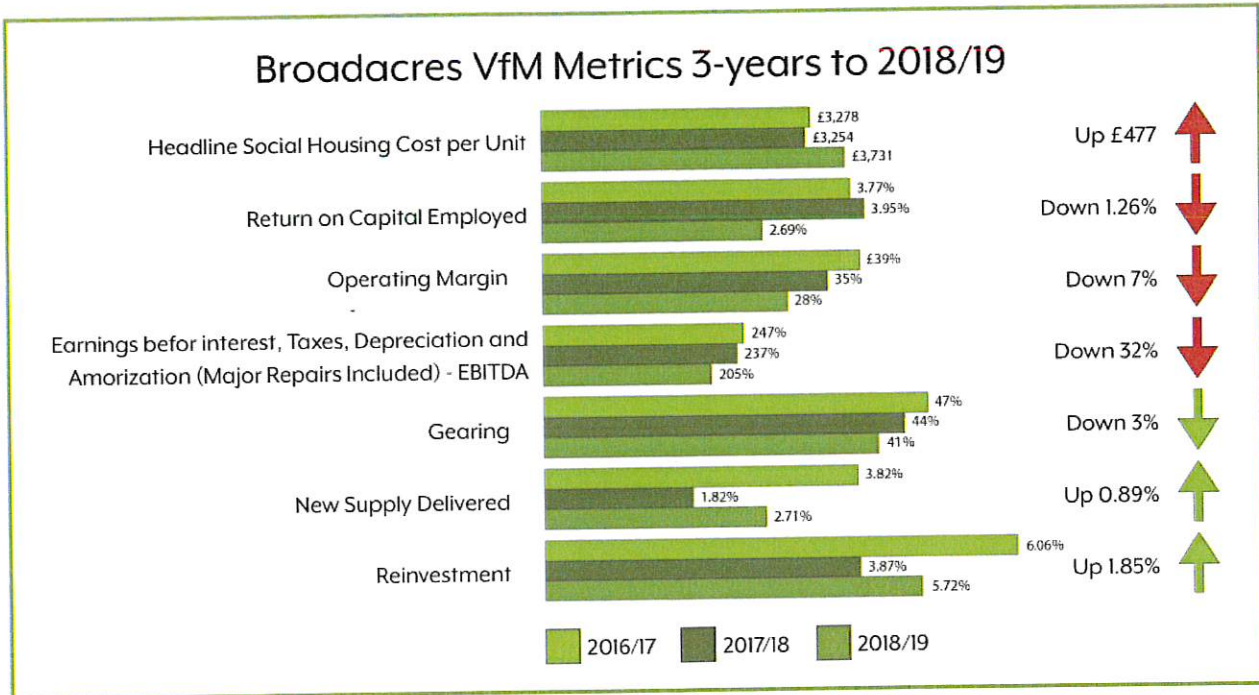
In 2017/18, we provided 112 new homes and this number increased in 2018/19 to 171 against a plan of 170 units. However, this was still down on the 2016/17 new supply of homes delivered of 232.

Gearing

This measure shows how our borrowing compares to our assets (homes) and our degree of dependence on debt finance.

This improved (got lower) again in 2018/19 to 41% (2017/18: 44% and 2016/17: 47%) as we used our income from land sales to repay debt. This provides us with additional headroom to drawdown any planned loans in the future to support increased investment, while minimising our interest costs.

Broadacres Housing Association Limited Strategic Report



Overall the Board believes it fully complies with the value for money standard. It has continued to deliver improved value for money; however, it remains sufficiently challenging of itself to know there are opportunities to further improve in 2019/20.

More detailed analysis of our value for money performance and our future plans can be found on our website www.broadacres.org.uk

Broadacres Housing Association Limited

Report of Board

The Board presents its report and the audited financial statements for the year ended 31 March 2019.

Definitions

Broadacres Housing Association Limited is the ultimate holding entity into which the results of all material subsidiary companies are consolidated. The term 'Group' in the report and financial statements refers to the consolidation of Broadacres Housing Association Limited and all of its material subsidiaries. The term 'Association' refers to the statutory entity, Broadacres Housing Association Limited.

Legal Status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014. It is also registered with The Regulator of Social Housing (RSH), registration no LH4014. The Association has charitable rules registered with HM Revenue and Customs.

Principal Activities

The principal activity of the Association is to provide well managed and maintained homes for those in housing need including the elderly, the infirm, people with special needs and those that are financially unable to secure a home in the private market. The Association is one of the largest Registered Providers based in North Yorkshire with 6,316 units in management at 31 March 2019. The Association also has an ongoing development programme to provide additional housing stock, with 171 new properties developed in 2018/19 and a further 1,000 planned over the next 5 years.

The Association has four subsidiaries: Mulberry Homes Yorkshire Limited, which develops homes for private sale; Broadacres Services Limited, which provides development services; The Richmond and Hambleton Furniture Store, a charity that recycles donated furniture for resale; and Market Gate Residential Management Company Limited which provides a property management service to the schemes at Blossomgate and Marshall Way, Ripon. Together these companies make up the Broadacres Group.

Management judgements and estimates

The preparation of the financial statements requires management to make significant judgements and estimates. The areas in the financial statements where these judgements and estimates have been made include:

- Property valuations – review of any trigger for impairment
- Repayment of intercompany loans – loans are determined to be recoverable
- The ability of the organisation to continue trading
- Recognition of the pension liability
- Provision for bad and doubtful debts
- Recognition of costs or income – determining if debtors are required for income or provisions for costs
- Loss on the acquisition of a subsidiary

Risks and uncertainties

In accordance with the RSH's Governance and Financial Viability Standards, the Board has responsibility for ensuring an effective risk management framework is in place. The Board receives an update at every meeting on key risks facing the organisation, takes risk into account when making key decisions, and reviews the effectiveness of the risk management framework on an annual basis.

The Audit and Risk Committee takes an active role in scrutinising the Group's Strategic Risk Register, considering the adequacy of controls in place to manage the risks identified.

Our risk framework is made up of the following elements:

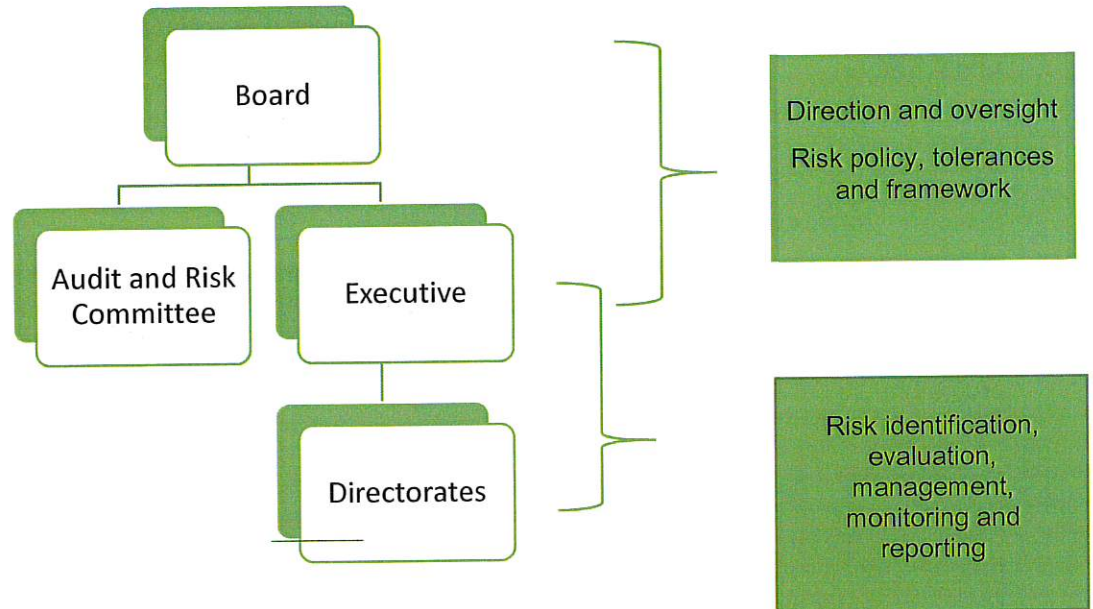
Managing our Organisational Risks: We define risk as anything that can adversely affect our ability to deliver the organisation's vision and corporate strategy and our compliance with regulatory standards.

Our Approach to Risk: Risk is inherent in our operations and the decisions we make to deliver our vision. The Board is responsible for the principal risks that we are willing to take. It has undertaken a robust assessment of the principal risks to Broadacres achieving its vision and corporate strategy. The Board is also responsible for ensuring that risk is effectively managed through our governance structure (see below) in accordance with our risk appetite.

Broadacres Housing Association Limited Report of Board

It is also key that everyone at Broadacres is aware of the risks in their area of responsibility and manage those risks intelligently in their day to day activities. To enable this Broadacres has an active training programme tailored to each individuals' responsibilities.

Governance: The risk management governance structure is shown below.



Risk Appetite: The organisation's risk appetite is set by the Board, which clearly articulates the amount of acceptable risk within which Broadacres operates. The risk is set across four risk areas faced by Broadacres; *Strategic, Operational, Financial and Compliance.*

Our appetite for risk provides direction and boundaries for consistent, measured, risk aware decision making throughout the organisation, and guides the right level and type of risk to accept.

A scale of "risk averse" to "risk open" defines the range of risk appetite for each type of risk. For example, we will take more risk to deliver our strategic objectives but will take a minimal risk tolerance to compliance with regulatory standards.

It is important that *risks can also present opportunities* to the organisation to grow and have a sustainable future.

With its strong asset base, the overall financial position of Broadacres remains healthy and significant resources continue to be available to the organisation to facilitate the further development of its services.

Broadacres' external auditors, having conducted their review of our financial statements, have not identified any material internal control issues, which are require to be addressed.

Our internal auditors', "Annual Opinion" in 2018/19 is as follows:

"In our opinion, Broadacres Housing Association has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the Association.

In respect of the areas of activity which we reviewed, and subject to the weaknesses identified and reported in our internal audit reports, Broadacres Housing Association has an adequate, effective and reliable framework of internal control and effective risk management and governance processes which provides reasonable assurance regarding the effective and efficient achievement of the Association's objectives.

No instances of actual or suspected fraud have been encountered during our audit work"

Broadacres Housing Association Limited

Report of Board

Principal Strategic Risks

Key risk	Key controls in place, and actions being undertaken
Significant increase in pension costs	<ul style="list-style-type: none"> • External pension, actuarial and legal advice taken and options appraisal developed. • Board sub group setup to assess pension options. • To undertake peer groups benchmarking to manage a consistent approach with the sector.
Do not achieve G1/V1 at the next IDA	<ul style="list-style-type: none"> • National Housing Federation Code of Governance compliance. • Governance structures and Framework reviewed each year. Last completed July 2018. • Board Member conferences, learning and appraisals developed. • Governance arrangements and documents reviewed by external consultants to ensure an effective framework exists. Full review completed in 2018. • Corporate Strategy set for 2018 – 2023. • Board adopted 6-year rule to retain independent challenge from the Board Members.
Over stretch finances through ambitions of development and affordable warmth investment	<ul style="list-style-type: none"> • Financial Golden Rules, reported to each Board meeting, used to build the business and financial plan. • Growth Strategy approved by Board September 2018 and within the 5-year business plan. • Asset and Investment strategy action plan reported to Asset & Development Committee at each meeting • Asset & Liabilities register monitors overall performance of stock. • External financial checks completed annually. • 5-year Business Plan and 30-year Financial Plan approved by Board with prudent business assumptions externally verified in March 2019. • Stress testing reliance on sales
Competition from developers impacts capacity and relevance of Broadacres	<ul style="list-style-type: none"> • Asset & Development Committee scrutinise all proposed developments appraisals before they are considered by Board. • Development and Investment Director recruited October 2018, appraises and reports all existing and future development schemes. • Broadacres Golden Rules for development of 60% rented, 30% shared ownership and 10% outright sale. • Growth Strategy sets the framework and standards of Broadacres homes for the future. • Cotermious Board has control to development subsidiaries to maintain golden rules and protect social housing assets. • Regular stakeholder meetings. Chair and Chief Executive meet with local authority leaders and Chief Executives. • Chief Executive is a member of the regional housing board.
Cyber Attack	<ul style="list-style-type: none"> • IT policies and procedures comply with ISO27001 reviewed externally April 2019.

Broadacres Housing Association Limited

Report of Board

Key risk	Key controls in place, and actions being undertaken
	<ul style="list-style-type: none"> • IT security awareness, confidentiality training, GDPR training given every 3 years and to all new starters. • Mandatory 'Ethics in the Workplace' training raises awareness around cyber fraud. • IT penetration test reports the risk to systems to offer opportunity to improve security measures. • CFC underwriting cyber support policy in place. • Change management procedures in place to ensure ICT changes are tested before made in the live environment. • ICT Data Breach Plan.
Service transformation is not aligned to the customer satisfaction	<ul style="list-style-type: none"> • Complaints monitoring and reporting, annual complaints report to Customer Experience Committee. • Contact Centre logging and review of service failures to understand root cause of poor services. • Annual review of consumer standards by customers to challenge customer involvement. • Membership of the Institute of Customer Service and benchmarking customer performance.
There is a significant change within the economic climate (including the impact of Brexit) and Broadacres financial capacity becomes impaired.	<ul style="list-style-type: none"> • Continue to monitor financial markets and validate business assumptions. • Lobby through the trade bodies to promote government support for social housing. • Broadacres financial Golden Rules.
Harm or kill customers, employees and/or contractors.	<ul style="list-style-type: none"> • Landlord H&S Policy updated - November 2018. • H&S Performance reported weekly to the Executive Team. • External review of H&S policy - reported to Board January 2019. • Recruited Compliance Manager in 2018/19. • Health and Safety training delivered at Induction and repeated every 3 years. • Accident and incident reporting to every Audit Committee. • Health and Safety Performance reporting to every Board meeting. • External appointment of specialist Principal Designer (PD) for property development. • H&S Liaison Committee meet quarterly, 3 Directors on the committee to escalate issues. • Whistleblowing policy, last reviewed January 2018.
Deliver poor quality homes that fail to meet customers' expectations	<ul style="list-style-type: none"> • Stock condition survey completed every 5 years in all properties. • 30-year Financial Plan and schedule for component replacements. • Customer scrutiny panels, review customer surveys and complete customer journey maps to challenge standards. • Allocated funds to respond to unplanned issues that arise and need an immediate response. • 5-year surveyor stock condition surveys.

Broadacres Housing Association Limited Report of Board

Key risk	Key controls in place, and actions being undertaken
We do not achieve the necessary cultural change and therefore do not realise new objectives	<ul style="list-style-type: none"> • New HR Policy supported by external HR specialists, in April 2019. • Learning and development programme in place. • Annual performance reviews align to corporate objectives. • Exit interviews are held to assess any reasons for leaving. • Employee turnover is monitored as a KPI. • Apprentice programme, currently six apprentices, last year 100% went on to full time employment. • New role Head of Organisational Development recruited September 2018.
We develop beyond the agreed growth strategy objectives and do not have capacity and resource to manage this effectively.	<ul style="list-style-type: none"> • Asset & Development Committee scrutinise all proposed developments appraisals before they are considered by Board. • Development and Investment Director recruited October 2018, appraises and reports all existing and future development schemes. • Broadacres Golden Rules for development of 60% rented, 30% shared ownership and 10% outright sale. • Growth Strategy sets the framework and standards of Broadacres homes for the future. • Coterminous Board has control to development subsidiaries to maintain golden rules and protect social housing assets.

Financial risk management objectives and policies

The Group's activities expose it to financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Group only holds basic financial instruments. The loans held by the Association are largely at fixed interest rates.

Credit risk

The Group's principal financial assets are bank balances and cash, rent arrears and other receivables, and investments.

The Group's credit risk is primarily attributable to its rent arrears. The amounts presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over several counterparties and tenants.

Liquidity risk

To maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the Group uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the statement of accounting policies in the financial statements.

Broadacres Housing Association Limited

Report of Board

Performance for the year and future developments

The Board, in consultation with our customers, sets out its review of the year in an Annual Report made available to all tenants and stakeholders. This includes information about customer services, support services, responsive and planned maintenance, together with development progress, performance and our delivery of Value for Money. Our current Corporate Plan runs until December 2023.

Details of the Group's performance for the year and future plans are set out in the Strategic Report on pages 5 to 18.

Board members and co-opted Board member

The present Board members are shown on page 1.

The Board currently comprises the Group Chair, nine non-executive board members plus one co-opted board member. The experience and skills of the Board is reviewed annually to ensure that they are sufficient for the Group's needs. The biographies of the individual board members are available on the Group's website.

Board members are drawn from a wide background bringing together housing, development, local community and professional experience. Group insurance policies indemnify board members and officers against liability when acting in their professional capacity on Group business.

The Chief Executive and other executive directors are employed on the same terms as other staff. Senior members of staff attend board meetings, which are held on a two-monthly cycle. Remuneration was last reviewed in 2016 and considered external independent benchmarking of pay.

The principal responsibilities of the Board to the Group are to:

- Demonstrate commitment to the values and objectives of the Group;
- Develop the Group's strategy;
- Uphold the National Housing Federation Code of Governance; and
- Represent the Group.

The performance of the Board, both individually and collectively, is formally appraised on an annual basis. The review process for individual board members involves self-assessment prior to a meeting with the Group Chair. This meeting appraises contribution, attendance, training and development needs. The Board Chair is appraised by the Chair of the Governance Committee. The appraisal process produces an action plan and is reported back to the Governance Committee. All board members and committee members are required to provide an annual governance declaration, including declarations of interest, to ensure on-going independence.

Day to day management and implementation of policy and strategic direction is delegated to the Chief Executive and the executive directors who meet regularly and attend board and committee meetings. The Board meets formally at least six times a year for regular business and once a year has a strategic session about future direction of the Group. The Board has four committees each of which has formal terms of reference which have been reviewed during 2018/19.

Committees:

- Audit and Risk Committee responsible for overseeing management's financial reporting responsibilities and maintenance of an appropriate system of risk management. The committee meets the external auditors to discuss the financial statement, the adequacy of the Group's internal control framework and makes formal recommendations as required. There are annual private meetings with the external and internal auditors.
- Asset and Development Committee considers and provides recommendations on investment and asset decisions to the Group board.
- Customer Experience Committee is responsible for considering whether Broadacres is providing a customer experience in accordance with Broadacres ambition and strategic targets.
- Governance Committee is responsible for ensuring the governance structure is effective and remuneration is appropriate.

Broadacres Housing Association Limited Report of Board

Board member attendance and total remuneration

	Appointed	Board Meetings	Asset & Development	Audit	Governance	Customer Experience	Fees £	Expenses £	TOTAL £
Colin Wilkie (Chair)	17 Mar 14	6/6			4/4		11,253	1,061	12,314
Jacqui Bateson (Governance Chair)	27 Mar 17	6/6		1/1	4/4	4/4	6,184	527	6,711
Peter Ottowell (Asset & Dev Chair)	22 Sep 14	5/6	4/5		4/4		6,165	1,186	7,351
Gordon Perry (CEC chair)	27 Mar 17	6/6			3/4	3/4	6,152	1,002	7,154
Martin Warhurst (Audit Chair)	25 Sep 17	6/6		4/4	3/4		6,138	285	6,423
June Mulroy	20 Nov 17	4/6		4/4			3,802	-	3,802
Phil Summers	27 Mar 17	2/6	3/5				3,802	382	4,184
Ann O'Hanlon	21 May 18	5/6	3/4	2/3			3,485	221	3,706
Ruth Snell	21 May 18	4/6	3/4				3,485	542	4,027
Ian Foy	21 May 18	6/6		3/3			4,230	227	4,457
Justin Ives (Co-opted board member)	21 May 18	4/6		2/3		3/3	3,485	-	3,485
Gail Monnickendam (Independent Audit Advisor)	01 Jan 18			4/4			2,060	209	2,269
Nigel Bell (Independent Asset Advisor)	28 Sep 15		5/5				2,060	213	2,273
Ruth Dent (Independent Asset Advisor)	01 Sep 18		2/3				1,202	-	1,202
Glyn Mucklow (Independent CEC Advisor)	01 May 18					4/4	1,888	412	2,300
Stephen McKeogh (Independent CEC Advisor)	01 May 18					4/4	1,888	-	1,888
Pete Hammond (Independent CEC Advisor)	01 May 18					4/4	1,888	97	1,985
David Dumbleton (Independent CEC Advisor)	28 Sep 15					4/4	2,060	-	2,060
							71,227	6,364	77,591

Broadacres Housing Association Limited

Report of Board

Board Diversity

Category			Category		
	Under 65	Over 65		No Disability	Disability
Age	14	4	Disability	18	0
	Male	Female		White Irish	White British
Gender	11	7	Ethnicity	0	18

Pensions

The Group participates in three pension scheme arrangements:

1. Employees across the Group are eligible to join the Social Housing Pension Scheme (SHPS) a defined benefit scheme operated by The Pensions Trust for Housing Associations. Retirement benefits to the Group's employees are funded by contributions from all participating employers and employees in the scheme.
2. The Group also participates in the Social Housing Pension Scheme (SHPS) defined contribution (money purchase) scheme.
3. The Group also participates in the London Local Government Pension Scheme, a defined benefit scheme. The scheme is closed to new admission and has 13 members (2018: 13 members). The Group and employees contribute to the scheme.

Employee, diversity and inclusion

At Broadacres we understand that it's great people, providing great homes and great customer experiences across our rural communities that will help us achieve our vision of being the best rural housing association in the country.

We aim to empower colleagues and do this by making sure we give all colleagues a voice to share what's important, enabling us to create a Broadacres where everyone is instrumental in achieving our mission and are contributing fully in the success of the organisation.

We are an equal opportunities and disability confident employer who welcomes applicants from all sectors of the community, and we encourage applications from people who are underrepresented in areas of the Organisation.

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety and detailed health and safety policies have been produced.

Colleagues receive the training and support they require to fulfil their roles and understand their personal responsibilities in making Broadacres a safe and healthy place to work with health and safety performance being reported to every board meeting.

Payments to creditors

Broadacres Housing Association has a policy to pay all suppliers and contractors in the next available payment run following the transaction being approved. This minimises the risk of the Association incurring additional charges in respect of interest on late payment but more importantly treats contractors fairly. The creditor days were on average 25 days (2018: 23 days).

Charitable donations

In addition to the time and support given by staff to local charities via our volunteering policy, donations of £12,414 (2018: £12,220) were made during the year to local groups. The donations were overseen by the Performance Improvement Panel within criteria agreed by the Board. The Group does not make political donations of any kind.

Broadacres Housing Association Limited

Report of Board

RSH Regulatory Standard: Governance and Financial Viability

Broadacres received a compliant grading from the Regulator in the financial year. An upgraded governance rating of G2 reflected the work done by Broadacres to de-risk its subsidiaries. Broadacres also received an upgrade to the highest financial viability level of V1. The Board continues to work towards the highest overall regulatory rating of G1 / V1.

Corporate Governance

Broadacres fully comply with the National Housing Federation (NHF) 2015 Code of Governance that has been adopted by the Board as a formal framework to underpin its governance arrangements. This particular code of governance was selected as it is bespoke to the housing sector and it is a widely recognised example of best practice. Broadacres regularly reviews its governance arrangements and takes independent assurance to ensure it has an appropriate Board comprising of the right composition, skills, duties and responsibilities. The Audit Committee reports directly to the Board. It manages the internal auditors and external auditors and monitors the effectiveness of controls designed to manage the risks of the business in accordance with the risk appetite, set by the Board. Clear working arrangements between the Board and Chief Executive ensure the effective discussions and decisions takes place at board level. The Board sets the strategic direction with appropriate external advice to align the remuneration and recruitment of board members and executive directors within the objectives of Broadacres. This all works together to provide an environment and culture where all board members, directors and employees operate to the highest ethical standards of probity and conduct. As at 31 March 2019 Broadacres Board of management comprised 11 non-executive board members. Competence of the Board and its individual members are appraised annually. Any training and development identified as part of the assessment is then arranged.

Merger code

The Board has adopted the National Housing Federation's voluntary code; "Mergers, Group Structures and Partnerships". As a result, the Board is informed of merger, group structure or partnership opportunities at the earliest opportunity. A record is also kept of activity including any proposals reviewed or submitted along with outcome.

Statement of compliance

In preparing this Strategic Report and Board report, the Group Board has followed the principles set out in the Statement of Recommended Practice (SORP) 2014.

Internal controls assurance

This is a summary of our 2018/19 internal controls self-assessment. The annual assessment considers strengths and areas for improvement in our strategic approach, risk management, internal controls and assurance.

These four elements combine to provide the basis for strong financial and governance control. Our strategic approach to the internal control framework is robust with improvements in governance and financial viability recognised through regaining our regulatory compliant status.

A full Board review was undertaken in October 2017 facilitated by Campbell Tickell and resulting in significant changes in the membership of the Broadacres Board. The new Board supported by Independent specialists joining the committees (where an independent was required) populated the updated governance framework and its 4 board committees. This has significantly improved the skills and experience on the Board who now provide additional support, scrutiny and challenge through the board committees.

During 2018 three further board members and one co-optee were recruited to the Board. These board members responded to advertisements and were interviewed by a panel of the Chair, Chair of Governance and the CEO.

Annual appraisals are carried out by the Chair of the Board using an individual appraisal form. Development areas were discussed and actions reviewed by the Governance Committee.

In 2019 an external review of board members will be undertaken. This work will be overseen by the Governance Committee

Broadacres Housing Association Limited

Report of Board

Statement of the responsibilities of the board for the report and financial statements

The board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association and group for that period. In preparing these financial statements, the board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014, 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 accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that 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 (April 2015). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Annual general meeting

The Annual General Meeting (AGM) will be held on 5th August 2019.

Independent external auditors

Grant Thornton UK LLP were appointed as auditors in January 2019.

The report of the Board was approved by the Board on 18 July 2019 and signed on its behalf by:

C Wilkie



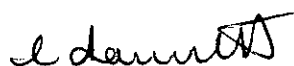
Chairman

M Warhurst



Board Member

C Fawcett



Company Secretary

Independent auditor's report to the members of Broadacres Housing Association Limited

Opinion

We have audited the financial statements of Broadacres Housing Association Limited (the 'parent society') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise Consolidate Statement of Comprehensive Income, Association Statement of Comprehensive Income, Consolidated Statement of Financial Position, Association Statement of Financial Position, Consolidated Statement of Changes to Reserves, Association Statement of Changes to Reserves, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 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 group's and parent society's affairs as at 31 March 2019 and of the group's and parent society's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. 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 society 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the members of Broadacres Housing Association Limited

Other information

The board is responsible for the other information. The other information comprises the information included in the Report of Board, set out on pages 19 to 28 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 28, 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 group's and parent society'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 intend to liquidate the group or parent society 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.

Independent auditor's report to the members of Broadacres Housing Association Limited

Use of our report

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds

19 August 2019

Broadacres Housing Association Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000 Restated
Turnover	2	43,707	55,834
Operating expenditure	2	(33,799)	(42,369)
Operating surplus		<u>9,908</u>	<u>13,465</u>
Finance income	2,5	24	5
Interest and finance costs	2,6	(6,412)	(6,594)
(Loss) on acquisition of subsidiary		-	(691)
Surplus before tax	7	<u>3,520</u>	<u>6,185</u>
Taxation	10	-	-
Surplus for the year		<u>3,520</u>	<u>6,185</u>
Remeasurement of SHPS obligation	21	(2,099)	-
Actuarial (loss) / gain in respect of pension schemes	21	(72)	1,417
Total comprehensive income for the year		<u><u>1,349</u></u>	<u><u>7,602</u></u>

All activities derive from continuing operations.

The notes numbered 1 to 29 form part of these financial statements. Further details of the restatement are given in note 28.

Broadacres Housing Association Limited
Association Statement of Comprehensive Income
For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000 Restated
Turnover	2	38,538	43,563
Operating expenditure	2	(29,594)	(31,876)
Operating surplus		<u>8,944</u>	<u>11,687</u>
Finance Income	2,5	336	459
Interest and financing costs	2,6	(6,412)	(6,477)
Surplus before tax	7	<u>2,868</u>	<u>5,669</u>
Taxation	10	-	(44)
Surplus for the year		<u>2,868</u>	<u>5,625</u>
Remeasurement of SHPS obligation	21	(2,099)	-
Actuarial (loss) / gain on pension schemes	21	(72)	1,417
Total comprehensive income for the year		<u><u>697</u></u>	<u><u>7,042</u></u>

All results derive from continuing operations.

The notes numbered 1 to 29 form part of these financial statements. Further details of the restatement are given in note 28.

Broadacres Housing Association Limited
Consolidated Statement of Financial Position
As at 31 March 2019

	Note	2019 £'000	2018 £'000 Restated
Fixed assets			
Housing properties	11	307,944	298,276
Other property, plant and equipment	12	5,166	3,820
Fixed Asset Investments	13	667	677
		<u>313,777</u>	<u>302,773</u>
Current assets			
Inventories	15	275	305
Debtors	16	2,623	6,704
Housing properties for sale	17	8,861	11,883
Cash	18	12,207	3,963
Cash held in Trust		47	37
		<u>24,013</u>	<u>22,892</u>
Creditors: Amount falling due within one year	19	(5,938)	(7,617)
Provision for the onerous contract		(129)	(458)
		<u>17,946</u>	<u>14,817</u>
Net current assets		<u>17,946</u>	<u>14,817</u>
		<u>331,723</u>	<u>317,590</u>
Total assets less current liabilities		<u>331,723</u>	<u>317,590</u>
Creditors: Amounts falling due after more than one year	20	(146,789)	(137,735)
Defined benefit pension liability	21	(7,247)	(3,516)
		<u>177,687</u>	<u>176,339</u>
Net assets		<u>177,687</u>	<u>176,339</u>
Capital and reserves			
Share capital		-	-
Revenue reserve		135,511	134,163
Revaluation reserve		42,176	42,176
		<u>177,687</u>	<u>176,339</u>
Total reserves		<u>177,687</u>	<u>176,339</u>

The notes numbered 1 to 29 form part of these financial statements. Further details of the restatement are given in note 28. The financial statements for Broadacres Housing Association Ltd (registered number 27656R); on pages 32-78 and their related notes were approved by the Board on 18 July 2019 and were signed on its behalf by:

C Wilkie  Chairman

M Warhurst  Board Member

C Fawcett  Secretary

Broadacres Housing Association Limited
Association Statement of Financial Position
As at 31 March 2019

	Note	2019 £'000	2018 £'000 Restated
Fixed assets			
Housing properties	11	307,944	298,276
Other property, plant and equipment	12	5,166	3,802
Fixed Asset Investments	13	514	822
		<u>313,624</u>	<u>302,900</u>
Current assets			
Inventories	15	275	305
Debtors	16	10,463	14,508
Housing properties for sale	17	3,002	3,490
Cash	18	9,804	1,577
		<u>23,544</u>	<u>19,880</u>
Creditors: Amounts falling due within one year	19	(5,613)	(4,706)
Net current assets		<u>17,931</u>	<u>15,174</u>
Total assets less current liabilities		<u>331,555</u>	<u>318,074</u>
Creditors: Amounts falling due after more than one year	20	(146,789)	(137,735)
Defined benefit pension liability	21	(7,247)	(3,516)
Net assets		<u>177,519</u>	<u>176,823</u>
Capital and reserves			
Share capital		-	-
Revenue reserve		135,343	134,647
Revaluation reserve		42,176	42,176
Total reserves		<u>177,519</u>	<u>176,823</u>

The notes numbered 1 to 29 form part of these financial statements. Further details of the restatement are given in note 28. The financial statements for Broadacres Housing Association Ltd (registered number 27656R); on pages 32-78 and their related notes were approved by the Board on 18 July 2019 and were signed on its behalf by:

C Wilkie  Chairman

M Warhurst  Board Member

C Fawcett  Company Secretary

Broadacres Housing Association Limited
Consolidated Statement of Changes to Reserves
As at 31 March 2019

	Income and expenditure reserve	Revaluation reserve	Restricted Reserve	Minority Reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2017 as previously stated	132,714	42,501	(6,153)	(691)	168,372
Prior period adjustment	(6,153)	(325)	6,153	-	(325)
At 1 April 2017	126,561	42,176	-	(691)	168,046
Surplus for the year	6,185	-	-	-	6,185
Loss attributable to the minority	-	-	-	691	691
Actuarial gain on pension scheme	1,417	-	-	-	1,417
At 31 March 2018	134,163	42,176	-	-	176,339
Surplus for the year	3,519	-	-	-	3,519
Remeasurement of SHPS obligation	(2,099)	-	-	-	(2,099)
Actuarial gain/(loss) on pension scheme	(72)	-	-	-	(72)
At 31 March 2019	135,511	42,176	-	-	177,687

Prior period adjustment relates to treatment of pension liability as restricted reserve and adjustment to revaluation reserve, for more details see note 28.

Broadacres Housing Association Limited
Association Statement of Changes to Reserves
As at 31 March 2019

	Income and expenditure reserve	Revaluation reserve	Restricted Reserve	Total
	£'000	£'000	£'000	£'000
At 1 April 2017 as previously stated	133,757	42,501	(6,153)	170,105
Prior period adjustment	(6,153)	(325)	6,153	(325)
At 1 April 2017	127,604	42,176	-	169,780
Surplus for the year	5,625	-	-	5,625
Actuarial gain on pension scheme	1,417	-	-	1,417
At 31 March 2018	134,646	42,176	-	176,822
Surplus for the year	2,868	-	-	2,868
Other comprehensive income:				
Remeasurement of SHPS obligation	(2,099)	-	-	(2,099)
Actuarial gain/(loss) on pension scheme	(72)	-	-	(72)
At 31 March 2019	135,343	42,176	-	177,519

Prior period adjustment relates to treatment of pension liability as restricted reserve and adjustment to revaluation reserve, for more details see note 28.

Broadacres Housing Association Limited
Consolidated Statement of Cash Flows
For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash generated from operating activities	18	17,578	15,603
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,602)	(11,443)
Purchase of Other Assets		(2,259)	(9,897)
Proceeds from sale of fixed assets		214	377
Proceed of Sales of other fixed assets		9,934	20,505
Grants received (SHG & other)		2,260	441
Interest received		24	5
Net cash generated from investing activities		<u>(7,429)</u>	<u>(12)</u>
Cash flows from financing activities			
Interest paid		(6,412)	(6,594)
New loans		9,190	2,460
Repayments of borrowings		<u>(4,683)</u>	<u>(9,250)</u>
Net cash (outflows) from financing activities		(1,905)	(13,384)
Net increase in cash and cash equivalents		8,244	2,207
Cash and cash equivalents at beginning of year		<u>3,963</u>	<u>1,756</u>
Cash and cash equivalents at end of year		<u>12,207</u>	<u>3,963</u>

Broadacres Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2019

1. Accounting policies

The Registered Provider (RP) is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as an RP as defined by the Housing and Regeneration Act 2008.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

General information and basis of accounting

The financial statements of the Group and Association have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP) and comply with the Accounting Direction for private registered providers of social housing 2015. Broadacres Housing Association Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102. The financial statements are presented in sterling (£).

FRS 102 Exemptions

The Association has taken advantage of the exemption from the requirement to prepare a cash flow statement set out in section 1.11 of FRS102

Going Concern

The Group's business activities, and its current financial position including its financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to credit, liquidity and cash flow risk are set out in the Strategic Report and the Report to the Board.

The Group has considerable financial resources consequently, the Board believes that the Group is well placed to manage its business risks successfully despite current uncertainties in the social housing sector.

After making enquiries, the Board have a reasonable expectation that the Association and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. These resources include considerable treasury resources together with long-term income streams in the form of rental income from properties. The Group has regained complaint status, with an upgrade to the highest viability rating, V1.

In addition, the decision to de-risk investments in subsidiaries and the actions already taken mean that subsidiaries business plans see them repaying intercompany debt over the next year and entering a net asset position.

Based upon these financial projections the board members have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Statement of compliance

This is the third year the Group has prepared its financial statements in accordance with FRS 102.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Association and its subsidiary undertakings drawn up to 31 March each year.

Details of the subsidiary undertakings are included on page 12 in the Report of the Board, and details of transactions between the Group are given in note 26 to the financial statements. Intra-group turnover, surpluses and balances are eliminated fully on consolidation.

The Association also has a subsidiary undertaking Market Gate Residential Management Company Limited, a wholly owned subsidiary incorporated in the UK. The principal activity of Market Gate Residential Management Company Limited is the provision of property services, limited to a scheme containing 21 properties. The net assets as at 31 March 2019 were less than £9,000. This subsidiary has not been consolidated as it is not material for the purposes of giving a true and fair view.

Broadacres Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2019

1. Accounting policies (continued)

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise promote social benefit. Housing properties are principally properties available for rent and are stated at cost (and at deemed cost for assets held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Work to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works which result on an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of assets, are capitalised as improvements.

Development on-costs

Staff costs and all other directly attributable costs of development incurred in the year are capitalised and treated as a deduction from operating costs. All other development costs are charged to operating costs in the period they are incurred.

Depreciation

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their useful economic lives. Freehold land is not depreciated.

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	75-100 years
Roofs	50 years
Doors and windows	30 years
Kitchens	15 years
Bathrooms	20 years
Heating systems	30 years
Boilers	10 years

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. This includes works carried out under the Affordable Warmth project and the replacement of fire doors within schemes. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

Shared ownership properties

Expenditure on shared ownership properties is split proportionally between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and included in housing properties at cost (less any provision needed for impairment or depreciation) and subsequent sales treated as sales of fixed assets.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

1. Accounting policies (continued)

Non-housing property, plant and equipment

Non-housing property, plant and equipment are stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold offices	50 years
Furniture, fixtures & fittings	5 years
Vehicles	4 years
Computer equipment	3-4 years

Investment properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property, plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment. Broadacres currently holds sites in its land bank valued at £0.4m. (£0.8m 2018) These properties are included in investments. A decision was made to market a site for sale towards the year end and the sale is progressing, resulting in the transfer out of the land bank to current assets.

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants

Where grants are received from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

1. Accounting policies (continued)

Donation or acquisition of land or other asset at below market value

Where a donation of land and/or other assets is received or land and/or other assets are acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where a donation of land and/or other assets is received or acquisitions of land and/or other assets at below their market value from a third party that does not meet the definition of a government source the transaction is recognised as an asset in the Statement of Financial Position at fair value, taking account of any restrictions on the use of the asset and income equivalent to the difference between any amounts paid or payable for the asset and the fair value of the asset is recognised in surplus or deficit in the Statement of Comprehensive Income as a donation when future performance-related conditions are met.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership stair casing sales, when full stair casing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not to be recognised as a provision. On subsequent stair casing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in surplus or deficit in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. A lease for the provision of vehicles over the next 5 years was entered into in 2018/19. This has been classified as a Finance lease. Assets are recognised initially at the lower of the fair value of the leased asset or the present value of minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Payments are split into principal and interest to reflect the repayment of the liability over the life of the vehicles, with depreciation being charged on the vehicles useful life.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Properties for outright sale

Properties developed for outright sale and land held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

1. Accounting policies (continued)

Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period

Taxation

The Association has charitable rules with effect from 9 June 1998, when charitable status was obtained; the Association is not liable to Corporation Tax except for specific transactions (outright sale of properties for profit, Renewable Heating Incentives and Feed-in – Tariffs).

The Association's subsidiaries Broadacres Services Limited and Mulberry Homes Yorkshire Limited are liable to taxation within the UK. Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date.

Timing differences are differences between the Group's taxable surpluses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date that are expected to apply to the reversal of the timing difference.

Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Value added tax (VAT)

The Association is registered for VAT but a large proportion of its income, including rents, is exempt from VAT. The majority of expenditure is subject to VAT which cannot be reclaimed, and expenditure is therefore shown inclusive of VAT. Partial exemption has been obtained for some business activities and the VAT recovered is credited to the income and expenditure account in the year in which they occur.

Restricted reserves

The Association maintains restricted reserves for specific purposes where their use is subject to external restrictions.

Designated reserves - Service charge sinking funds and service costs

The Association previously maintained one designated reserve which was set aside for a use which prevents it, in the judgement of the Board, from being regarded as part of the free reserves of the Association. This services reserve (which is specifically designated to reflect the Association's duty to replace certain equipment in supported housing schemes) is treated as a creditor.

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position.

Broadacres Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2019

1. Accounting policies (continued)

Pensions

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme (SHPS)

The Association participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK.

The scheme is classified as a 'last man standing' arrangement. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

FRS 102 requires that an employer participating in a defined benefit scheme should recognise:

- a liability for its obligations under the scheme net of scheme assets; and
- the net change in that liability during the accounting period as the cost of the defined benefit scheme during the period.

Previously an employer participating in the scheme should recognise:

- a liability for any employer contributions scheduled in the future arising from the scheme's agreed deficit recovery plan; and
- the resulting expense in profit or loss.

For accounting year-ends from 31 March 2019, The Pensions Trust (TPT) will be able to provide full defined benefit accounting information.

The impact of this for Broadacres is to increase the deficit in both the SOFP and reserves by £2m. The change in accounting would not be a prior year adjustment and the difference between the net defined benefit pension liability and the past service deficit provision is included in Other Comprehensive Income (as a separate item).

Local Government Pension Scheme

The Group participates in a local government pension scheme which is a multi-employer scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from 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 revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, 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 at least triennially and are updated at each Statement of Financial Position date.

Turnover

Turnover comprises:

- Rental income from tenants and leaseholder's receivable in the year is recognised as it becomes due and payable.
- Revenue grants recognised at the earlier of when due under a relevant contract or when received.
- Income from other services included at the invoice date (excluding VAT) of goods and services supplied in the year are recognised when they become due and payable.
- Income from the sale of shared ownership or other properties developed for sale is recognised when received.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

1. Accounting policies (continued)

Support income and costs including supporting people income and costs

Supporting People (SP contract received from the administrating authorities) is accounted for as SP income in the turnover, note 2). The related support costs are matched against this income in the same note.

Investments

Investments in the Group balance sheet are held at the lower of cost and net realisable value and represent an equity share of properties sold by Broadacres Services Limited at less than 100%.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they may be irrecoverable

Onerous Contracts

Where a loss is deemed to be certain in a contract, the Association will recognise this loss as outlined in FRS102. This will lead to a cost in the Statement of Comprehensive Income as well as a provision in the Statement of Financial Position relating to the estimated loss. This will then be unwound as the actual loss is realised.

Financial liabilities carried at amortised cost – “basic loans”

These financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income, discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financing transactions – rent arrears – arrangements to pay

For rent arrears where the arrangement constitutes, in effect, a financing transaction because of extended credit arrangements the arrears are derecognised as a financial asset and a new financial asset measured at the present value of the future payments discounted at an appropriate market rate of interest. The present value adjustment is recognised in the Statement of Comprehensive Income.

Broadacres Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2019

1. Accounting policies (continued)

Public benefit entity concessionary loans

Loans between the Group are made at market rates and therefore classified as "basic loans" above.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Cash Held in Trust

At times, our subsidiary Broadacres Services Limited may hold cash balances for management companies pending expenditure on the upkeep of scheme sites. This balance is treated as an asset in Cash and a creditor balance in Other creditors.

Gift aid payments

Gift aid payments are charged as distributions of reserves in accordance with the guidance included in the Institute of Chartered Accountants technical release 'Guidance on donations by a company to its parent charity'.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

From 1 April 2016, Broadacres Housing Association reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with Welfare Reform and Work Act 2016. Despite cost efficiency savings and other changes to Broadacres Housing Association's business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

Broadacres estimated the recoverable amount of its housing properties as follows:

- (a) Determined the level at which the recoverable amount is to be assessed (ie the individual asset level or at cash-generating unit (CGU) level. The CGU was determined to be at a scheme level
- (b) Estimated the recoverable amount of the CGU
- (c) Calculated the carrying amount of the CGU and
- (d) Compared the carrying amount to the recoverable amount to determine if an impairment loss had occurred.

Based on this assessment, Broadacres calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, there was no impairment of social housing properties.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

1. Accounting policies (continued)

Impairment of properties held for sale

Broadacres impaired a property for sale by £113k following review of the expected sale price.

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value measurement

Management uses valuation techniques to determine the fair value of assets held for sale. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Onerous Contract

The Group estimated a loss arising on schemes being completed by Mulberry Homes in 2016/17. As the schemes near completion, the provision is released to the statement of comprehensive income in line with property sales. The outstanding balance on the provision at the reporting date is £129k (2018: £458k). the last 3 property sales were completed in May 2019.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

2. Particulars of turnover, cost of sales, operating costs, operating surplus and disposal of property

Group	Turnover	2019	Operating Surplus / (deficit) £'000
		Operating Costs	
	£'000	£'000	
Social housing lettings (Note 3)	31,796	(22,822)	8,974
Main operating activities			
Shared ownership and current asset sales (Association)	4,610	(2,625)	1,985
Gain on disposal of property, plant and equipment (Note 4)	-	67	67
Supported and Extra Care Schemes	858	(1,424)	(566)
Older persons services	459	(747)	(288)
Home improvement agency	-	-	-
ABLE day care	149	(201)	(52)
Cleaning services	47	(246)	(199)
Development services	-	(1,151)	(1,151)
Other	600	(570)	30
Open Market Sales	5,188	(4,080)	1,108
Turnover	43,707	(33,799)	9,908
Activities other than social housing activities:			
Interest receivable / (payable)	24	(6,412)	(6,388)
	24	(6,412)	(6,388)
Total	43,731	(40,211)	3,520

Group	Turnover	2018	Operating Surplus / (deficit) £'000 Restated
		Operating Costs	
	£'000	£'000	
Social housing lettings	31,246	(20,255)	10,991
Main operating activities			
Shared ownership and current asset sales (Association)	9,892	(8,007)	1,885
Gain on disposal of property, plant and equipment (Note 4)	-	314	314
Supported and Extra Care Schemes	954	(1,202)	(248)
Older persons services	580	(713)	(133)
Home improvement agency	146	(183)	(37)
ABLE day care	128	(192)	(64)
Cleaning services	108	(201)	(93)
Development services	-	(581)	(581)
Other	453	(581)	(128)
Open Market Sales	12,327	(10,768)	1,559
Turnover	55,834	(42,369)	13,465
Activities other than social housing activities:			
Interest receivable / (payable)	5	(6,458)	(6,453)
Other finance costs	-	(136)	(136)
Investment impairment	-	(691)	(691)
	5	(7,285)	(7,280)
Total	55,839	(49,654)	6,185

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

2. Particulars of turnover, cost of sales, operating costs, operating surplus and disposal of property

Association

	2019		
	Turnover	Operating Costs	
	£'000	£'000	
		Operating Surplus / deficit	
		£'000	
Social housing lettings	31,796	(22,822)	8,974
Other social housing activities			
Shared ownership and current assets	4,610	(2,625)	1,985
Gain on disposal of property, plant & equipment (Note 4)	-	67	67
Supported and Extra Care Schemes	858	(1,425)	(567)
Older persons services	459	(747)	(288)
Home improvement agency			
ABLE day care	149	(201)	(52)
Cleaning services	47	(246)	(199)
Development services	41	(1,086)	(1,045)
Other	578	(509)	69
Turnover	38,538	(29,594)	8,944
Activities other than social housing activities:			
Interest receivable / (payable)	336	(6,412)	(6,076)
	<u>336</u>	<u>(6,412)</u>	<u>(6,076)</u>
Total	<u>38,874</u>	<u>(36,006)</u>	<u>2,868</u>

Association

	2018		
	Turnover	Operating Costs	
	£'000	£'000	
		Operating Surplus / deficit	
		£'000	
		Restated	
Social housing lettings	31,247	(20,256)	10,991
Other social housing activities			
Shared ownership and current assets	9,892	(8,007)	1,885
Gain on disposal of property, plant & equipment (Note 4)	-	314	314
Supported and Extra Care Schemes	954	(1,201)	(247)
Older persons services	580	(713)	(133)
Home improvement agency	146	(183)	(37)
ABLE day care	128	(192)	(64)
Cleaning services	108	(201)	(93)
Development services	100	(901)	(801)
Other	408	(536)	(128)
Turnover	43,563	(31,876)	11,687
Activities other than social housing activities:			
Interest receivable / (payable)	459	(6,341)	(5,882)
Other finance costs	-	(136)	(136)
	<u>459</u>	<u>(6,477)</u>	<u>(6,018)</u>
Total	<u>44,022</u>	<u>(38,353)</u>	<u>5,669</u>

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

3. Particulars of Income and Expenditure from social housing lettings –Association

The income from lettings in respect of shared ownership properties is included within General Needs. The Association has 162 shared ownership properties (2018:139) generating £319k (2018: £235k) per annum in rent.

	General Needs (and Sheltered Housing) £'000	Supported Housing £'000	2019 Total £'000	2018 Total £'000
Income				
Rents receivable	28,408	1,592	30,000	29,571
Service charge income	601	1,852	2,453	2,246
Amortised government grant:				
Government grants taken to income	74	-	74	62
Void losses	(587)	(144)	(731)	(632)
Turnover from social housing lettings	28,496	3,300	31,796	31,247
Expenditure				
Services	666	1,889	2,555	2,140
Management	2,091	239	2,330	2,480
Routine maintenance	5,406	206	5,612	4,237
Planned maintenance	746	892	1,638	1,029
Major repairs expenditure	3,706	119	3,825	3,260
Rent loss from bad debts	164	10	174	121
Depreciation of housing properties	6,326	362	6,688	6,499
Impairment of housing properties	-	-	-	490
Operating costs	19,105	3,717	22,822	20,256
Operating surplus social housing lettings	9,391	(417)	8,974	10,991

During the year the Association made £12,414 (2018: £11,700) grants from the Community Development Fund, small donations of £nil (2018: £520) to local groups and raised £4,000 for the Bloodrun Charity (2018: £3,000 for Parkinson's Association) through its annual charity golf day.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

4. Gain on disposal of property, plant and equipment

	Association	
	2019	2018
	£'000	£'000
Gain on disposal of property		
Right to buy sales	214	376
Staircasing shared ownership sales	136	367
Costs of sale	(283)	(429)
Profit on disposal	<u>67</u>	<u>314</u>

5. Finance Income

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Intercompany loan interest	-	-	320	454
Bank interest receivable	24	5	16	5
	<u>24</u>	<u>5</u>	<u>336</u>	<u>459</u>

6. Interest and finance costs

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	6,403	6,546	6,403	6,429
Net interest on defined benefit liability (Note 21)	<u>175</u>	<u>136</u>	<u>175</u>	<u>136</u>
	6,578	6,682	6,578	6,565
Borrowing costs capitalised	<u>(166)</u>	<u>(88)</u>	<u>(166)</u>	<u>(88)</u>
	<u>6,412</u>	<u>6,594</u>	<u>6,412</u>	<u>6,477</u>

Borrowing costs have been capitalised based on a capitalisation rate of 1.80 per cent (2018 1.58 per cent) which represents the variable rate of funds available to the Association.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

7. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging/ (crediting):

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Depreciation of housing properties (Note 11)	6,576	6,499	6,576	6,499
Impairment of housing properties (Note 11)	-	10	-	10
Depreciation of other fixed assets (Note 12)	421	367	416	358
Government grants (Note 20)	72	62	72	62
(Gain) on disposal of fixed assets (Note 4)	(337)	(1,392)	(337)	(1,392)
Audit fees:				
- Statutory audit	34	26	29	26
- Taxation compliance services	9	6	4	6
- Other consultancy services	8	13	8	13
Operating lease rentals	12	119	12	114

8. Staff costs

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	8,531	7,770	8,498	7,638
Agency Costs	404	411	404	411
Social security costs	773	706	772	696
Other pension costs (see note 21)	901	907	900	906
	<u>10,609</u>	<u>9,794</u>	<u>10,574</u>	<u>9,651</u>

Salary band including pension

	2019 Number	2018 Number
50,000 – 59,999	7	6
60,000 – 69,999	7	6
70,000 – 79,999	-	1
80,000 – 89,999	1	1
90,000 – 99,999	-	1
100,000 – 109,999	1	1
110,000 – 119,999	1	2
130,000 – 139,999	1	-
160,000 – 169,999	1	1

The average full time equivalent number of employees was

2019 Number	2018 Number
<u>290</u>	<u>268</u>

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

9. Key management personnel

	2019	2018
	£'000	£'000
Board members		
Wages and salaries	71	50
Expenses	6	5
Executive staff members		
Wages and salaries	482	569
Social security costs	66	64
Other pension costs	45	94
Compensation for loss of office	64	-
Estimated money value of any other benefits otherwise than in cash	-	6
	<hr/>	<hr/>
	734	788
	<hr/>	<hr/>

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Director Management team. (Chief Executive, Director of Business Transformation, Director of Customer Experience, Director of Development & Investment and Director of Resources)

	2019	2018
	£'000	£'000
Remuneration of the highest paid director, excluding pension contributions:	150	132
Pension contributions of the highest paid director	14	43
	<hr/>	<hr/>

The pension arrangements of the Chief Executive are consistent with those offered to the group's other employees. No enhanced or special terms apply.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

10. Tax on surplus on ordinary activities

Group

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019
	£'000
Surplus for the year	3,520
Tax on surplus at standard UK tax rate of 19.00% (2018:19.00%)	668
Effects Of:	
Expenses not deductible for tax purposes	6,137
Income not taxable for tax purposes	(6,633)
Amounts charged/(credited directly to the STRGL or otherwise transferred	(59)
Adjust closing deferred tax to average rate of 19.00%	113
Adjust opening deferred tax to average rate of 19.00%	(125)
Deferred tax not recognised	(101)
Tax charge for the period	<u>-</u>

Notes to the accounts – Balance sheet amounts

2019
£'000

Current liabilities:

Group relief creditor

-
-

Association

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019	2018
	£'000	£'000
Surplus for the year	2,868	5,669
Tax on surplus at standard UK tax rate of 19.00% (2018:19.00%)	545	1,077
Effects Of:		
Expenses not deductible for tax purposes	6,797	-
Income not taxable for tax purposes	(7,366)	(984)
Group relief surrendered/(claimed)	-	(44)
Adjust closing deferred tax to average rate of 19.00%	2	-
Adjust opening deferred tax to average rate of 19.00%	1	-
Deferred tax not recognised	21	(5)
Rounding	-	(44)
Group relief creditor	<u>-</u>	<u>-</u>
Tax charge for the period	<u>-</u>	<u>-</u>

Notes to the accounts – Balance sheet amounts

2019
£'000 **2018**
£'000

Current liabilities:

Group relief creditor

- 44
- 44

The Group has utilised tax losses in subsidiaries to offset income generated in the Association that is subject to corporation tax. This relates to income from "Renewable Heating Incentive" and "Feed In Tariff" scheme income, as well as properties developed for outright sale.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

11. Housing properties

Group and Association	Housing properties held for letting	Housing properties under construction	Total
	£'000	£'000	£'000
Cost			
At 1 April 2018	312,648	6,454	319,102
Additions	-	14,208	14,208
Components capitalised	3,392	-	3,392
Transferred on completion	14,649	(14,649)	-
Disposals	(1,538)	-	(1,538)
At 31 March 2019	<u>329,151</u>	<u>6,013</u>	<u>335,164</u>
Accumulated Depreciation			
At 1 April 2018	(20,825)	-	(20,825)
Charge for the year	(6,576)	-	(6,576)
Eliminated on disposal	181	-	181
Impairment	-	-	-
At 31 March 2019	<u>(27,220)</u>	<u>-</u>	<u>(27,220)</u>
Net book value			
At 31 March 2019	<u>301,931</u>	<u>6,013</u>	<u>307,944</u>
At 31 March 2018	<u>291,822</u>	<u>6,454</u>	<u>298,276</u>

Broadacres hold properties at cost less accumulated depreciation. Valuations of properties are still undertaken as a requirement of funding agreements, and are considered against the value of properties held for impairment review purposes.

Under FRS102, following Broadacres adoption of the accrual method of accounting Social Housing Grant is held as a creditor and released to the Statement of Comprehensive Income over the useful life of the asset to which it relates. Properties have therefore been restated at gross (or deemed cost) less depreciation.

Housing property additions include £166k (2018: £88k) interest on development costs, based on 1.8% (2018: 1.58%) interest rate. Included within housing properties for letting are 162 (2018:114) Shared Ownership properties with a net value of £3.9m (2018: £3.4m).

Depreciation has been charged on major components based on their useful economic lives, the replacement of major components totalling £3,392k (2018: £2,768k) were capitalised in the year.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

11. Housing properties (continued)

Expenditure on works to existing properties

Group and Association	
2019	2018
£'000	£'000
3,392	2,768
3,825	3,260
<u>7,217</u>	<u>6,028</u>

Components capitalised
 Amounts charged to the income and expenditure account:

Social Housing Grant

Group and Association	
2019	2018
£'000	£'000

Total accumulated social housing grant received or receivable as at 31 March:

Capital grant

<u>67,696</u>	<u>65,646</u>
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Finance Costs

Group and Association	
2019	2018
£'000	£'000

Aggregate amount of finance costs included in the cost of housing properties:

<u>2,598</u>	<u>2,432</u>
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Housing Properties Held

Group and Association	
2019	2018
Number of Units	Number of Units

General Needs & Sheltered housing
 Supported housing
 Shared Ownership

5,812	5,705
342	342
162	114
<u>6,316</u>	<u>6,161</u>

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

12. Other property, plant and equipment

	Investment properties	Freehold Offices	Computer & office equipment	Furniture fixtures & fittings	Vehicles	Leased Vehicles	Association Total	Subsidiaries Total	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2018	10	4,131	2,386	207	1,390	-	8,124	38	8,162
Additions	-	84	256	26	12	1,881	2,259	-	2,259
Disposals	(10)	(524)	(145)	(3)	(1,051)	-	(1,733)	(25)	(1,758)
At 31 March 2019	-	3,691	2,497	230	351	1,881	8,650	13	8,663
Depreciation									
At 1 April 2018	-	(804)	(1,974)	(200)	(1,344)	-	(4,322)	(19)	(4,341)
Charge for the year	-	(83)	(189)	(6)	(31)	(107)	(416)	(5)	(421)
Disposals		62	146	3	1,043	-	1,254	11	1,265
At 31 March 2019	-	(825)	(2,017)	(203)	(332)	(107)	(3,484)	(13)	(3,497)
Net book value									
At 31 March 2019	-	2,866	480	27	19	1,774	5,166	-	5,166
At 31 March 2018	10	3,327	412	7	46	-	3,802	18	3,820

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

13. Investment Properties

	Group		Association	
	2019 £'000	2018 £'000 Restated	2019 £'000	2018 £'000 Restated
At 1 April 2018	677	2,494	822	3,001
Additions	-	588	-	879
Disposals	(10)	-	(308)	(653)
Transfers	-	(1,925)	-	(1,925)
Impairment	-	(480)	-	(480)
31 March 2019	667	677	514	822

Commercial properties are held for rental generation purposes and held at market value.

14. Investment in Subsidiaries

As at 31 March 2019, the Association has control of the following subsidiary organisations, the results of which are consolidated where required in these financial statements in accordance with Co-operative and Community Benefit Societies Act 2014. None of these subsidiaries are registered with the regulator of the Association.

Subsidiary Name	Country of registration	Nature of Business	Registered Provider	Shares held by BHA	Basis of Control
Broadacres Services Limited	England	Development of building projects	No	£1	100% share ownership
Richmond and Hambleton Furniture Store	England	Retail	No	-	100% control of the board of trustees
Mulberry Homes Yorkshire Limited	England	Development of building projects	No	£100	100% share ownership
Marketgate Management Company	England	Renting and operating of Housing Association real estate	No	£0	86% ownership of properties in the scheme

The registered office of all subsidiaries is Broadacres House, Mount View, Standard Way, Northallerton, North Yorkshire, DL6 2YD.

The financial statements of the Market Gate Residential Management Company Limited are not required to be consolidated as it is deemed to be immaterial.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

15. Inventories

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Materials for repairs and adaptations	265	297	265	297
Catering services food stock	10	8	10	8
	<u>275</u>	<u>305</u>	<u>275</u>	<u>305</u>

16. Debtors

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts falling due within one year:				
Rent & Service Charge receivable	1,334	1,467	1,334	1,467
Provision for bad and doubtful debts	(469)	(429)	(469)	(429)
	<u>865</u>	<u>1,038</u>	<u>865</u>	<u>1,038</u>
Amounts owed by Group undertakings	-	-	9,098	10,590
Other debtors	1,449	4,453	191	1,670
Prepayments and accrued income	307	525	307	522
	<u>2,621</u>	<u>6,016</u>	<u>10,461</u>	<u>13,820</u>
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	-	-	688
Other debtors	2	688	2	-
	<u>2</u>	<u>688</u>	<u>2</u>	<u>688</u>
	<u>2,623</u>	<u>6,704</u>	<u>10,463</u>	<u>14,508</u>

17. Housing Properties for Sale

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Completed properties	8,564	3,490	3,002	3,490
Properties under construction / Land for sale	297	8,393	-	-
	<u>8,861</u>	<u>11,883</u>	<u>3,002</u>	<u>3,490</u>

The in-year movement includes the impairment of 1 property by £113k to reflect the expected sale price.

Broadacres Housing Association Limited
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For the year ended 31 March 2019

18. Cash

Consolidated	2019	2018
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	3,520	6,185
Adjustment for non-cash items:		
Depreciation of property, plant & equipment	6,576	6,499
Depreciation of other fixed assets	422	367
Decrease/(Increase) in inventories	30	(31)
Decrease/(Increase) in debtors	4,078	(3,521)
Decrease/(Increase) in creditors	400	(1,361)
Pension costs less contributions payable	340	238
Carrying amount of Housing Fixed Asset Disposals	1,358	2,760
Carrying amount of Other PPE Disposals	493	-
Carrying amount of Other Asset Disposals	4,080	18,332
Impairment loss on property, plant & equipment	113	490
	<u>17,890</u>	<u>23,773</u>
Adjustments for investing or financing activities:		
Income from the sale of property, plant & equipment	(10,148)	(20,882)
Government grants utilised in the year	(72)	(62)
Interest payable	6,412	6,594
Interest received	(24)	(5)
	<u>(3,832)</u>	<u>(14,355)</u>
Cash generated by operations	<u>17,578</u>	<u>15,603</u>

19. Creditors: amounts falling due within one year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
		Restated		Restated
Bank loans and overdrafts (see note 20)	1,250	3,293	1,250	1,250
SHPS Pension Liability (See Note 21)	-	219	-	219
Rents, service & support charges received in advance	381	331	381	331
Amounts owed to Group undertakings	-	-	807	808
Cash held in trust	47	37	-	-
Other taxation and social security	249	298	249	298
Other creditors	508	206	508	206
Government grants	94	72	94	72
Vehicle Leasing	376	-	376	-
Accruals and deferred income	3,033	3,161	1,948	1,522
	<u>5,938</u>	<u>7,617</u>	<u>5,613</u>	<u>4,706</u>

Due to difficult trading conditions arising from the liquidation of Southdale Construction, Mulberry Homes are projecting a significant loss on ongoing schemes. Mulberry recognised a loss under onerous contract in 2015/16 and this is being released in line with sales. It currently stands at £129k (2018: £458k).

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

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

	Group		Association	
	2019 £'000	2018 £'000 Restated	2019 £'000	2018 £'000 Restated
Other creditors				
Loans	135,064	128,515	135,064	128,515
SHPS Pension Liability (See note 21)	-	1,029	-	1,029
Government grants (RCGF)	146	124	146	124
Government Grants	9,299	7,134	9,299	7,134
Service charge sinking fund	1,071	933	1,071	933
Vehicle Leasing	1,209	-	1,209	-
	146,789	137,735	146,789	137,735

Borrowings are repayable as follows:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans				
Between one and two years	2,250	1,250	2,250	1,250
Between two and five years	6,501	7,400	6,501	7,400
After five years	126,313	119,865	126,313	119,865
	135,064	128,515	135,064	128,515
On demand or within one year	1,250	3,293	1,250	1,250
	136,314	131,808	136,314	129,765

All loans are secured by way of a fixed charge over specified assets of the Association.

Broadacres Housing Association has a fully utilised facility of £55m with Barclays.

Broadacres Housing Association has a facility of £50m with RBS of which £35m is utilised (2018 £36m). During the year Broadacres repaid £1m. As at 31st March 2019, £15m (2018 £14m) remains undrawn and available through a revolving credit facility.

Broadacres Housing Association has a facility of £35m with Hambleton District Council (2018 £35m). As at 31st March 2019, the facility is fully utilised.

Broadacres Housing Association has a facility of £11.3m with Nationwide that is in a repayment phase, with £1m being repaid each year (2018 £12.5m).

Broadacres Services Limited has fully repaid a Builders Finance Fund loan from Homes England of £2.4m in year.

Broadacres has a loan of £64k with Orchard Brook.

Broadacres weighted average fixed interest rate is 5.22%, variable rate margins vary between 0.5% and 1.85% on LIBOR.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

20. Creditors – amounts falling due after more than one year (continued)

Deferred Income - Government grants	Group and Association	
	2019 £'000	2018 £'000
As at 1 April 2018	(7,206)	(6,633)
Grants receivable	(2,260)	(635)
Amortisation of Statement of Comprehensive Income	72	62
	<u>(9,394)</u>	<u>(7,206)</u>
As at 31 March 2019		
Due within one year	<u>(94)</u>	<u>(72)</u>
Due after one year	<u>(9,300)</u>	<u>(7,134)</u>

The total accumulated amount of capital grant received at the balance sheet date is £67.7m, the creditor of £9.4m relates to grant where the conditions have not yet been met.

Recycled Capital Grant Fund	Group and Association	
	2019 £'000	2018 £'000
As at 1 April	124	97
Inputs	112	226
Recycling of grant	(90)	(199)
	<u>146</u>	<u>124</u>
31 March		
Grant due for repayment	<u>-</u>	<u>-</u>

Obligations under finance leases	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Due < 1 year (Note 19)	376	-	376	-
Due > 1-2 years (Note 20)	376	-	376	-
Due > 2-5 years (Note 20)	833	-	833	-
	<u>1,585</u>	<u>-</u>	<u>1,585</u>	<u>-</u>

The obligations under finance leases are repayable by equal instalments in less than five years, Finance leases relate to vehicles used by the Association.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes

The Group participated in a two industry-wide funded defined benefit retirement final salary schemes in the year.

Defined benefit retirement schemes.

The Group participates in two defined benefit retirement schemes for all qualifying employees. The schemes are operated by the Social Housing Pension Scheme (SHPS) and the London Pension Fund Authority (LPFA) and the assets of the schemes are held separately from those of the Group under the control of Trustees.

21.1 SHPS

The Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme. The Scheme is a defined benefit scheme based in the UK.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme. The previous entries in the accounts were as follows:

	2018 £000s
Creditor at start of period	1,457
Contributions paid	(210)
Operating costs	(16)
Finance Charge	17
Creditor at end of period	<u>1,248</u>
Creditor due <1 year (Note 19)	219
Creditor due > 1 year (Note 20)	1,029
	<u>1,248</u>

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes (continued)

21.1. SHPS (continued)

The proposals set out in FRED 71 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a re-measurement difference of £2,099k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

	£000s
De-recognition of Existing Scheme Liability	1,248
Recognition of Defined Benefit Liability	(3,347)
Movement in SOCI	<u>(2,099)</u>

The movement in the SOCI is shown as an adjustment to other comprehensive income.

The defined benefit liability is calculated as per the below.

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset

	2019	2018
	£'000	£'000
Fair value of Plan Assets	10,853	9,587
Present Value of Defined Benefit Obligation	<u>14,927</u>	<u>12,934</u>
(Deficit)	<u>(4,074)</u>	<u>(3,347)</u>

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation (no 2018 comparatives available)

	2019
	£000
Defined Benefit Obligation at 1 April 2018	12,934
Current Service Cost	706
Expenses	16
Interest Expense	346
Contributions by plan participants	181
Actuarial loss (gain) due to scheme experience	(315)
Actuarial loss (gain) due to changes in demographic assumptions	38
Actuarial loss (gain) due to changes in financial assumptions	1,122
Benefits paid and expenses	(101)
Defined Benefit Obligation at 31 March 2019	<u>14,927</u>

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes (continued)

21.1. SHPS (continued)

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets (no 2018 comparatives available)

	2019
	£000
Fair Value of Plan Assets at 1 April 2018	9,587
Interest Income	259
Experience on plan assets (excluding interest income) – gain (loss)	263
Contributions by the employer	664
Contributions by plan participants	181
Benefits paid and expenses	(101)
Fair Value of Plan Assets at 31 March 2019	10,853

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 March 2019 was £522,000

	2019	2018
	£000s	£000s
Global Equity	1,826	1,893
Absolute Return	939	1,171
Distressed Opportunities	197	93
Credit Relative Value	199	-
Alternative Risk Premia	626	364
Fund of Hedge Funds	49	316
Emerging Markets Debit	374	387
Risk Sharing	328	89
Insurance-Linked Securities	311	252
Property	244	441
Infrastructure	569	246
Private Debt	146	85
Corporate Bond Fund	506	394
Long Lease Property	160	-
Secured Income	389	355
Liability Driven Investment	3,969	3,492
Net Current Assets	21	9
Total Assets	10,853	9,587

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes (continued)

21.1. SHPS (continued)

Defined Benefit Costs Recognised in the Statement of Comprehensive Income (SOI) (no 2018 comparatives available)

	2019 £'000
Current Service Cost	706
Expenses	16
Net Interest Expense	87
	<hr/>
Costs recognised in SOI	809

Defined Benefit Costs Recognised in the Other Comprehensive Income (no 2018 comparatives available)

	2019 £'000
Experience on plan assets (excluding interest income) - gain (loss)	263
Experience gains and losses arising on plan liabilities	315
Changes in Demographic Assumptions	(38)
Changes in Financial Assumptions	(1,122)
	<hr/>
Total amount recognised in other comprehensive income - (loss)	(582)

Key Assumptions

	Valuation at	
	2019	2018
Key assumptions used:		
Discount rate	2.38%	2.60%
Inflation (RPI)	3.23%	3.11%
Inflation (CPI)	2.23%	2.11%
Salary Growth	3.23%	3.11%
Allowance for commutation of pension for cash at retirement	75% of maximum	75% of maximum
	Valuation at	
	2019 years	2018 years
Retiring today:		
Males	21.8	22.8
Females	23.5	24.6
Retiring in 20 years:		
Males	23.2	25.1
Females	24.7	26.8

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes (continued)

21.2. The London Pension Fund Authority Pension Fund (LPFA).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet.

The administering authority for the Fund is the London Pensions Fund Authority. The LPFA Board oversees the management of the Fund whilst the day to day fund administration is undertaken by the Local Pensions Partnership. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, the London Pensions Fund Authority, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the London Pension Fund Authority Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes (continued)

21.2. LPFA (continued)

Valuation data

Data sources

In completing our calculations for pension accounting purposes, we have used the following items of data, which we received from the London Pensions Fund Authority:

- The results of the valuation as at 30 June 2018 which was carried out for funding purposes and the results of the 31 March 2018 FRS102 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2019;
- Fund investment returns for the period to 31 January 2018 and market returns (estimated where necessary) thereafter for the period to 31 March 2018;
- Estimated Fund income and expenditure in respect of the Employer for the period to 31 March 2019; and
- Details of any new early retirements for the period to 31 March 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Employer membership statistics

The service cost for the year ended 31 March 2019 is calculated using an estimate of the total pensionable payroll during the year. From the contribution information provided by the employer, the estimated total pensionable payroll during the year is £408,000. The projected service cost for the year ended 31 March 2020 has been calculated assuming the payroll remains at this level over the year.

Scheduled contributions

The minimum employer contributions due from Broadacres Housing Association Limited to the Fund over this inter-valuation period remains at 22.7% plus a £5k monetary amount.

Broadacres Housing Association Limited may pay further amounts at any time and future periodic contributions, or the timing of contributions may be adjusted on a basis approved by us.

Early retirements

We requested data on any early retirements in respect of the Employer from the administering authority for the year ended 31 March 2019.

It is our understanding that there were no new early retirements over the year which were not allowed for at the previous accounting date.

Assets

The return on the fund for the year is estimated to be 9%. Broadacres share of the assets for the year is less than 1%.

Actuarial methods and assumptions

Valuation approach

To assess the value of the Employer's liabilities at 31 March 2019, we have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 30 June 2018, using financial assumptions that comply with FRS102.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes (continued)

21.2. LPFA (continued)

are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2019 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2019 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share we have rolled forward the assets allocated to the Employer at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

Results are based on a roll forward of a full valuation of funded membership data at 30 June 2018. As a result of allowing for actual experience, which may be different from that assumed previously, an experience item may be observed in the reconciliation of liabilities to 31 March 2019.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2019. We have adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long-term improvement rate of 1.5% p.a. At the last accounting date, the CMI_2015 Model was adopted. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure below.

The assumed life expectations from age 65 are:

	Valuation at 2019 years	2018 years
Retiring today:		
Males	21.8	22.8
Females	23.6	24.6
Retiring in 20 years:		
Males	23.5	25.1
Females	25.4	26.8

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes (continued)

21.2. LPFA (continued)

	Valuation at	
	2019	2018
Key assumptions used:		
Discount rate	2.35%	2.55%
Future pension increases	2.45%	2.35%
Salary increases	3.95%	3.85%

These assumptions are set with reference to market conditions at 31 March 2019.

Our estimate of the Employer's past service liability duration is 16 years.

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	15,504	15,126
Fair value of scheme assets (bid value)	<u>12,523</u>	<u>11,807</u>
Deficit	2,981	3,319
Present value of unfunded obligation	<u>192</u>	<u>197</u>
Net liability recognised in the Statement of Financial Position	<u>3,173</u>	<u>3,516</u>

Movements in the present value of defined benefit obligations were as follows:

	2019 £'000	2018 £'000
At 1 April 2018	15,323	16,147
Service cost	164	266
Interest cost	385	414
Change in financial assumptions – loss/(gain)	726	(488)
Change in demographic assumptions (gain)	(698)	-
Experience loss/(gain) on defined benefit obligation	229	(583)
Estimated benefits paid net of transfers in	(448)	(470)
Contributions by Scheme Participants	27	49
Unfunded pension payments	<u>(12)</u>	<u>(12)</u>
At 31 March 2019	<u>15,696</u>	<u>15,323</u>

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes (continued)

21.2. LPFA (continued)

Movements in the fair value of scheme assets were as follows:

	2019	2018
	£'000	£'000
At 1 April 2018	11,807	11,449
Interest on assets	297	294
Other actuarial gains	-	9
Return on plan assets (excluding amounts included in net interest cost)	767	337
Administration expenses	(15)	(15)
Contributions from the employer	100	166
Contributions from scheme participants	27	49
Estimated benefits paid plus unfunded net of transfers in	<u>(460)</u>	<u>(482)</u>
At 31 March 2019	<u>12,523</u>	<u>11,807</u>

Asset breakdown

	2019		2018	
	£000	%	£000	%
Equities	6,812	54	7,220	62
Target Return Portfolio	3,340	27	2,646	22
Infrastructure	755	6	516	4
Property	1,178	9	850	7
Cash	438	4	575	5
Total	<u>12,523</u>	<u>100</u>	<u>11,807</u>	<u>100</u>

The total return on the fund assets for the year to 31 March 2018 is £1,064,000.

Amounts recognised in the Statement of Comprehensive Income in respect of these defined benefit schemes are as follows:

	2019	2018
	£'000	£'000
Current service cost	164	266
Net interest cost	88	120
Administration expenses	<u>15</u>	<u>15</u>
Total	<u>267</u>	<u>401</u>

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes (continued)

21.2. LPFA (continued)

Defined Benefit Costs Recognised in the Other Comprehensive Income

	2019 £'000	2018 £'000
Changes in Financial Assumptions	(726)	488
Changes in Demographic	698	-
Experience gain / (loss) arising on plan liabilities	(229)	583
Other actuarial gains/(losses) on assets	-	9
Actuarial increase in fund assets	767	337
Total	510	1,417

Overall Accounting Impact of Both Schemes

The overall liability is reflected in the accounts on recognition of the SHPS liability as follows:

	2019 £'000	2018 £'000
SHPS	4,074	
LPFA	3,173	3,516
	<u>7,247</u>	<u>3,516</u>

Amounts charged to the Statement of Comprehensive Income

	2019 £'000	2018 £'000
Current Service Cost and Expenses (see Note 8)	901	907
Interest Expense (see Note 6)	175	136
	<u>1,076</u>	<u>1,043</u>

Defined Benefit Costs Recognised in the Other Comprehensive Income

	2019 £'000	2018 £'000
SHPS	(582)	-
LPFA	510	1,417
Actuarial (loss) / gain on pension schemes	<u>(72)</u>	<u>1,417</u>

Broadacres Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2019

21. Pension schemes (continued)

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

On 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

LPFA

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore, we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

SHPS

The pensions press has commented that the typical impact of GMP equalisation for a pension scheme is an increase in liabilities of between 1% and 2%. Due to the benefit structure and membership profile, the impact of GMP equalisation in the Scheme is much lower with the average increase in liabilities for the Scheme as a whole being less than 0.1%.

Despite the very low average impact there is a range of impact levels amongst the Scheme's participating employers due to the make-up of each employer's membership profile being different (sex, dates of leaving service, age, etc).

The impact of GMP equalisation for Broadacres Housing Association Limited is **0.01%** of liabilities. The impact of GMP equalisation in nominal terms at both the start and end of the accounting period can be determined from the DB obligations in the disclosures prepared using the online tool. The impact at 1 April 2018 is expected to be **£1,000** (rounded to the nearest £'000). No adjustment is therefore included.

Impact of the McCloud/Sargeant judgement on the FRS102 disclosures at 31 March 2019

As a result of the Court of Appeal judgement on the McCloud and Sargeant cases (the McCloud/Sargeant judgement), we have undertaken calculations to estimate the possible impact of any amendments that may be required to the Local Government Pension Scheme (LGPS).

This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities).

There are a number of other potential outcomes to the case which would potentially inflict less cost to the Employer and this should be borne in mind when considering the materiality of the potential impact. For example,

- i. The Government may be successful in their appeal, and the resulting final judgement may find that no unlawful discrimination has taken place, meaning the benefits would remain unchanged and there would be no additional cost to the Employer. The case may find that unlawful discrimination has taken place and order the underpin to be applied to:
- ii. All members who were active at 31 March 2012 until their retirement. This would have less impact than GAD's scenario (which also includes any new joiners from 1 April 2012 to 31 March 2016).

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Notes to the Financial Statements
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21. Pension schemes (continued)

- iii. All members who were active at 31 March 2012 for a period of 10 years. As the underpin was applied to members within 10 years of retirement, the judge may rule that the underpin only needs to be applied to members for a maximum of 10 years, resulting in lesser cost than under scenario (a) above.

Government Actuaries Department (GAD) analysis compared the cost of the old pre-2014 final salary scheme with the new CARE scheme, across the LGPS in England and Wales as a whole, using whole Scheme data as at 2016. The analysis tries to answer the question of what the additional costs would be if the new Scheme was underpinned by the old Scheme. The current underpin covers those members who were active in the Scheme at 2012 and over the age of 55. GAD have effectively assumed that this underpin applies to all active members at 2016 including those who joined the LGPS after 31 March 2012.

The assessed impact of the total liabilities at 31st March 2019 would be 0.2% of liabilities (which equates to £31,000).

The impact on the service cost for the year to 31 March 2020 would be 0.7% of the service cost (which equates to £1,000)

These amounts have not been included as at 31 March 2019 on the basis that the amounts are not material.

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22. Financial instruments

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial assets				
Measured at amortised cost				
Rent arrears and other debtors (see note 16)	2,623	6,704	1,365	3,230
Amounts due from related undertakings (See note 16)	-	-	9,098	11,278
Cash held (See note 18)	12,254	4,000	9,804	1,577
	<u>14,877</u>	<u>10,704</u>	<u>20,267</u>	<u>16,085</u>
Financial liabilities				
Measured at amortised cost				
Loans payable (see note 19 & 20)	136,315	131,808	136,315	129,765
Trade and other creditors (see note 19 & 20)	16,413	12,260	15,281	10,620
Amounts owed to related undertakings (see note 19)	-	-	807	808
	<u>152,728</u>	<u>144,068</u>	<u>152,403</u>	<u>141,193</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest income and expense				
Total interest income for financial assets (note 5)	(24)	(5)	(336)	(459)
Total interest expense for financial liabilities (note 6)	6,412	6,546	6,412	6,429
Net Cost	<u>6,388</u>	<u>6,541</u>	<u>6,076</u>	<u>5,970</u>

23. Share capital

	2019 Number	2018 Number
At 1 April 2018	45	47
Joining during the year	3	5
Leaving during the year	(1)	(7)
At 31 March 2019	<u>47</u>	<u>45</u>

Each member is entitled to vote at general meetings but do not have any right to receive dividends or distributions on winding-up, and the shares are not redeemable.

Broadacres Housing Association Limited
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24. Capital commitments

Capital commitments are as follows:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Contracted for but not provided for	15,220	26,346	15,220	25,166
Approved by the Board but not contracted	3,465	8,004	3,465	8,004
	<u>18,685</u>	<u>34,350</u>	<u>18,685</u>	<u>33,170</u>
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
The capital commitments above are expected to be funded as follows:				
Grants	4,519	2,549	4,519	2,549
Sales	3,002	14,449	3,002	3,490
Repayments from subsidiaries	-	-	7,744	10,244
Borrowings	11,164	17,352	3,420	16,887
	<u>18,685</u>	<u>34,350</u>	<u>18,685</u>	<u>33,170</u>

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Payments due:				
- Within one year	8	84	8	78
- Within two to five years	4	41	4	19
- In five years or more	-	27	-	27
	<u>12</u>	<u>152</u>	<u>12</u>	<u>124</u>

25. Minority interest

	2019 £'000	2018 £'000
01 April 2018	-	(691)
Loss recognised in general reserve on acquisition of minority	-	691
31 March 2019	<u>-</u>	<u>-</u>

Broadacres Housing Association acquired the minority interest in Mulberry Homes Yorkshire Limited in January 2018.

26. Related party transactions

The Key financial transactions between the Group members are summarised below:

Intercompany Loans

As at 31 March 2019, Broadacres Housing Association Limited has loaned £3,994k (2018: £6,994k) to Mulberry Homes Yorkshire Limited and £3,750k (2018: £3,250k) to Broadacres Services Limited. The loan from Broadacres Services has been repaid in full (2018: £1,236k) These loans are excluded from the accounts on consolidation.

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26. Related party transactions (continued)

Intercompany Payments

In the year 31st March 2019, Broadacres Housing Association Limited purchased no affordable homes from Mulberry Homes Yorkshire Limited (2018: 7)

Broadacres Housing Association Limited paid a recharge to Broadacres Services Limited of £50k (2018: £54k) for development services and recharge salary costs of £41k (2018: £42k).

Broadacres Housing Association Limited did not recharge Mulberry Homes Yorkshire Limited for salary costs in the year (2018: £48k).

At the year end, Broadacres Services owes Broadacres Housing association £1,171k interest. Mulberry Homes Yorkshire limited owes Broadacres Housing Association £172k interest.

Broadacres Housing Association owes Broadacres Services Limited £171k for retentions, £43k for tax losses and £582k for accrued expenditure.

All transactions are at arms-length.

Hambleton District Council

Broadacres has a fully utilised loan facility with Hambleton District council of £35m (2018:£26.2m).

Loan interest is based on market rates and the interest payable in year was £1.1m (2018:£1.1m).

27. Controlling party

The parent and the ultimate controlling party of the Group is Broadacres Housing Association Limited

28. Restatement Note

The Statement of Financial Position (SOFP), Statement of Comprehensive Income (SOCl), Statement of Movement in Reserves, Creditors Notes (19 and 20) and Pensions Note (21) have been restated for the following reasons:

Sale of current assets

Previously, properties for sale (excluding shared ownership first tranche sales) were not included in turnover, but shown as a net gain or loss on disposal. Current asset sales are now included gross in turnover and operating expenditure in the SOCl. Housing properties sold under right to buy or subsequent shared ownership sales are now included in turnover as a net gain.

SHPS and LPFA Pensions

In previous years accounts, BHA accounted for pension liabilities through a separate Restricted Reserve. The defined benefit liability for SHPS is now recognised through the Revenue Reserve. This has impacted on the SOFP and movement in reserves. The SOFP included the SHPS deficit calculation as a pension liability rather than a creditor (£1,248k) this has been moved to creditors (less than 1 year £219k - note 19, greater than 1 year £1,029k – note 21). This also highlighted changes required in the movement in other comprehensive income in the SOCl.

Cash held in trust

BSL holds £47k (2018: £37k) in a bank account in their name on behalf of The Stables Management Company Limited, Market Gate Management Company Limited and other management companies. Consequently, the value of Cash and Creditors has increased by these values.

Broadacres Housing Association Limited
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28. Restatement Note (continued)

Revaluation Reserve and Investment Properties

An investment property was previously incorrectly recognised through an adjustment in the revaluation reserve (£325k). This has been adjusted as a prior year adjustment, reducing the value of investment properties (note 13) and reducing the revaluation reserve.

29. Guarantees

Royal Bank of Scotland on behalf of Mulberry Homes Yorkshire Limited has given guarantees in favour of North Yorkshire County Council and utility providers for the total sum of £1.2m.