

**Broadacres Housing Association Limited**  
**Annual report and financial statements**  
**for the year ended 31 March 2020**

Registered number: 27656R

# Broadacres Housing Association Limited

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# Broadacres Housing Association Limited

## Group Board Members:

Colin Wilkie, Chair

Jacqui Bateson

Luke Gallagher (Appointed 30 November 2019)

June Mulroy

Peter Ottowell (Resigned 11 September 2019)

Ruth Snell

Martin Warhurst

Ian Foy

Keith Holloway (Appointed 30 November 2019)

Ann O'Hanlon

Gordon Perry

Philip Summers (Resigned 05 August 2019)

## Co-opted Board Member

Justin Ives

## Independent Members

Gail Monnickendam

Nigel Bell

Ruth Dent

Peter Hammond

Audit & Risk Committee

Asset & Development Committee

Asset & Development Committee

Customer Experience Committee

## Executive Directors

Gail Teasdale

Chris Fawcett

Joy Whinnerah

Andy Powell

David Smith

Chief Executive

Director of Business Transformation

Director of Development and Investment

Director of Customer Experience

Director of Resources  
(Appointed 3 June 2019)

## Company secretary

Chris Fawcett

## Registered office

Broadacres House

Mount View

Standard Way

Northallerton

North Yorkshire

DL6 2YD

## Solicitors

Capsticks Solicitors LLP

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Wimbledon

London

SW19 4DR

# **Broadacres Housing Association Limited**

## **Solicitors (cont.)**

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Toronto Square – 7th Floor  
Toronto Street  
Leeds  
LS1 2HJ

## **Independent Auditor**

Grant Thornton UK LLP  
No1. Whitehall Riverside  
Whitehall Road  
Leeds  
West Yorkshire  
LS1 4BN

## **Bankers**

Barclays Bank plc  
193 High Street  
Northallerton  
North Yorkshire  
DL7 8LJ

## **Internal Auditor**

BDO LLP  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

# Broadacres Housing Association Limited

## Chair's statement



I am pleased to present our annual report to you.

2019/20 saw us upgraded to G1/V1 by the Regulator for Social Housing. This is the highest grade possible and reflects the transformation in our governances and finances over the last three years.

During the year we have focussed on delivering year two of our corporate strategy and made progress in our vision to be the 'Best Rural Housing Association'. We continue to deliver on our three corporate objectives of Great Homes, Great Customer Experiences and Great Places.

- Our annual survey of customer experience showed an impressive increase in customer satisfaction to 81.5. This increase is against a background of declining customer satisfaction in all sectors, which includes other housing associations and many other companies our customers are likely to use.
- Our ambitious development programme built 126 new homes and secured sites for 528 more homes.
- Health and safety compliance continue to be important and £1.4m was invested in the year.
- Our focus on affordable warmth continued. We have now 120 more homes at SAP C or above compared to this time last year which will help reduce the amount our tenants pay to stay warm. This will have a long-term impact on the health and finances of our tenants. We installed 75 Air Source Heat pumps and connected 176 homes to the gas mains.
- Our mental health services were expanded further across North Yorkshire and our women's refuge and young person's service also continued to deliver great outcomes for our most vulnerable members of the community.

In 2019/20 the Group made a deficit of £1.0m (last year: surplus £3.5m). The reduction reflects our increased investment in our existing homes. We believe by doing this we improve the lives of our existing customers but also contribute to the sustainability agenda and help to future proof Broadacres in the long term.

Covid-19 arrived a few weeks before the financial year end. The whole organisation responded well. Our business continuity plans were implemented as we achieved the changes necessitated by the Government guidelines. Our focus remained keeping our customers and colleagues safe in a time of great uncertainty. I am proud of the work done to support our customers.

Broadacres now moves forward into the next year in a strong position to deliver on its plans and to evolve in the 'new normal'.

As my six year tenure at Broadacres comes to an end the Group will have a new Chair following the appointment of Helen Simpson in June 2020. I have every confidence that under her leadership Broadacres will continue to be an exemplar rural housing association with a strong place-shaping focus. I wish Broadacres well and look forward to reading about its success in the future.

# Broadacres Housing Association Limited

## Chief Executive's statement



Covid-19 began to impact on Broadacres and our communities in early March. In a short space of time it has changed many things. It has also stressed things we already knew.

- Great communities look after one another. Since March I have seen and heard so many stories of great actions taken by our customers and colleagues to support one another;
- Poor and unsuitable housing leads to poorer outcomes be it health or education;
- Good communication is incredibly important.

Many organisations have said Covid-19 has encouraged them to reconsider what is important. Broadacres is no different. Our conclusion is that our Corporate Strategy remains valid with our three objectives of Great Homes, Great Customer Experience and Great Places at the core of our plans. What has changed is how we deliver this. Some of the changes will be permanent and some for the duration of the crisis.

On the permanent changes we were already implementing agile working for all our colleagues to ensure that in bad weather and other challenges we could still deliver a great customer experience. This meant that we were able to adapt to government guidelines and continue to deliver that Great Customer Experience seamlessly.

In 2020/21 we will:

### **Great Homes**

- Invest £2m in affordable warmth which will raise 300 homes to SAP C or above. Staying warm in your home remains a concern of our customers and as some will now be expected to work from home that concern could increase. It will also help the increased financial pressures many will be experiencing;
- Invest £14m in our existing homes to ensure they meet our new home standard;
- Build 215 new homes.

### **Great customer Experience**

- Continue to focus on customer complaints and observations as one of the best ways to improve customer experience. We will continue to review how we can make customer journeys easy for our customers. Our customer rating has already improved but we want to be the best;
- Develop mobile technology so we can deliver a great customer experience at a time and place to suit our customers;
- Review the service we offer our more vulnerable customers. Covid-19 has given us great insight into what our customers want and how that is evolving.

### **Great Places**

- Continue to deliver our Care and Support strategy including a new extra care scheme;
- Implement our new Customer Engagement strategy reflecting the modern and varied ways customers want to influence Broadacres from the very active through to the passive;
- Build on the partnerships which have been strengthened by working together through Covid19.

## **Broadacres Housing Association Limited**

When Covid19 hit we had to suspend some services for example stopping all but emergency repairs, adapt some services such as meals delivered in extra care as restaurants had to be closed and learn new skills such how to select and use the right PPE. All our customers and colleagues responded positively to these changes in many cases going above and beyond. I want to thank you and at the same time remember those customers who tragically did die.

As we return to the 'new normal' we will continue on our vision to become the:

**Best Rural Housing Association in the country**

Finally, a big thank you to Colin Wilkie as he steps down as Chair and a welcome to Helen Simpson as our new Chair. Colin has led the organisation through some challenging times and has overseen its transformation into a forward-thinking organisation that leads on rural housing. Helen will bring her own style but the same focus on ensuring Broadacres has its customers and colleagues at the centre of its decision making.

# 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 Corporate Strategy that takes us from 2018 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 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 colleagues.

Broadacres Corporate Plan has three objectives:

#### **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 investment in our existing homes focusing on actions that will improve the energy efficiency for all. We will look to ensure a minimum SAP C rating is achieved so it is affordable for customers to keep warm in our homes,
- Ensure the highest standards of health and safety are maintained.

#### **Great Customer Experience**

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

#### **Great Places**

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

These will only happen if we have:

**Great people** - In 2019/20 we reviewed our terms and conditions for colleagues to ensure they all align and continue to 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 great customer experience and be safe at work.



# **Broadacres Housing Association Limited Strategic Report**

## **Great governance**

During 2019/20 we were delighted to regain our G1 status from the Regulator for Social Housing.

## **Great finances**

Having regained our V1 status in 2018/19 we commenced a detailed review of our treasury arrangements, with our new Resources Director in 2019/20, with the outcome to be implemented during 2020/21. We are looking to ensure we have the optimum treasury arrangements to deliver our corporate strategy going forward.

**Our Corporate Plan is reviewed regularly for progress by the Board.**

# Broadacres Housing Association Limited

## Strategic Report

### Association highlights, five-year summary

For the Year Ended (March)	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£000
<b>Statement of Comprehensive Income</b>					
Total turnover	37,890	38,538	43,563	36,036	33,942
Operating Surplus from Lettings	6,976	8,944	11,687	11,912	10,871
Surplus for the year before taxation	500	2,868	5,669	(3,144)	5,177
<b>Statement of Financial Position</b>					
Intangible and tangible fixed assets at valuation or cost net of depreciation	334,830	313,110	302,078	299,745	289,619
Investments	484	514	822	3,326	5,515
Net current assets	5,538	17,931	15,174	16,984	16,244
	<b>340,852</b>	<b>331,555</b>	<b>318,074</b>	<b>320,055</b>	<b>311,378</b>
Long term liabilities	155,254	146,789	137,736	143,795	132,126
Pension liability	5,423	7,247	3,516	6,155	6,163
	160,677	154,036	141,252	149,950	138,289
<b>Reserves:</b>					
Revaluation	42,176	42,176	42,176	42,501	42,501
Accumulated surplus	137,999	135,343	134,646	127,604	130,588
	180,175	177,519	176,822	170,105	173,089
	<b>340,852</b>	<b>331,555</b>	<b>318,074</b>	<b>320,055</b>	<b>311,378</b>
<b>Accommodation (dwellings at 31 March)</b>					
	2020	2019	2018	2017	2016
	No.	No.	No.	No.	No.
General Needs	5,884	5,812	5,705	5,629	5,488
Supported Housing	344	342	342	344	291
Shared Ownership	187	162	114	98	77
	<b>6,415</b>	<b>6,316</b>	<b>6,161</b>	<b>6,071</b>	<b>5,856</b>
<b>Statistics</b>					
Surplus for the year as a % of turnover	1%	7%	13%	-9%	15%
Rent arrears (net arrears as % of rent and service charges receivable)	2.6%	1.8%	1.8%	2.1%	2.3%
Liquidity (current assets divided by current liabilities)	1.8	4.2	4.2	4.2	4.2

# Broadacres Housing Association Limited

## Strategic Report

### Financial Review

The year to 31 March 2020 has resulted in a Group loss before tax of (£977k) (2019: surplus £3,520k). The core business of providing affordable housing has produced a financial result in line with expectations for the association. The principal reasons for the deficit are as follows:

- The Group's core affordable housing business made an operating surplus of £6,976k (2019: £8,944k).
- Sale of housing properties generated a surplus of £816k (2019: £67k),
- The housing stock is shown at gross cost net of depreciation at a value of £329,653 (2019: £307,944k) and the Directors consider that this valuation remains appropriate as at 31 March 2020.
- The Group also conducted its annual impairment review of the value at which it's carrying assets in its Statement of Financial Position. This review has resulted in a total impairment of £397k (2019: £113k).
- In Broadacres Services Limited, the fair value of completed properties held for sale has been reduced (by £473k) to reflect the outcome of the valuation performed by an independent valuer. The reduction in fair value reflects the additional building costs incurred in the year and the potential impact of Covid-19 on the property market
- During the year the Group invested £8.8m (2019: £7.2m) in maintenance reflecting the continued focus on improving our existing homes.
- During the year new homes, amounting to £10,634k (2019: £14,649k), were completed, with a further £22m held in work in progress (2019: £18.7m) reflecting the Group's continued focus on development.
- Interest payable increased to £6,812 (2019: £6,412k) reflecting our additional borrowing in line with the treasury management strategy.

After the transfer of the total comprehensive surplus for the year, the Association's reserves amounted to £180,174k (2019: £177,519k).

The pension fund liability has decreased to £5.4m (2019: £7.2m) following an actuarial gain on the SHPS scheme resulting from reduced future liabilities.

### Statement of Comprehensive Income

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

Key Elements	2020 £000	2019 £000	Increase / (Decrease) £000
Turnover on social housing lettings	32,200	31,796	404
Turnover from property sales	3,185	4,610	(1,425)
Supporting Peoples services income	916	858	58
Ability Based Learning Environment (ABLE)	133	149	(16)
Broadacres Support Service	127	459	(332)
Operating costs (including depreciation)	30,914	29,594	1,320
Housing depreciation	6,823	6,576	247
Impairment of housing properties	397	-	397
Impairment of investment	-	113	(113)
Interest payable and other financing costs	6,812	6,412	400

# Broadacres Housing Association Limited

## Strategic Report

Key information about the results is explained as follows:

- Turnover from social housing lettings increased by £0.4m (despite the rent reduction) due to the number of available homes for letting increasing through the completion of development projects.
- Turnover from property sales decreased by £1.4m, due to lower shared ownership sales. We sold 34 shared ownership properties, compared to 51 in the previous year.
- Supporting People services include extra care, sheltered, women's refuge, mental health, physical disability, young homeless and learning disability schemes.
- Broadacres Support Service includes our 24-hour response service for vulnerable members of our communities. This service was transferred to Beyond Housing in August 2019. For our extra-care and sheltered customers this service continues to be provided by Beyond, to Broadacres, under a service level agreement.
- ABLE is our successful Activity Based Learning Environment which provides daytime accommodation and diversionary craft activities for disabled people.
- Operating costs increased due to additional repair costs relating to health and safety that were not capitalised, part of a £1.4m total that included servicing, asbestos removal and risk assessments.

The majority of the Association's operating surplus (£6,976k) continues to be sourced from property rentals.

### Statement of Financial Position

At 31 March 2020, the Association's Statement of Financial Position showed total assets less current liabilities of £341m (2019: £332m). This is an increase from last year and the main points are:

- Expenditure on developments to deliver new social homes was £26.3m.
- At 31 March 2020 our current assets include £0.7m of properties/land available for sale compared to £3.0m last year.

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 Strategy 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 table on the following page.

## Broadacres Housing Association Limited Strategic Report

Loan Portfolio March 2020	Nationwide	RBS Syndicate	Barclays	HDC/ HC	Total Borrowing
	£000	£000	£000	£000	£000
<b>Fixed</b>					
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				65	65
<b>Total Fixed Loans (75%)</b>	<b>-</b>	<b>30,000</b>	<b>55,000</b>	<b>35,065</b>	<b>120,065</b>
<b>Revolvers average annual interest rate</b>					
Facility B Revolvers	10,000	8,000			18,000
Facility C Revolvers		5,000			5,000
<b>Total Variable Loans (25%)</b>	<b>10,000</b>	<b>13,000</b>	<b>-</b>	<b>-</b>	<b>23,000</b>
<b>Total loans utilised</b>	<b>10,000</b>	<b>43,000</b>	<b>55,000</b>	<b>35,065</b>	<b>143,065</b>
<b>Total Available Facilities</b>	<b>10,000</b>	<b>50,000</b>	<b>55,000</b>	<b>35,065</b>	<b>150,065</b>

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 2038 and will thereafter be paid in ten equal instalments. The HDC loan repayments commence in October 2020 and are repayable between five 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. £7.0m was drawn down from RBS in April 2020, in advance of need, to ensure the Group was able to respond to any financial pressures Covid-19 generates.

The repayment profile of our current loan balance is

Current Loan Portfolio	£000
Repayments within 1 year or less	2,250
Repayments beyond 1 year but less than 2 years	2,650
Repayments within 2 years but less than 5 years	9,251
Repayments over 5 years	<u>128,914</u>
	<u>143,065</u>

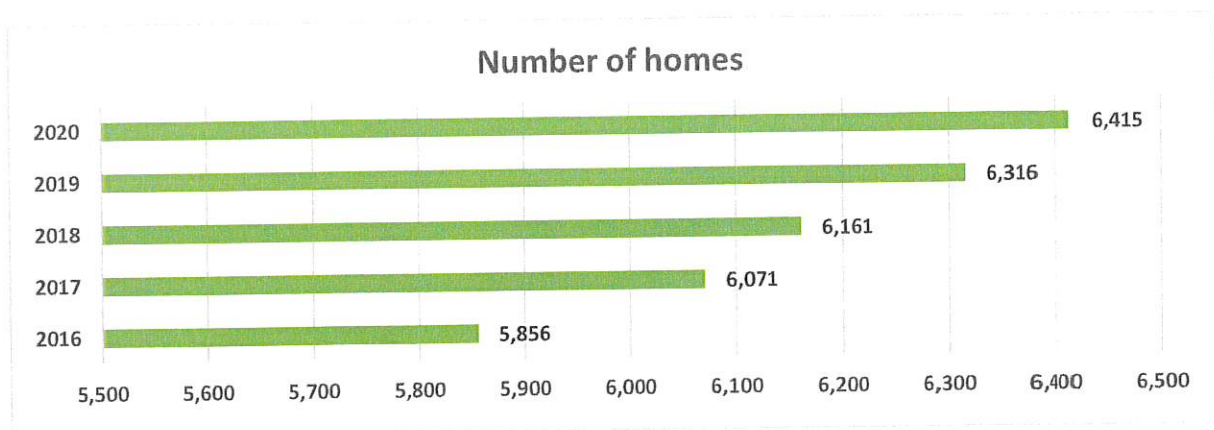
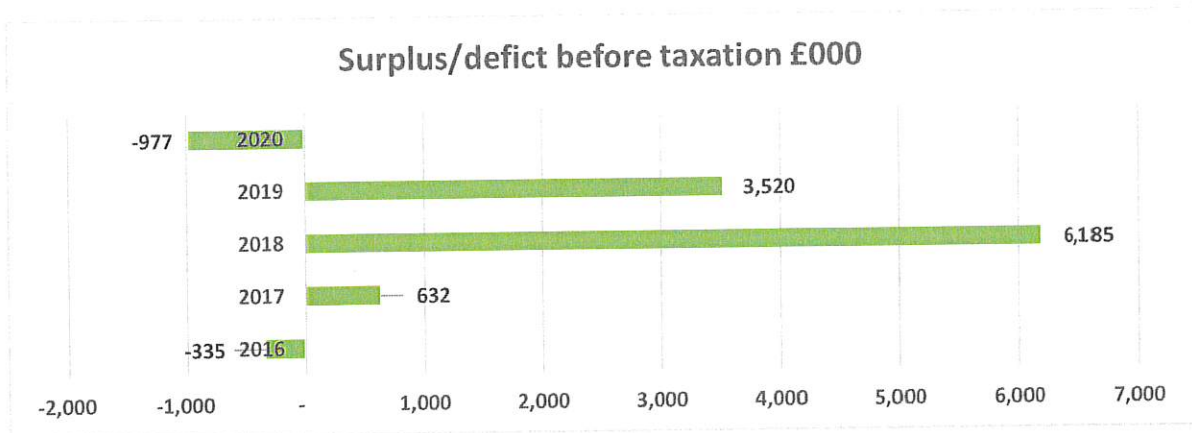
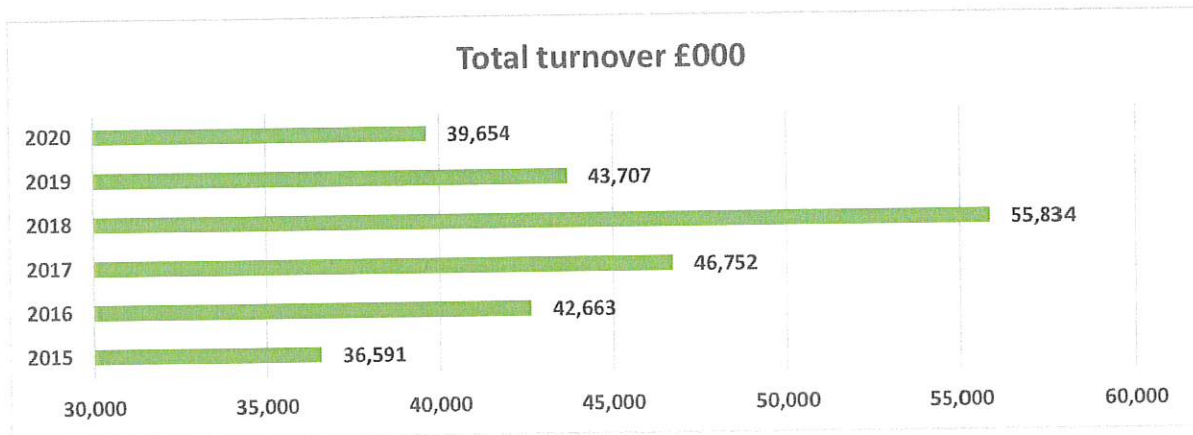
Our average fixed interest rate is 5.22%.

# Broadacres Housing Association Limited

## Strategic Report

### Cashflows

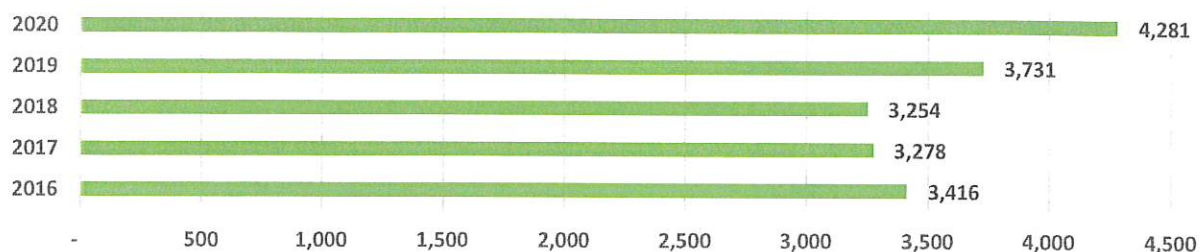
Cash inflows and outflows for the year ended 31 March 2020 are set out in the cashflow statement on page 39. The net cash inflow from operating activities was £12.6m (2019: £17.6m). At the year-end the Group had £7m facilities available. This was drawn down on 2 April 2020 to provide a contingency to respond to the Covid-19 pandemic, if necessary. Those funds plus an overdraft facility of £1.0m are both unused prior to these financial statements being approved (with the Group bank balance being £10m as at 10 July 2020). Broadacres Treasury Strategy 2020/21 is reviewing existing funding facilities and any future need to fund development and meet the objectives of the Corporate Plan. During the year investments in financial assets have been limited to short term deposits in line with our treasury policy.



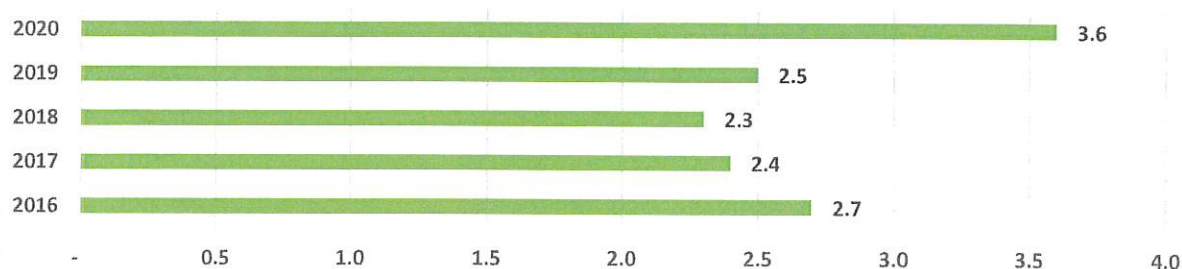
# Broadacres Housing Association Limited

## Strategic Report

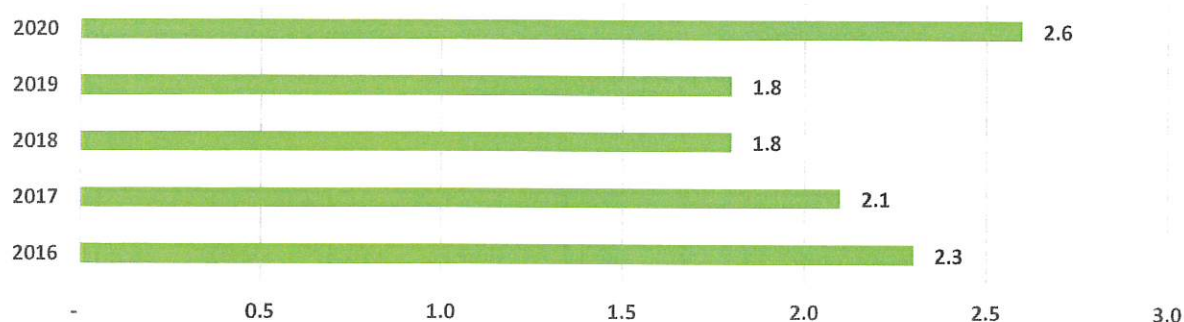
Headline social housing cost per unit £



Rent losses (voids and bad debts as % of rent and Service Charges receivable)



Rent arrears (net arrears as % of rent and service charges receivable)



### Performance of subsidiaries

Broadacres Services Limited (BSL) recorded a deficit of £461,842 for the year 2019-20 (2019: surplus of £502,684). The financial performance in year was impacted by a review of the carrying value of assets held for sale. The reduction in fair value, of £473k, reflects the additional building costs incurred in the year and the potential impact of Covid-19 on the property market

Mulberry Homes Yorkshire Limited (MHYL) also made a deficit of £290,432 in 2019-20 (2019: surplus of £527,864). The financial performance in year has been in line with expectations as the year end position has occurred between scheme developments. Plans are underway to commence the next scheme in the Summer of 2020.

# Broadacres Housing Association Limited

## Strategic Report

### Tenant Involvement

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

<b>Activity</b>	<b>No of involved customers</b>
Performance and Improvement Panel:	7
Customer Experience Committee	3
Customer Liaison Group	16
Diversity Development Team	1
Local Monitors	70
Journey mapping	40*
Tenants on Committees	2
Community Development Fund Group	3
Focus Groups in supported housing	150*
Customer Involvement Strategy Survey Responses	466
Community projects (All beneficiaries)	11,245*
Training, conferences etc	10*
Customer network (formally Digi Panel)	276
<b>Total</b>	<b>12,289</b>
	*Estimated

During 2019/20 the Performance and Improvement Panel completed a review of Air Source Heat Pumps and our compliance with the consumer standards. The recommendations were accepted and implemented by the Group.

### 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 6,415 households. We completed 126 new homes and re-let 662 properties.

### Repairs and maintenance

The following table shows the main key indicators:

<b>Performance Indicator</b>	<b>2019/20</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
Average Time to complete a repair (days)	14.9	15.8	13.4	13.4	9.5
Percentage Appointments kept	98.00%	97.96%	96.41%	96.33%	92.61%
Percentage Satisfied with responsive repairs	98.25%	98.19%	98.15%	98.70%	95.00%
Percentage Gas Serviced	100.00%	100.00%	100.00%	100.00%	100.00%

Our focus on Customer Experience is seeing these measures improve over time.

### Customer Service and Digital Inclusion

Customer compliments continue to be reported alongside complaints to provide a more balanced view of customer service and service delivery. In 2019/20 206 complaints were received and whilst this shows a significant increase on prior years we believe this is because we have worked with our colleagues on recognising the value of identifying complaints and dissatisfaction. Two of the complaints escalated to the Local Government Ombudsman (LGO) level. One found no evidence of maladministration whilst the other remains ongoing. We use all of our customer feedback and learning to improve the customer experience and drive strategic change throughout Broadacres.



# Broadacres Housing Association Limited

## Strategic Report

The following table shows the indicators for complaints and compliments:

Performance Indicator	2019/20	2018/19	2017/18	2016/17	2015/16
Complaints	206	66	34	48	50
Compliments	224	274	203	256	252

Last year we 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 2019/20:

Performance Indicator	Broadacres	UK all Sector Jan 2020	Public Sector (Local)
Overall Satisfaction	81.5	76.9	73.6
Net promoter Score – “Likelihood a customer would recommend us to someone”	51.8	19.4	10.5
Customer Effort – “How much effort the customer had to make to complete transaction” out of 10	3.1	4.7	5.2

### Housing Management

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

The following table shows the main key indicators:

Performance Indicator	2019/20	2018/19	2017/18	2016/17	2015/16
Current tenant rental arrears Gross %	4.4%	3.4%	3.5%	4.0%	4.2%
Total Net Arrears £000s	878	816	566	633	671
Former rental arrears	362	337	260	290	317
Debts written off – Former Arrears	143	174	163	210	244
Voids loss	1,137	731	566	519	588
Average re-let times (days) Net re-lets days	71.7	39.4	28.5	28.2	40.0
Empty properties	3.5%	1.9%	1.1%	0.9%	1.0%
Evictions due to rent arrears	7	8	7	7	7
ASB Cases	161	140	130	122	77

### Health and Safety

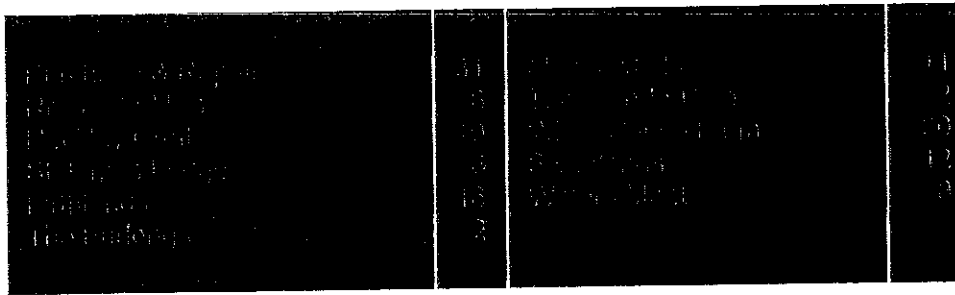
During the year there have been 62 incidents (2019:61), five (2019: five) of which were reportable to the Health & Safety Executive (RIDDOR classifications). None of the incidents had a material impact on Broadacres. The Group Board has set a risk appetite for Health and Safety which is risk averse.

### Growth Strategy

An ambitious growth strategy was approved by the Board in November 2017, for the period 2018 through to 2023. 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 126 new properties in 2019/20 as follows:

# Broadacres Housing Association Limited

## Strategic Report



We continue to have limited numbers of disposals through Right to Buy (one property was sold during the year. (2019: Four)

Performance indicators	2020	2019	2018	2017	2016
Unit completions	126	171	112	232	165
Right to Buy properties sold	1	4	6	5	9

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 61 properties via various low-cost home ownership schemes (2019: 51).

Broadacres Services Limited and Mulberry Homes Yorkshire Limited continued to develop houses for private sale. Mulberry Homes sold three properties in the year (2019: eight). No properties remain for sale (2019: three). Broadacres Services Limited had ten properties remaining for sale (2019: 12) at the Richmond House site of which four are reserved for completion in 2020 and two which were sold post year end.

The Asset and Development Committee regularly scrutinises and challenges proposals for development and major asset investment across the Group. The Committee makes recommendations to the Board.

### Asset Management

The Asset Management Strategy will be updated in 2020/21. Broadacres survey and replace any component which fails and is due for replacement within 12 months of the decent homes lifetime. As a consequence, Broadacres will not achieve 100% compliance. This approach is a driven by value for money. As at 31 March 2020, we had 95 properties that did not meet the standard as they had components that were older than the replacement cycle, meaning that we were 98.5% compliant.

Broadacres are now in year three of a five-year Growth Strategy (2018-23). The Growth Strategy targets 1,250 new homes to be delivered by March 2023. Broadacres is currently undertaking a wide range of development activities which are contributing to this aim. In 2020/21 we have a delivery programme which will see 215 new homes delivered across our region. Of these 215 new homes, 205 are on site and are already contracted or are being developed on land in the ownership of Broadacres. In 2021/22 we will be delivering a further 313 new homes with 60% of those homes already contracted for or being developed on land in the ownership of Broadacres.

The current programme includes a number of tenures types which will provide quality housing across a number of communities and customer categories. Alongside our programme of Affordable and Socially rented properties we are offering a range of home ownership options to customers across North Yorkshire with shared ownership and discount market sale home available to own from as little as a 25% share. We have an ambitious extra care scheme which will help our older customers remain independent in their own homes as well as a ground-breaking passive house scheme which will enable adults with learning difficulties the opportunity to live independently in homes which are highly efficient leading to lower energy bills and a bespoke property type which suits their individual needs.

## Broadacres Housing Association Limited Strategic Report

We also continue to offer a purchase and repair programme which allows Broadacres to improve the standards and energy efficiency of existing homes within our key communities. These are re-let as Affordable rented homes.

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 2019/20 we spent £157,000 (2018/19 - £162,000) on these adaptations.

As part of our Asset Management Strategy we have disposed of assets which have a low return. In 2019/20 we sold eight properties, which raised a surplus of £371k which will be used for future developments. (2018/19: five properties sold generating £312k surplus)

### Value for Money (VfM) Report

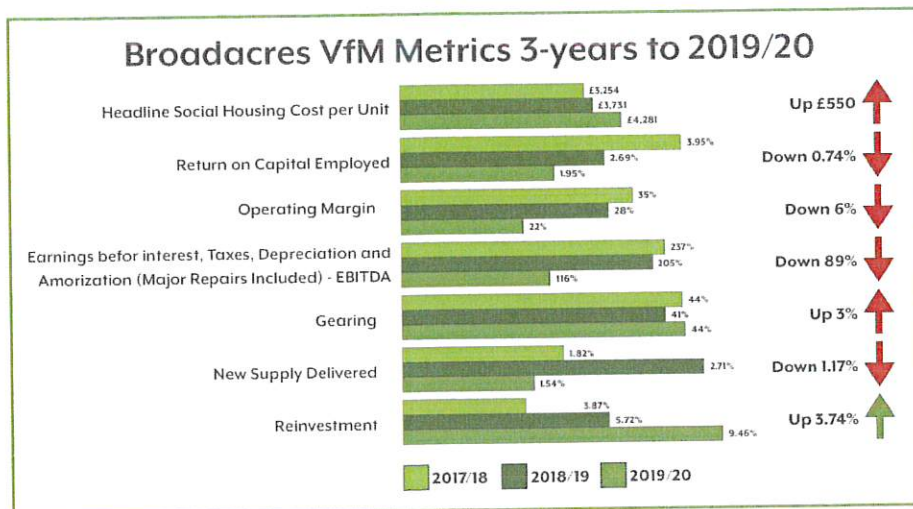
#### Regulator of Social Housing Technical Metrics

The measures included here, as well as the charts that follow, show our performance progress over the three years between 2017/18 and 2019/20 for the 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.

VfM Area	Metric	2017/18	2018/19	2019/20 Target	2019/20
Economy	Headline Social Housing Cost per Unit	£3,254	£3,731	£3,888	£4,281
Efficiency	Return on Capital Employed	3.95%	2.69%	2.83%	1.95%
Efficiency	Operating Margin - SHL	35%	28%	28%	22%
Efficiency	Operating Margin – Overall	29%	23%	23%	16%
Efficiency	Earnings Before Interest, Taxes, Depreciation and Amortization (Major Repairs Included) - EBITDA (MRI)	237%	205%	159%	116%
Efficiency	Gearing	44%	41%	42%	44%
Effectiveness	New Supply Delivered	1.82%	2.71%	1.96%	1.54%
Efficiency	Reinvestment	3.87%	5.72%	4.57%	9.46%

# Broadacres Housing Association Limited

## Strategic Report



This chart shows Broadacres' performance against the Regulator's VfM technical metrics for the past three years. The arrows on the right-hand side illustrate our direction of travel between last year and this.

### 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 and again in 2019/20. This is entirely within expectation, although more than initially expected and included as a target. 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 £4,281 representing an increase of £550 on 2018/19 and £1,027 on 2017/18 illustrating the additional investment on the already higher organisational costs of Broadacres, managing a widespread rural housing portfolio. The average cost of implementing affordable warmth at our properties has risen to more than £7,000.

### Return on Capital Employed

A measure of 1.95% compares to 2.69% for 2018/19 and 3.95% in 2017/18. The decrease 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 costs alongside the last year of the four-year rent decrease.

### Operating Margin

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

This reduced to 22% from 28% in 2018/19 and in the 30s prior to that. This reflects the final year of the 1% cut in rental income and our increased expenditure on heating, empty homes improvements and investment in health and safety.

### 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 2019/20 to 116% and represents the bottom of our downward trend from prior years, (2018/19: 205%; 2017/18: 237%). This is again due to the impact of the rent cut on our surplus (1% rent cut was imposed by central government for the four years 2016-17 to 2019-20) and also reflecting the increased expenditure on reinvestment impacting our margin. Our forecasting of expenditure for the three years to 2019/20 anticipated our EBITDA interest cover being at its lowest now but we maintained headroom against our funders' targets (of 110%). The trend will start to rise with effect 2020/21.

### Reinvestment

This measures our spend on new homes and capital investment on existing homes. We invested £8.7m (2018/19: £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.

## Broadacres Housing Association Limited Strategic Report

Our spend on completed new social homes decreased from £14.2m to £10.6m between 2018/19 and 2019/20, although the balance of properties under construction increased from £6m to £22m, reflecting ambitious development plans over the next year.

### New supply delivered

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

In 2018/19, we provided 171 new homes against a plan of 170 and although this number decreased in 2019/20 to 126, against a plan of 135, we have been preparing larger sites in 2019/20 to meet our five-year plan. We are readying for 528 homes over 2020/21 and 2021/22.

### Gearing

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

This remained broadly similar in 2019/20 at 44% compared to 41% in 2018/19 (2017/18: 44%). Reducing gearing is ideal and we compare favourably to peers. Our history of low gearing provides us with additional headroom to drawdown any planned loans in the future to support increased investment, while minimising our interest costs.

### Understanding our costs and how we compare

As well as reviewing our performance over time against the targets determined by the regulator Broadacres is a member of a number of benchmarking groups. We recognise that these organisations vary considerably in terms of size and scope and this year we continue to benchmark our performance with an additional peer group that fits with our vision to be the best rural housing association. Below we compare ourselves to 15 rural housing associations of similar scale and geographical constraints (National Parks, AONBs etc).

Broadacres					Rural Housing	
VfM Area	Metric	2017/18	2018/19	2019/20	2017/18	2018/19
Economy	Headline Social Housing Cost per Unit	£3,254	£3,731	£4,281	£3,001	£3,085
Efficiency	Return on Capital Employed	3.95%	2.69%	1.95%	5.7%	5.5%
Efficiency	Operating Margin - SHL	35%	28%	22%	35%	24%
Efficiency	Operating Margin – Overall	29%	23%	16%	33%	24%
Efficiency	Earnings Before Interest, Taxes, Depreciation and Amortization (Major Repairs Included) - EBITDA (MRI)	237%	205%	116%	191%	197%
Efficiency	Gearing	44%	41%	44%	57%	38%
Effectiveness	New Supply Delivered	1.82%	2.71%	1.54%	1.1%	1.0%
Efficiency	Reinvestment	3.87%	5.72%	9.46%	9.6%	8.2%

We have looked at how we compare on the seven regulatory VfM metrics, against the other 116 members of the Placeshapers benchmarking group using the 2018/19 Global Accounts and the following graphs show our performance against the median for the group as well as the median for 15 rural housing associations, of similar size and scale that also have to work within the confines of either a National Park, Areas of Outstanding Natural Beauty or renowned rural areas.

## **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 2020/21. Specifically, procurement of materials will be a focus for VfM this year with a number of contracts up for renewal.

More detailed analysis of our Value for Money performance and our future plans can be found on our website [www.broadacres.org.uk](http://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 2020.

### **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, Broadacres Services Limited and Mulberry Homes Yorkshire Limited (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 6,415 units in management at 31 March 2020. The Association also has an ongoing development programme to provide additional housing stock, with 126 new properties developed in 2019/20 and a further 528 planned over the next two years.

The Association has three subsidiaries: Mulberry Homes Yorkshire Limited, which develops homes for private sale; Broadacres Services Limited, which provides development services 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. These are referenced in more detail within Note 1 to the financial statements 'Accounting Policies', pages 47 to 51. The areas in the financial statements where these judgements and estimates have been made include:

- Impairment of social housing properties
- Carrying value of properties held for sale
- Fair value measurement
- Defined benefit pension scheme
- Provision for bad and doubtful debts

### **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.

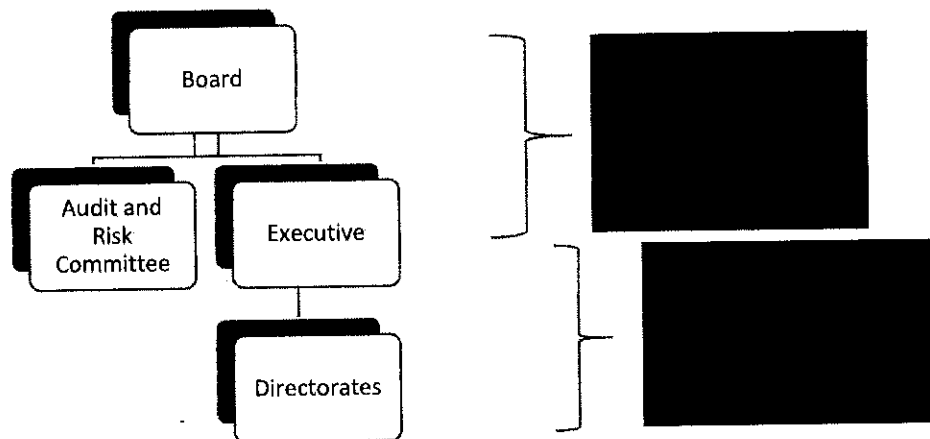
*Our Approach to Risk:* Risk is inherent in our operations and the decisions we make to deliver our vision. The Board is responsible for the principal risks that we are willing to take. It has undertaken a robust assessment of the principal risks to Broadacres achieving its vision and corporate strategy.

## Broadacres Housing Association Limited Report of Board

The Board is also responsible for ensuring that risk is effectively managed through our governance structure (see below) in accordance with our risk appetite.

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 required to be addressed.

Our internal auditors', "Annual Opinion" in 2019/20 reads:

"In our opinion, based on the reviews undertaken, the follow-up audits completed during the period, and in the context of materiality:

- The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, financial and internal control frameworks and governance arrangements for the period under review.
- Based on our sample testing, risk management, financial and internal control frameworks and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review."



## Broadacres Housing Association Limited Report of Board

### Principal Strategic Risks

Key risk	Key controls in place, and actions being undertaken
Customers, colleagues and financial strength are adversely affected due to significant impact of Covid-19 (added March 2020)	<ul style="list-style-type: none"> <li>• H&amp;S Risk Assessments undertaken for all customer repairs and maintenance, recording implications for customers and colleagues alike.</li> <li>• Government guidance on social distancing, shielding and prevention followed.</li> <li>• Agile working in place in accordance with Government directions and advice.</li> <li>• More onerous and regular financial monitoring performed, including stress-test scenario modelling being shared with Board.</li> </ul>
Significant increase in pension costs	<ul style="list-style-type: none"> <li>• External pension, actuarial and legal advice taken, and options appraisal developed.</li> <li>• Board subgroup setup to assess pension options.</li> <li>• To undertake peer groups benchmarking to manage a consistent approach with the sector.</li> </ul>
Over stretch finances through ambitions of development and affordable warmth investment	<ul style="list-style-type: none"> <li>• Financial Golden Rules reported to each Board and used to build the business and financial plan.</li> <li>• Growth Strategy approved by Board September 2018 and within the 5-year business plan.</li> <li>• Asset and Investment strategy action plan reported to Asset &amp; Development Committee at each meeting</li> <li>• Asset &amp; Liabilities register monitors overall performance of homes.</li> <li>• External financial checks completed annually.</li> <li>• 5-year and 30-year Financial Plan approved by Board with prudent business assumptions externally verified in March 2020.</li> <li>• Stress testing reliance on sales</li> </ul>
Competition from developers impacts capacity and relevance of Broadacres	<ul style="list-style-type: none"> <li>• Asset &amp; Development Committee scrutinise all proposed developments appraisals before they are considered by Board.</li> <li>• Development and Investment Director appraises and reports all existing and future development schemes.</li> <li>• Updated procedures and appraisals process in place.</li> <li>• Broadacres' internal guidelines (Golden Rules) for development of 60% rented, 30% shared ownership and 10% outright sale.</li> <li>• Growth Strategy sets the framework and standards of Broadacres homes for the future.</li> <li>• Cotermious Board has control to development subsidiaries to maintain Golden Rules and protect social housing assets.</li> <li>• Regular stakeholder meetings. Chair and Chief Executive meet with local authority leaders and Chief Executives.</li> <li>• Chief Executive is a member of the regional housing board.</li> </ul>
Cyber Attack	<ul style="list-style-type: none"> <li>• IT policies and procedures comply with ISO27001 reviewed externally April 2019.</li> <li>• IT security awareness, confidentiality training, GDPR training given every 3 years and to all new starters.</li> </ul>

## Broadacres Housing Association Limited

### Report of Board

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

## 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 (cont.)	<ul style="list-style-type: none"> <li>• Annual performance reviews align to corporate objectives.</li> <li>• Exit interviews are held to assess any reasons for leaving.</li> <li>• Employee turnover is monitored as a KPI.</li> <li>• Apprentice programme, currently six apprentices, last year 100% went on to full time employment.</li> <li>• New role Head of Organisational Development recruited September 2018.</li> </ul>
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"> <li>• Asset &amp; Development Committee scrutinise all proposed developments appraisals before they are considered by Board.</li> <li>• Development and Investment Director recruited October 2018, appraises and reports all existing and future development schemes.</li> <li>• Broadacres Golden Rules for development of 60% rented, 30% shared ownership and 10% outright sale.</li> <li>• Growth Strategy sets the framework and standards of Broadacres homes for the future.</li> <li>• Coterminous Board has control to development subsidiaries to maintain golden rules and protect social housing assets.</li> </ul>

### 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 6 to 19.

Both the Chair and the Chief Executive, in their introductions at the beginning of these annual accounts reference the onset of the Covid-19 pandemic, which began to severely inhibit the UK economy and Broadacres operations and service delivery from mid-March. The Board agreed to extend our Principal Strategic Risks with the inclusion of a specific pandemic response. During the different phases of lockdown, as an organisation as one, we prioritised the safety of our customers and colleagues and maintained services where we could. At the time these accounts are being approved it is clear that the UK will face considerable economic uncertainty and the Board believe we are best placed to manage those. Our services are beginning to return to some semblance of normality and our programmed spend on Affordable Warmth, cyclical maintenance, replacements etc will look to return to operational levels over the Summer of 2020. The Board is content that we have prepared for potential falls in income, increases in costs and a greater focus supporting our customers.

### Going Concern

The Board reviewed the financial plans in March 2020, as part of their normal annual review, and again in April 2020 following the onset of the COVID-19 pandemic lockdown. Having reviewed our principal financial risks, they were satisfied that Broadacres had sufficient resources to continue operating for the foreseeable future and accounts have been prepared in the reasonable expectation that Broadacres is a financially viable organisation. In order to safeguard against any potential liquidity risk arising from the Covid-19 pandemic Broadacres drew down £7m from its remaining Revolving Credit Facility on 2 April 2020, making all facilities now fully drawn.

## **Broadacres Housing Association Limited**

### **Report of Board**

At the approval date of these accounts Broadacres Group holds £10m of cash in bank accounts with extensive forecasting and sensitivity analysis not highlighting a need for further funding in the foreseeable future, being 12 months post approval of these statements.

Potential and extensive falls in income (sales and rent), increased costs and changes in inflation indices have all been stress-tested and scenario planned to provide Board assurance over future finances and that sufficient resources exist to continue operations for the foreseeable future.

The effect of COVID-19 has been assessed by the Board and various Committees and the potential impact presented from April, with revised financial plans prepared for July 2020 and October 2020, reviewing the organisation's ongoing forecasts and projections to ensure that the organisation remains financially viable. A going concern paper was presented to Audit and Risk Committee in April 2020. We have assessed the next three years with particular attention on the foreseeable future, being a period of at least 12 months following this accounting period, the year ending 31 March 2021.

The most significant areas that are likely to affect Broadacres' net assets are rental income, extended periods of properties being empty, sales programme and an increase in the liabilities of the defined benefit pension scheme. Since the year-end, as a result of the effects of COVID-19, all these areas have either deteriorated or are expected to. The final two weeks of the 2019-20 financial year, in March which corresponded with the start of the pandemic lockdown did not see a reduction in rental income compared to previous periods. However, in April and May there were signs, although marginal, that recovery of rental income was impacted. In June 2020 our arrears level improved to pre-Covid-19 trends although this continues to be monitored on a weekly basis and proactively managed by colleagues.

In 2020-21 turnover is expected to reduce by £2.0m from a reduction in first tranche sales expected of £1.5m and an increase in homes being empty with no rental income being received £0.5m. Operating costs are expected to reduce by £1.5m. Operating costs are expected to change as follows; increased doubtful debts £0.3m, increased maintenance & other costs £0.75m offset by decreased planned maintenance £2.0m. Cost of sales will be reduced by £0.6m due to reduced sales. The overall impact is a reduction in operating surplus of £0.5m.

As a key provider of affordable housing in North Yorkshire and beyond, the Board will ensure that we keep our residents safe by maintaining their homes and completing necessary health and safety works. We will work with our residents to enable them to pay their rent. This is an area of expertise for this organisation. On planned maintenance work the Board made the difficult decisions to delay the start of 2020-21 programme. This has been factored into the sensitivities assessed as part of the going concern review. Overall, we will continue to operate as normal, as much as we can. Initially we concentrated on business-critical activities only but as lockdown eased, we have begun to recommence suspended activities. The focus of all these decisions is keeping customers, colleagues and partners safe.

Even with these measures the most recent forecasts show a potential surplus reduction of £0.5m, this will not cause Broadacres to breach our bank covenants. The Board will continue to review plans with the executive team to make necessary changes to continue to work with our customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

Work will continue during 2020/21 on our Treasury Review, in conjunction with specialist advisors Centrus and originating before the Covid-19 pandemic. The review is focussed on achieving continued value for money from our borrowing, modernising terms and conditions and matching future financing needs to our ambition for growth. Broadacres is not over-burdened by its debt, with this message being reinforced in April as part of the review, so the Board are of the opinion that Broadacres will have sufficient resources to meet its liabilities as they fall due.

As such, the Board conclude that Broadacres remains a going concern and remains satisfied that we can continue operating for the foreseeable future (a period of at least 12 months following the signing of these accounts) and accounts have been prepared in the reasonable expectation that Broadacres is a financially viable organisation.

# **Broadacres Housing Association Limited**

## **Report of Board**

### **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.

### **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 at least six times a year for regular business.

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.

## **Broadacres Housing Association Limited Report of Board**

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 were last 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	1/1		3/3		11,588	1,094	12,682
Jacqui Bateson (Governance Chair)	27 Mar 17	6/6	1/1		3/3	4/4	6,322	-	6,322
Peter Ottowell (ex-Asset & Dev Chair)	22 Sep 14 Resigned 11 Sep 19	2/2	2/2		0/1		9,183	361	9,544
Gordon Perry (CEC chair)	27 Mar 17	6/6			3/3	4/4	6,326	405	6,731
Martin Warhurst (Audit Chair)	25 Sep 17	5/6		4/4	3/3		6,323	497	6,820
June Mulroy	20 Nov 17	1/2		2/2			1,632	-	1,632
Phil Summers	27 Mar 17 Resigned 05 Aug 19	0/2	0/2				1,305	-	1,305
Ann O'Hanlon	21 May 18	5/6	4/5	3/4			3,916	331	4,247
Ruth Snell	21 May 18	6/6	5/5				3,916	426	4,342
Ian Foy	21 May 18	6/6		4/4			3,916	356	4,272
Luke Gallagher	07 Oct 19	3/4	3/3				1,958	-	1,958
Keith Holloway (Asset & Dev Chair)	07 Oct 19	4/4	3/3		1/1		2,560	158	2,718
Justin Ives (Co-opted Board member)	21 May 18	4/6		4/4		1/4	3,916	-	3,916
Gail Monnickendam (Independent Audit Advisor)	01 Jan 18			3/4			2,122	114	2,236
Nigel Bell (Independent Asset Advisor)	28 Sep 15		4/5				2,122	307	2,429
Ruth Dent (Independent Asset Advisor)	01 Sep 18		5/5				2,122	-	2,122
Glyn Mucklow (Independent CEC Advisor)	01 May 18					4/4	2,122	232	2,354
Stephen McKeogh (Independent CEC Advisor)	01 May 18					2/4	2,122	-	2,122
Pete Hammond (Independent CEC Advisor)	01 May 18					4/4	2,122	94	2,216
David Dumbleton (Independent CEC Advisor)	28 Sep 15					4/4	2,122	-	2,122
<b>Total</b>							<b>77,715</b>	<b>4,375</b>	<b>82,090</b>

# Broadacres Housing Association Limited

## Report of Board

### Board Diversity

Category	Under 65	Over 65		No Disability	Disability
Age	13	5	Disability	18	0
	Male	Female		White British	Withheld
Gender	11	7	Ethnicity	2	16

### 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 six members (2019: 9 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 policies pertaining to such 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 30 days (2019: 25 days).

### Charitable donations

In addition to the time and support given by staff to local charities via our volunteering policy, donations of £13,175 (2019: £12,414) 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 an upgraded governance rating of G1 from the Regulator during the financial year. This restores Broadacres to the highest overall regulatory rating of G1 / V1 and reflects the work done by the Board and colleagues to de-risk its subsidiaries and improve overall governance.

The Board confirms full compliance with the RSH regulatory standards on Governance and Financial Viability for the year 2019/20.

### 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 2020 Broadacres Board of management comprised 11 non-executive board members (2019:11). 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. There has been no activity in this area in the financial year ended 31 March 2020.

### 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) 2019.

### Internal controls assurance

This is a summary of our 2019/20 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 2019 facilitated by Gatenby Sanderson

During 2019 two Board members resigned from Broadacres and were replaced by suitably skilled and experienced individuals. 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.

# Broadacres Housing Association Limited

## Report of Board

### Statement of Boards responsibilities

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 2018, 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 2019. 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**

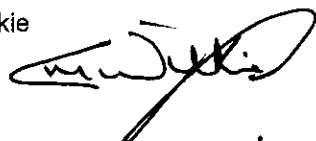
The Annual General Meeting (AGM) will be held on 10 August 2020.

### **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 20 July 2020 and signed on its behalf by:

Colin Wilkie



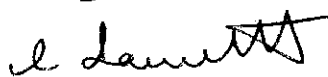
Chairman

Martin Warhurst



Board Member

Chris Fawcett



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 2020, which comprise Consolidated 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 Consolidated Statement of Cash Flows and the 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 2020 and of its 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 2019.

### 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.

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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

## 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## Other information

The board is responsible for the other information. The other information comprises the information included in the Report of the 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 society has not kept proper accounting records; or
- 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.

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

In preparing the financial statements, the board is responsible for assessing the 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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the society's members, as a body, in accordance with regulations made under Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the 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  
3 August 2020

**Broadacres Housing Association Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 March 2020**

	Note	2020 £000	2019 £000
Turnover	2	39,654	43,707
Operating expenditure	2	(33,869)	(33,799)
<b>Operating surplus</b>		5,785	9,908
Finance income	2,5	50	24
Interest and finance costs	2,6	(6,812)	(6,412)
<b>(Deficit)/Surplus before tax</b>	7	(977)	3,520
Taxation	10	-	-
<b>(Deficit)/Surplus for the year</b>		(977)	3,520
Remeasurement of SHPS obligation	21	-	(2,099)
Actuarial gain/(loss) in respect of pension schemes	21	2,156	(72)
<b>Total comprehensive income for the year</b>		1,179	1,349

All activities derive from continuing operations.

The notes numbered 1 to 27 form part of these financial statements.

**Broadacres Housing Association Limited**  
**Association Statement of Comprehensive Income**  
**For the year ended 31 March 2020**

	Note	2020 £000	2019 £000
<b>Turnover</b>	<b>2</b>	37,890	38,538
Operating expenditure	<b>2</b>	(30,914)	(29,594)
<b>Operating surplus</b>		6,976	8,944
Finance Income	<b>2,5</b>	336	336
Interest and financing costs	<b>2,6</b>	(6,812)	(6,412)
<b>Surplus before tax</b>	<b>7</b>	500	2,868
Taxation	<b>10</b>	-	-
<b>Surplus for the year</b>		500	2,868
Remeasurement of SHPS obligation	<b>21</b>	-	(2,099)
Actuarial gain/loss on pension schemes	<b>21</b>	2,156	(72)
<b>Total comprehensive income for the year</b>		2,656	697




All results derive from continuing operations.

The notes numbered 1 to 27 form part of these financial statements.

**Broadacres Housing Association Limited**  
**Consolidated Statement of Financial Position**  
**As at 31 March 2020**

		2020 £000	2019 £000
	<b>Note</b>		
<b>Fixed assets</b>			
Housing properties	11	329,653	307,944
Other property, plant and equipment	12	5,177	5,166
Fixed Asset Investments	13	594	667
		<u>335,424</u>	<u>313,777</u>
<b>Current assets</b>			
Inventories	15	342	275
Debtors	16	3,194	2,623
Housing properties for sale	17	6,092	8,861
Cash	18	1,711	12,207
Cash held in Trust		50	47
		<u>11,389</u>	<u>24,013</u>
<b>Creditors: Amount falling due within one year</b>	19	(7,270)	(5,938)
Provision for the onerous contract		-	(129)
		<u>4,119</u>	<u>17,946</u>
<b>Net current assets</b>		<u>339,543</u>	<u>331,723</u>
<b>Total assets less current liabilities</b>		<u>339,543</u>	<u>331,723</u>
<b>Creditors: Amounts falling due after more than one year</b>	20	(155,254)	(146,789)
<b>Defined benefit pension liability</b>	21	(5,423)	(7,247)
<b>Net assets</b>		<u>178,866</u>	<u>177,687</u>
<b>Capital and reserves</b>			
Share capital	23	-	-
Revenue reserve		136,690	135,511
Revaluation reserve		42,176	42,176
<b>Total reserves</b>		<u>178,866</u>	<u>177,687</u>

The notes numbered 1 to 27 form part of these financial statements. The financial statements for Broadacres Housing Association Ltd (registered number 27656R); on pages 36 - 82 and their related notes were approved by the Board on 20 July 2020 and were signed on its behalf by:

Colin Wilkie		Chairman
Martin Warhurst		Board Member
Chris Fawcett		Secretary



**Broadacres Housing Association Limited**  
**Association Statement of Financial Position**  
**As at 31 March 2020**

		2020 £000	2019 £000
	<b>Note</b>		
<b>Fixed assets</b>			
Housing properties	11	329,653	307,944
Other property, plant and equipment	12	5,177	5,166
Fixed Asset Investments	13	484	514
		<u>335,314</u>	<u>313,624</u>
<b>Current assets</b>			
Inventories	15	342	275
Debtors	16	11,515	10,463
Housing properties for sale	17	2,448	3,002
Cash	18	181	9,804
		<u>14,486</u>	<u>23,544</u>
<b>Creditors: Amounts falling due within one year</b>	19	(8,948)	(5,613)
<b>Net current assets / (liabilities)</b>		<u>5,538</u>	<u>17,931</u>
<b>Total assets less current liabilities</b>		340,852	331,555
<b>Creditors: Amounts falling due after more than one year</b>	20	(155,254)	(146,789)
<b>Defined benefit pension liability</b>	21	(5,423)	(7,247)
<b>Net assets</b>		<u>180,175</u>	<u>177,519</u>
<b>Capital and reserves</b>			
Share capital	23	-	-
Revenue reserve		137,999	135,343
Revaluation reserve		42,176	42,176
<b>Total reserves</b>		<u>180,175</u>	<u>177,519</u>

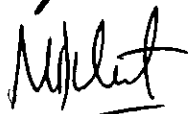
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Colin Wilkie



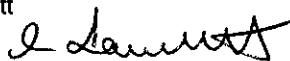
Chairman

Martin Warhurst



Board Member

Chris Fawcett



Secretary

**Broadacres Housing  
Association Limited**

**Consolidated Statement  
of Changes to Reserves**

**As at 31 March 2020**

	Income and expenditure Reserve £000	Revaluation Reserve £000	Total £000
<b>At 31 March 2018</b>	<u>134,163</u>	<u>42,176</u>	<u>176,339</u>
Surplus for the year	3,519	-	3,519
Remeasurement of SHPS obligation	(2,099)	-	(2,099)
Actuarial gain/(loss) on pension scheme	(72)	-	(72)
<b>At 31 March 2019</b>	<u>135,511</u>	<u>42,176</u>	<u>177,687</u>
Deficit for the year	(977)	-	(977)
Remeasurement of SHPS obligation	-	-	-
Actuarial gain/(loss) on pension scheme	2,156	-	2,156
<b>At 31 March 2020</b>	<u>136,690</u>	<u>42,176</u>	<u>178,866</u>

<b>Broadacres Housing Association Limited</b>	<b>Income and Expenditure Reserve</b>	<b>Revaluation Reserve</b>	<b>Total</b>
<b>Association Statement of Changes to Reserves</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>As at 31 March 2020</b>			
<b>At 31 March 2018</b>	<b>134,646</b>	<b>42,176</b>	<b>176,822</b>
Surplus for the year	2,868	-	2,868
Other comprehensive income:			
Remeasurement of SHPS obligation	(2,099)	-	(2,099)
Actuarial (loss) on pension scheme	(72)	-	(72)
<b>At 31 March 2019</b>	<b>135,343</b>	<b>42,176</b>	<b>177,519</b>
Surplus for the year	500	-	500
Other comprehensive income:			
Actuarial gain on pension scheme	2,156	-	2,156
<b>At 31 March 2020</b>	<b>137,999</b>	<b>42,176</b>	<b>180,175</b>

**Broadacres Housing Association Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended 31 March 2020**

	Note	2020 £000	2019 £000
<b>Net cash generated from operating activities</b>	<b>18</b>	12,646	17,578
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(31,190)	(17,602)
Purchase of Other Assets		(1,636)	(2,259)
Proceeds from sale of fixed assets		4,199	214
Proceed of Sales of other fixed assets		2,155	9,934
Proceeds from disposal of investment properties		72	-
Grants received (SHG & other)		3,271	2,260
Interest received		49	24
<b>Net cash outflow from investing activities</b>		<b>(23,080)</b>	<b>(7,429)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(6,812)	(6,412)
New loans		8,000	9,190
Repayments of borrowings		(1,250)	(4,683)
<b>Net cash (outflows) from financing activities</b>		<b>(62)</b>	<b>(1,905)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(10,496)</b>	<b>8,244</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>12,207</b>	<b>3,963</b>
<b>Cash and cash equivalents at end of year</b>		<b>1,711</b>	<b>12,207</b>

# **Broadacres Housing Association Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 March 2020**

#### **1. Accounting policies**

The Registered Provider (RP) is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing 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 2018 (SORP) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. 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 Board reviewed the financial plans in March 2020, as part of their normal annual review, and again in April 2020 following the onset of the COVID-19 pandemic lockdown. Having reviewed our principal financial risks, they were satisfied that Broadacres had sufficient resources to continue operating for the foreseeable future and accounts have been prepared in the reasonable expectation that Broadacres is a financially viable organisation. In order to safeguard against any potential liquidity risk arising from the Covid-19 pandemic Broadacres drew down £7m from its remaining Revolving Credit Facility on 2 April 2020, making all facilities now fully drawn.

At the approval date of these accounts Broadacres Group holds £10m of cash in bank accounts with extensive forecasting and sensitivity analysis not highlighting a need for further funding in the foreseeable future, being 12 months post approval of these statements. Potential and extensive falls in income (sales and rent), increased costs and changes in inflation indices have all been stress-tested and scenario planned to provide Board assurance over future finances and that sufficient resources exist to continue operations for the foreseeable future.

The effect of COVID-19 has been assessed by the Board and various Committees and the potential impact presented from April, with revised financial plans prepared for July 2020 and October 2020, reviewing the organisation's ongoing forecasts and projections to ensure that the organisation remains financially viable. A going concern paper was presented to Audit and Risk Committee in April 2020. We have assessed the next three years with particular attention on the foreseeable future, being a period of at least 12 months following this accounting period, the year ending 31 March 2021.

The most significant areas that are likely to affect Broadacres' net assets are rental income, extended periods of properties being empty, sales programme and an increase in the liabilities of the defined benefit pension scheme. Since the year-end, as a result of the effects of COVID-19, all these areas have either deteriorated or are expected to. The final two weeks of the 2019-20 financial year, in March which corresponded with the start of the pandemic lockdown did not see a reduction in rental income compared to previous periods. However, in April and May there were signs, although marginal, that recovery of rental income was impacted. In June 2020 our arrears level improved to pre-Covid-19 trends although this continues to be monitored on a weekly basis and proactively managed by colleagues.

In 2020-21 turnover is expected to reduce by £2.0m from a reduction in first tranche sales expected of £1.5m and an increase in homes being empty with no rental income being received £0.5m. Operating costs are expected to reduce by £1.5m. Operating costs are expected to change as follows; increased doubtful debts £0.3m, increased maintenance & other costs £0.75m offset by decreased planned maintenance £2.0m. Cost of sales will be reduced by £0.6m due to reduced sales. The overall impact is a reduction in operating surplus of £0.5m.

# **Broadacres Housing Association Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 March 2020**

#### **1. Accounting policies (continued)**

As a key provider of affordable housing in North Yorkshire and beyond, the Board will ensure that we keep our residents safe by maintaining their homes and completing necessary health and safety works. We will work with our residents to enable them to pay their rent. This is an area of expertise for this organisation. On planned maintenance work the Board made the difficult decisions to delay the start of 2020-21 programme. This has been factored into the sensitivities assessed as part of the going concern review. Overall, we will continue to operate as normal, as much as we can. Initially we concentrated on business-critical activities only but as lockdown eased, we have begun to recommence suspended activities. The focus of all these decisions is keeping customers, colleagues and partners safe.

Even with these measures the most recent forecasts show a potential surplus reduction of £0.5m, this will not cause Broadacres to breach our bank covenants. The Board will continue to review plans with the executive team to make necessary changes to continue to work with our customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

Work will continue during 2020/21 on our Treasury Review, in conjunction with specialist advisors Centrus and originating before the Covid-19 pandemic. The review is focussed on achieving continued value for money from our borrowing, modernising terms and conditions and matching future financing needs to our ambition for growth. Broadacres is not over-burdened by its debt, with this message being reinforced in April as part of the review, so the Board are of the opinion that Broadacres will have sufficient resources to meet its liabilities as they fall due.

As such, the Board conclude that Broadacres remains a going concern and remains satisfied that we can continue operating for the foreseeable future (a period of at least 12 months following the signing of these accounts) and accounts have been prepared in the reasonable expectation that Broadacres is a financially viable organisation.

#### **Statement of compliance**

This is the fourth 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 13 in the Report of the Board, and details of transactions between the Group are given in note 25 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 2020 were less than £11,000. This subsidiary has not been consolidated as it is not material for the purposes of giving a true and fair view.

#### **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, attributable development costs (including staffing) 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. This includes works carried out under the Affordable Warmth project and the replacement of fire doors within schemes. Costs include staffing roles attributable to these works. 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.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**1. Accounting policies (continued)**

**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

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.

**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. (£0.4m 2019) These properties are included in investments.

**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.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**1. Accounting policies (continued)**

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.

**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 staircasing sales, when full staircasing 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.



**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**1. Accounting policies (continued)**

**Restricted reserves**

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

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 vehicle's 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, attributable staffing costs and an attributable proportion of overheads based on normal levels of activity.

**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.

# **Broadacres Housing Association Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 March 2020**

#### **1. Accounting policies (continued)**

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.

#### **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

#### **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.

##### 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.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**1. Accounting policies (continued)**

**Turnover**

Turnover comprises:

- Rental income from tenants and leaseholder's receivable in the year is recognised as it becomes due and payable. (Net of void losses)
- Service charge income is recognised when the related expenditure is incurred.

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.

**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.

**Debtors**

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Creditors**

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**Employee Benefits**

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

**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.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**1. Accounting policies (continued)**

**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.

**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**

Donations received under the Gift Aid scheme to the parent association, BHA, from its subsidiaries are recognised as turnover in upon receipt as it relates to the principle activities of the association. Payments from subsidiaries are made under a deed of covenant to the parent and therefore accounted for as distributions. Payments and receipts are eliminated on consolidation.

**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.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**1. Accounting policies (continued)**

**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, an impairment of £397k (see note 11) was included in the accounts relating to a scheme with a significant level of empty properties.

**Carrying value of properties held for sale**

Valuation of properties held for sale – The carrying value of properties held for sale is based on the fair value of the market sale properties held by the company at 31 March 2020. The directors appointed an independent expert to assess the fair value of properties held for sale as at 31 March 2020. There is judgement and estimation inherent in the valuation of these market sale properties. Furthermore, the valuation included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the Royal Institute of Chartered Surveyors Global Red Book guidance as a result of the impact of Covid-19. Consequently, less certainty and a higher degree of caution should be attached to the valuation of properties held for sale than would normally be the case. The directors have considered the impact of the material valuation uncertainty included in the independent report, and whilst acknowledging that there is less certainty and a higher degree of caution needs to be attached to the valuation, the valuation can still be relied upon when assessing fair value in conjunction with evidence obtained from the sales values achieved at the same scheme. (see Note 17)

Valuation of property assets held by pension scheme – the defined benefit pension assets included in the net pension liability recognised includes a proportion of assets held in property. As reported above, there has been an impact of Covid-19 on the property markets that has resulted in a material uncertainty being identified by property valuers in the assessment of the fair value of property at 31 March 2020. The basis for this materiality uncertainty is primarily the short-term property market disruption caused by a cessation of property transactions during the lockdown period. Management have considered whether this uncertainty has a material impact on the valuation of the net pension liability at 31 March 2020 and have concluded that, on the basis that the value of pension assets held in property at 31 March 2020 is not material in the context of overall pension assets and on the fact that pension assets, including property, are invested for long-term gains, the uncertainty reported by property valuers does not have a material impact on these financial statements.

**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.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**1. Accounting policies (continued)**

**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.

**Provision for bad and doubtful debts**

Broadacres makes a judgement on the recoverability of arrears of rental and other income. This also includes the potential impact of Universal Credit and COVID-19 on arrears and bad debts. The provision made against potential bad debts is considered adequate in the light of current rent collection performance.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

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

Group	Turnover	2020	
		Operating Costs	Operating Surplus / (deficit)
	£000	£000	£000
<b>Social housing lettings (Note 3)</b>	32,279	(25,872)	6,407
<b>Main operating activities</b>			
Shared ownership 1 <sup>st</sup> Tranche Sales (Association)	2,334	(951)	1,383
Other current asset sales			
Gain on disposal of property, plant and equipment (Note 4)	831	(15)	816
Supported and Extra Care Schemes	916	(1,835)	(919)
Older persons services	127	(165)	(38)
ABLE day care	133	(242)	(109)
Cleaning services	4	(94)	(90)
Development services	91	(1,346)	(1,255)
Other	784	(699)	85
Open Market Sales	2,155	(2,650)	(495)
<b>Turnover</b>	<b>39,654</b>	<b>(33,869)</b>	<b>5,785</b>
<b>Activities other than social housing activities:</b>			
Interest receivable / (payable)	50	(6,812)	(6,762)
<b>Total</b>	<b>39,704</b>	<b>(40,681)</b>	<b>(977)</b>
<b>Group</b>	<b>Turnover</b>	<b>2019 Operating Costs</b>	<b>Operating Surplus / (deficit)</b>
	£000	£000	£000
			Restated
<b>Social housing lettings</b>	31,796	(22,822)	8,974
<b>Main operating activities</b>			
Shared ownership 1 <sup>st</sup> Tranche Sales (Association)	4,610	(2,625)	1,985
Other current asset sales			
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)
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
<b>Turnover</b>	<b>43,707</b>	<b>(33,799)</b>	<b>9,908</b>
<b>Activities other than social housing activities:</b>			
Interest receivable / (payable)	24	(6,412)	(6,388)
<b>Total</b>	<b>43,731</b>	<b>(40,211)</b>	<b>3,520</b>

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
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**2. Particulars of turnover, cost of sales, operating costs, operating surplus and disposal of property**

Association	Turnover	2020	
		Operating Costs	Operating Surplus / deficit
	£000	£000	£000
<b>Social housing lettings</b>	32,279	(25,872)	6,407
<b>Other social housing activities</b>			
Shared ownership and current assets	2,334	(951)	1,383
Gain on disposal of property, plant & equipment (Note 4)	831	(15)	816
Supported and Extra Care Schemes	916	(1,835)	(919)
Older persons services	127	(165)	(38)
ABLE day care	133	(242)	(109)
Cleaning services	4	(94)	(90)
Development services	91	(1,040)	(949)
Gift Aid	312	-	312
Other	863	(700)	163
<b>Turnover</b>	<b>37,890</b>	<b>(30,914)</b>	<b>6,976</b>
<b>Activities other than social housing activities:</b>			
Interest receivable / (payable)	336	(6,812)	(6,476)
<b>Total</b>	<b>38,226</b>	<b>(37,726)</b>	<b>500</b>

Association	Turnover	2019	
		Operating Costs	Operating Surplus / deficit
	£000	£000	£000 Restated
<b>Social housing lettings</b>	31,796	(22,822)	8,974
<b>Other social housing activities</b>			
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
<b>Turnover</b>	<b>38,538</b>	<b>(29,594)</b>	<b>8,944</b>
<b>Activities other than social housing activities:</b>			
Interest receivable / (payable)	336	(6,412)	(6,076)
<b>Total</b>	<b>38,874</b>	<b>(36,006)</b>	<b>2,868</b>



**Broadacres Housing Association Limited**  
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**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 187 shared ownership properties (2019:162) generating £542k (2019: £319k) per annum in rent.

	<b>General Needs (and Sheltered Housing)</b>	<b>Supported Housing</b>	<b>2020 Total</b>	<b>2019 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>				
Rents receivable	29,097	1,596	30,693	30,000
Service charge income	642	2,002	2,644	2,453
Amortised government grant:				
Government grants taken to income	79		79	74
Void losses	(948)	(189)	(1,137)	(731)
<b>Turnover from social housing lettings</b>	<b>28,870</b>	<b>3,409</b>	<b>32,279</b>	<b>31,796</b>
<b>Expenditure</b>				
Services	(782)	(2,060)	(2,842)	(2,555)
Management	(2,660)	(151)	(2,811)	(2,330)
Routine maintenance	(7,069)	(355)	(7,424)	(5,612)
Planned maintenance	(1,260)	(298)	(1,558)	(1,638)
Major repairs expenditure	(3,219)	(702)	(3,921)	(3,825)
Rent loss from bad debts	(124)	(19)	(143)	(174)
Depreciation of housing properties	(6,457)	(366)	(6,823)	(6,688)
Impairment of housing properties	-	(350)	(350)	-
<b>Operating costs</b>	<b>(21,571)</b>	<b>(4,301)</b>	<b>(25,872)</b>	<b>(22,822)</b>
<b>Operating surplus social housing lettings</b>	<b>7,299</b>	<b>(892)</b>	<b>6,407</b>	<b>8,974</b>

During the year the Association made £13,175 (2019: £12,414) grants from the Community Development Fund to local groups and raised £5,000 for POSCH – Parents & Carers of Special Children (2019: £4,000 for Bloodrun Charity) through its annual charity events.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**4. Gain on disposal of property, plant and equipment**

	<b>Group and Association</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Gain on disposal of property</b>		
Right to buy sales	44	214
Staircasing shared ownership sales	147	136
Disposal of housing fixed assets	4,009	-
Costs of sale	(3,384)	(283)
Profit on disposal	<u>816</u>	<u>67</u>

**5. Finance Income**

	<b>Group</b>		<b>Association</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Intercompany loan interest	-	-	301	320
Bank interest receivable	49	24	48	16
	<u>49</u>	<u>24</u>	<u>349</u>	<u>336</u>

**6. Interest and finance costs**

	<b>Group</b>		<b>Association</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	6,865	6,399	6,865	6,399
Finance lease interest	16	4	16	4
Net interest on defined benefit liability (Note 21)	171	175	171	175
	<u>7,052</u>	<u>6,578</u>	<u>7,052</u>	<u>6,578</u>
Borrowing costs capitalised	(240)	(166)	(240)	(166)
	<u>6,812</u>	<u>6,412</u>	<u>6,812</u>	<u>6,412</u>

Borrowing costs have been capitalised based on a capitalisation rate of 2.77% (2019 1.80%) which represents the marginal rate of funds available to the Association.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**7. Surplus/(deficit) on ordinary activities before taxation**

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

	Group		Association	
	2020 £000	2019 £000	2020 £000	2019 £000
Depreciation of housing properties (Note 11)	6,823	6,576	6,823	6,576
Impairment of housing properties (Note 11)	397	-	397	-
Depreciation of other fixed assets (Note 12)	731	421	731	416
Government grants (Note 20)	94	72	94	72
(Gain) on disposal of fixed assets (Note 4)	(816)	(337)	(816)	(337)
Audit fees:				
- Statutory audit	40	34	33	29
- Taxation compliance services	6	9	4	4
- Other consultancy services	-	8	-	8
Operating lease rentals (Note 24)	4	12	4	12

**8. Staff costs**

	Group		Association	
	2020 £000	2019 £000	2020 £000	2019 £000
Wages and salaries	9,581	8,531	9,581	8,498
Agency Costs	243	404	243	404
Social security costs	870	773	870	772
Other pension costs (see note 21)	1,202	901	1,202	900
	<u>11,896</u>	<u>10,609</u>	<u>11,896</u>	<u>10,574</u>

The Association's employees are members of the Social Housing Pension Scheme (SHPS) or the Local Government Pensions Scheme (LGPS). Further information on each scheme is given in note 21.

The full-time equivalent number of staff who received remuneration greater than £60,000 (excluding directors):

Salary band Including Pension	2020 Number	2019 Number
60,000 – 69,999	3	7
70,000 – 79,999	5	-
80,000 – 89,999	4	1
90,000 – 99,999	-	-
100,000 – 109,999	-	1
110,000 – 119,999	2	1
120,000 – 129,999	1	1
130,000 – 139,999	1	1
160,000 – 169,999	-	1
170,000 – 179,999	1	-

**Broadacres Housing Association Limited**  
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**8. Staff costs (continued)**

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
The average full-time equivalent number of employees was	<u>306</u>	<u>290</u>

**9. Key management personnel**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Board members</b>		
Wages and salaries	78	71
Expenses	4	6
<b>Executive staff members</b>		
Wages and salaries	524	482
Social security costs	67	66
Other pension costs	70	45
Compensation for loss of office	-	64
	<u>743</u>	<u>734</u>

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)

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Remuneration of the highest paid director, excluding pension contributions:	154	150
Pension contributions of the highest paid director	20	14

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**  
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**10. Tax on deficit on ordinary activities**

**Group**

The charge for the year can be reconciled to the deficit per the Statement of Comprehensive Income as follows:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Surplus for the year	(978)	2,868
Tax on surplus at standard UK tax rate of 19.00% (2019:19.00%)	(186)	545
<b>Effects Of:</b>		
Charitable activities	44	(569)
Income not taxable for tax purposes	-	
Amounts charged/(credited directly to the STRGL or otherwise transferred	-	
Adjust closing deferred tax to average rate of 19.00%	-	1
Adjust opening deferred tax to average rate of 19.00%	-	2
Deferred tax not recognised	142	21
Tax charge for the period	<u>-</u>	<u>-</u>

**Notes to the accounts – Balance sheet amounts**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Current liabilities:</b>		
Group relief creditor	-	-
	<u>-</u>	<u>-</u>

**Broadacres Housing Association Limited**  
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**10. Tax on deficit on ordinary activities (continued)**

**Association**

The charge for the year can be reconciled to the deficit per the Statement of Comprehensive Income as follows:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Surplus for the year	188	2,868
Tax on surplus at standard UK tax rate of 19.00% (2019:19.00%)	36	545
<b>Effects Of:</b>		
Expenses not deductible for tax purposes		
Charitable activities	(32)	(569)
Group relief surrendered/(claimed)		
Amounts relating to changes in tax rates	-	3
Deferred tax not recognised	3	21
Group relief creditor		
Tax charge for the period	<u>-</u>	<u>-</u>
<b>Notes to the accounts – Balance sheet amounts</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Current liabilities:</b>		
Group relief creditor	-	-
	<u>-</u>	<u>-</u>

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**  
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**For the year ended 31 March 2020**

**11. Housing properties**

<b>Group and Association</b>	<b>Housing properties held for letting</b>	<b>Housing properties under construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At 1 April 2019	329,151	6,013	335,164
Additions	-	26,564	26,564
Components capitalised	4,834	-	4,834
Transferred on completion	10,634	(10,634)	-
Disposals	(2,767)	-	(2,767)
At 31 March 2020	<u>341,852</u>	<u>21,943</u>	<u>363,795</u>
<b>Accumulated Depreciation</b>			
At 1 April 2019	(27,220)	-	(27,220)
Charge for the year	(6,823)	-	(6,823)
Eliminated on disposal	298	-	298
Impairment	(397)	-	(397)
At 31 March 2020	<u>(34,142)</u>	<u>-</u>	<u>(34,142)</u>
<b>Net book value</b>			
<b>At 31 March 2020</b>	<u><b>307,710</b></u>	<u><b>21,943</b></u>	<u><b>329,653</b></u>
At 31 March 2019	<u>301,931</u>	<u>6,013</u>	<u>307,944</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 £240k (2019: £166k) interest on development costs, based on 2.77% (2019: 1.8%) interest rate. Included within housing properties for letting are 187 (2019:162) Shared Ownership properties with a net value of £4.5m (2019: £3.9m).

Depreciation has been charged on major components based on their useful economic lives, the replacement of major components totalling £4,834k (2019: £3,392k) were capitalised in the year.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**11. Housing properties (continued)**

<b>Expenditure on works to existing properties</b>	<b>Group and Association</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Components capitalised	4,834	3,392
Amounts charged to the income and expenditure account:	3,921	3,825
	<u>8,755</u>	<u>7,217</u>

<b>Social Housing Grant</b>	<b>Group and Association</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Total accumulated social housing grant received or receivable as at 31 March:		
Capital grant	<u>70,967</u>	<u>67,696</u>

<b>Finance Costs</b>	<b>Group and Association</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Aggregate amount of finance costs included in the cost of housing properties:	<u>2,837</u>	<u>2,598</u>

<b>Housing Properties Held</b>	<b>Group and Association</b>	
	<b>2020</b>	<b>2019</b>
	<b>Number of Units</b>	<b>Number of Units</b>
General Needs & Sheltered housing	5,884	5,812
Supported housing	344	342
Shared Ownership	187	162
	<u>6,415</u>	<u>6,316</u>



**Broadacres Housing Association Limited**  
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**12. Other property, plant and equipment**

	Freehold Offices £000	Computer & office equipment £000	Furniture fixtures & fittings £000	Vehicles £000	Leased Vehicles £000	Association Total £000	Subsidiaries Total £000	Group Total £000
<b>Cost or valuation</b>								
At 1 April 2019	3,691	2,497	230	351	1,881	8,650	13	8,663
Additions	-	244	85	-	445	774	-	774
Disposals	-	(370)	(26)	(114)	(10)	(520)	-	(520)
At 31 March 2020	3,691	2,371	289	237	2,316	8,904	13	8,917
<b>Depreciation</b>								
At 1 April 2019	(825)	(2,017)	(203)	(332)	(107)	(3,484)	(13)	(3,497)
Charge for the year	(73)	(229)	(13)	(9)	(407)	(731)	-	(731)
Disposals	-	356	26	104	2	488	-	488
At 31 March 2020	(898)	(1,890)	(190)	(237)	(512)	(3,727)	(13)	(3,740)
<b>Net book value</b>								
At 31 March 2020	2,793	481	99	-	1,804	5,177	-	5,177
At 31 March 2019	2,866	480	27	19	1,774	5,166	-	5,166

**Broadacres Housing Association Limited**  
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**13. Investment Properties**

	Group		Association	
	2020 £000	2019 £000	2020 £000	2019 £000
At 1 April 2019	667	677	514	822
Disposals	(73)	(10)	(30)	(308)
<b>31 March 2020</b>	<u>594</u>	<u>667</u>	<u>484</u>	<u>514</u>

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

**14. Investment in Subsidiaries**

As at 31 March 2020, 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 for Social Housing.

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
Mulberry Homes Yorkshire Limited	England	Development of building projects	No	£100	100% share ownership
Marketgate Residential Management Company	England	Renting and operating of Housing Association real estate	No	£0	90% 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 Marketgate Residential Management Company Limited are not required to be consolidated as it is deemed to be immaterial. (Turnover in 2019/20 of £10k).

**15. Inventories**

	Group		Association	
	2020 £000	2019 £000	2020 £000	2019 £000
Materials for repairs and adaptations	331	265	331	265
Catering services food stock	11	10	11	10
	<u>342</u>	<u>275</u>	<u>342</u>	<u>275</u>

**Broadacres Housing Association Limited**  
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**16. Debtors**

	Group		Association	
	2020 £000	2019 £000	2020 £000	2019 £000
<b>Amounts falling due within one year:</b>				
Rent & Service Charge receivable	1,716	1,334	1,716	1,334
Provision for bad and doubtful debts	(557)	(469)	(557)	(469)
	<u>1,159</u>	<u>865</u>	<u>1,159</u>	<u>865</u>
Amounts owed by Group undertakings	-	-	1,435	9,098
Other debtors	1,776	1,449	1,220	191
Prepayments and accrued income	257	307	257	307
	<u>3,192</u>	<u>2,621</u>	<u>4,071</u>	<u>10,461</u>
<b>Amounts falling due after more than one year:</b>				
Amounts owed by Group undertakings	-	-	7,442	-
Other debtors	2	2	2	2
	<u>2</u>	<u>2</u>	<u>7,444</u>	<u>2</u>
	<u>3,194</u>	<u>2,623</u>	<u>11,515</u>	<u>10,463</u>

**17. Housing Properties for Sale**

	Group		Association	
	2020 £000	2019 £000	2020 £000	2019 £000
Completed properties	4,135	8,564	648	3,002
Properties under construction / Land for sale	1,957	297	1,800	-
	<u>6,092</u>	<u>8,861</u>	<u>2,448</u>	<u>3,002</u>

The fair value of completed properties held for sale within Broadacres Services Limited, a wholly owned subsidiary of Broadacres Housing Association, has been reduced (by £473k) to reflect the outcome of the valuation performed by an independent valuer. The reduction in fair value reflects the additional building costs incurred in the year and the potential impact of Covid-19 on the property market.

**Broadacres Housing Association Limited**  
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**18. Cash flow**

<b>Consolidated</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flow from operating activities</b>		
<b>(Deficit) / Surplus for the year</b>	(977)	3,520
<b>Adjustment for non-cash items:</b>		
Depreciation of property, plant & equipment	6,823	6,576
Depreciation of other fixed assets	731	422
Decrease/(Increase) in inventories	(67)	30
Decrease/(Increase) in debtors	(570)	4,078
Decrease/(Increase) in creditors	(404)	400
Pension costs less contributions payable	332	340
Carrying amount of Housing Fixed Asset Disposals	5,183	1,358
Carrying amount of Other PPE Disposals	32	493
Carrying amount of Other Asset Disposals	2,176	4,080
Impairment loss on property, plant & equipment	873	113
	<u>15,109</u>	<u>17,890</u>
<b>Adjustments for investing or financing activities:</b>		
Income from the sale of property, plant & equipment	(8,154)	(10,148)
Government grants utilised in the year	(94)	(72)
Interest payable	6,812	6,412
Interest received	(49)	(24)
	<u>(1,485)</u>	<u>(3,832)</u>
<b>Cash generated by operations</b>	<u><b>12,646</b></u>	<u><b>17,578</b></u>

**Analysis of movement in net debt**

	<b>1 April</b>	<b>Cash</b>	<b>Non-</b>	<b>31</b>
	<b>2019</b>		<b>Cash</b>	<b>March</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cash</b>	12,207	(10,496)	-	1,711
<b>Bank loans due less than 1 year</b>	(1,250)	1,250	(2,250)	(2,250)
<b>Bank loans due more than 1 year</b>	(135,064)	(8,000)	2,250	(140,814)
<b>Finance Lease Obligations</b>	(1,585)	376	(240)	(1,449)
	<u>(137,899)</u>	<u>(6,374)</u>	<u>(240)</u>	<u>(144,513)</u>

**Broadacres Housing Association Limited**  
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**19. Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Association</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts (see note 20)	2,250	1,250	2,250	1,250
Rents, service & support charges received in advance	281	381	281	381
Amounts owed to Group undertakings	-	-	2,730	807
Cash held in trust	50	47	-	-
Other taxation and social security	134	249	134	249
Other creditors	455	508	418	508
Government grants	121	94	121	94
Vehicle Leasing	376	376	376	376
Accruals and deferred income	3,603	3,033	2,638	1,948
	<u>7,270</u>	<u>5,938</u>	<u>8,948</u>	<u>5,613</u>

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

	<b>Group</b>		<b>Association</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other creditors</b>				
Loans	140,815	135,064	140,815	135,064
Government grants (RCGF)	146	146	146	146
Government Grants	12,076	9,299	12,076	9,299
Service charge sinking fund	1,145	1,071	1,146	1,071
Vehicle Leasing	1,072	1,209	1,072	1,209
	<u>155,254</u>	<u>146,789</u>	<u>155,254</u>	<u>146,789</u>

Borrowings are repayable as follows:

	<b>Group</b>		<b>Association</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Bank loans</b>				
Between one and two years	2,650	2,250	2,650	2,250
Between two and five years	9,252	6,501	9,252	6,501
After five years	128,913	126,313	128,913	126,313
	<u>140,815</u>	<u>135,064</u>	<u>140,815</u>	<u>135,064</u>
On demand or within one year	2,250	1,250	2,250	1,250
	<u>143,065</u>	<u>136,314</u>	<u>143,065</u>	<u>136,314</u>

**Broadacres Housing Association Limited**  
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**20. Creditors – amounts falling due after more than one year (continued)**

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 £43m is utilised (2019: £35m). During the year Broadacres drew down 8m. As at 31 March 2020, £7m (2019: £15m) remains undrawn and available through a revolving credit facility (which was drawn down early April to provide a liquidity buffer against potential COVID-19 economic impacts).

Broadacres Housing Association has a facility of £35m with Hambleton District Council (2019 £35m). As at 31 March 2020, the facility is fully utilised.

Broadacres Housing Association has a facility of £10m (2019: £11.3m) with Nationwide that is in a repayment phase, with £1m being repaid each year.

Broadacres has a loan of £63k with Orchard Brook.

Broadacres weighted average fixed interest rate is 5.22%, variable rate margins vary between 0.5% and 2.00% on LIBOR.

Deferred Income - Government grants	Group and Association	
	2020 £000	2019 £000
As at 1 April 2019	(9,394)	(7,206)
Grants receivable	(2,897)	(2,260)
Amortisation of Statement of Comprehensive Income	94	72
As at 31 March 2020	<u>(12,197)</u>	<u>(9,394)</u>
Due within one year	(122)	(94)
Due after one year	(12,075)	(9,300)

The total accumulated amount of capital grant received at the balance sheet date is £71.0m (2019: £67.7m), the creditor of £12.2m relates to grant where the conditions have not yet been met.

Recycled Capital Grant Fund	Group and Association	
	2020 £000	2019 £000
As at 1 April	146	124
Inputs	-	112
Recycling of grant	-	(90)
31 March	<u>146</u>	<u>146</u>
Grant due for repayment	<u>-</u>	<u>-</u>

**Broadacres Housing Association Limited**  
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**20. Creditors – amounts falling due after more than one year (continued)**

Obligations under finance leases	Group		Association	
	2020 £000	2019 £000	2020 £000	2019 £000
Due < 1 year (Note 19)	376	376	376	376
Due > 1-2 years (Note 20)	376	376	376	376
Due > 2-5 years (Note 20)	697	833	697	833
	<u>1,449</u>	<u>1,585</u>	<u>1,449</u>	<u>1,585</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.

**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.

On 1 April 2018, sufficient information became available for the association in respect of SHPS to account for its obligation on a defined benefit basis. This change on transition resulted in a re-measurement difference of £2,099k, which was recognised at the relevant date of application, on 1 April 2018, in other comprehensive income, was therefore reflected in the year ended 31 March 2019.

The defined benefit liability is calculated as per the below

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

	2020 £000	2019 £000
Fair value of Plan Assets	12,382	10,853
Present Value of Defined Benefit Obligation	<u>14,517</u>	<u>14,927</u>
(Deficit)	<u>(2,135)</u>	<u>(4,074)</u>

**Broadacres Housing Association Limited**  
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**21. Pension schemes (continued)**

**21.1. SHPS (continued)**

**Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Defined Benefit Obligation at 1 April 2019 (2018)</b>	<b>14,927</b>	<b>12,934</b>
Current Service Cost	959	706
Expenses	19	16
Interest Expense	368	346
Contributions by plan participants	198	181
Actuarial loss (gain) due to scheme experience	431	(315)
Actuarial loss (gain) due to changes in demographic assumptions	(133)	38
Actuarial loss (gain) due to changes in financial assumptions	(2,074)	1,122
Benefits paid and expenses	(178)	(101)
<b>Defined Benefit Obligation at 31 March 2020 (2019)</b>	<b>14,517</b>	<b>14,927</b>

**Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Fair Value of Plan Assets at 1 April 2019 (2018)</b>	<b>10,853</b>	<b>9,587</b>
Interest Income	270	259
Experience on plan assets (excluding interest income) – gain (loss)	293	263
Contributions by the employer	946	664
Contributions by plan participants	198	181
Benefits paid and expenses	(178)	(101)
<b>Fair Value of Plan Assets at 31 March 2020 (2019)</b>	<b>12,382</b>	<b>10,853</b>



**Broadacres Housing Association Limited**  
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**21. Pension schemes (continued)**

**21.1. SHPS (continued)**

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 March 2020 was £1,529k (2019: £522k)

	<b>2020</b>		<b>2019</b>
	<b>£000</b>		<b>£000</b>
Global Equity	1,811		1,826
Absolute Return	646		939
Distressed Opportunities	238		197
Credit Relative Value	340		199
Alternative Risk Premia	866		626
Fund of Hedge Funds	7		49
Emerging Markets Debit	375		374
Risk Sharing	418		328
Insurance-Linked Securities	380		311
Property	273		244
Infrastructure	921		569
Private Debt	250		146
Opportunistic Illiquid Credit	300		-
Corporate Bond Fund	706		506
Liquid Credit	5		-
Long Lease Property	214		160
Secured Income	470		389
Liability Driven Investment	4,109		3,969
Net Current Assets	53		21
<b>Total Assets</b>	<b>12,382</b>		<b>10,853</b>

**Defined Benefit Costs Recognised in the Statement of Comprehensive Income (SOCl)**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Current Service Cost	959	706
Expenses	19	16
Net Interest Expense	98	87
<b>Costs recognised in SOCl</b>	<b>1,076</b>	<b>809</b>

**Broadacres Housing Association Limited**  
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**21. Pension schemes (continued)**

**21.1. SHPS (continued)**

**Defined Benefit Costs Recognised in the Other Comprehensive Income**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Experience on plan assets (excluding interest income) - gain (loss)	293	263
Experience gains and losses arising on plan liabilities	(431)	315
Changes in Demographic Assumptions	133	(38)
Changes in Financial Assumptions	2,074	(1,122)
<b>Total amount recognised in other comprehensive income - (loss)</b>	<b>2,069</b>	<b>(582)</b>

**Key Assumptions**

	<b>Valuation at</b>	
	<b>2020</b>	<b>2019</b>
Key assumptions used:		
Discount rate	2.33%	2.38%
Inflation (RPI)	2.51%	3.23%
Inflation (CPI)	1.51%	2.23%
Salary Growth	2.51%	3.23%
Allowance for commutation of pension for cash at retirement	75% of maximum	75% of maximum
	<b>Valuation at</b>	
	<b>2020</b>	<b>2019</b>
	<b>years</b>	<b>Years</b>
Retiring today:		
Males	21.5	21.8
Females	23.3	23.5
Retiring in 20 years:		
Males	22.9	23.2
Females	24.5	24.7

**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. 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.

**Broadacres Housing Association Limited**  
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**21. Pension schemes (continued)**

**21.2. LPFA (continued)**

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 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. 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.

**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 31 March 2019 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 2020;
- Fund investment returns for the period to 31 March 2020;
- Estimated Fund income and expenditure in respect of the Employer for the period to 31 March 2020; and
- Details of any new early retirements for the period to 31 March 2020 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.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
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**21. Pension schemes (continued)**

**21.2. LPFA (continued)**

**Employer membership statistics**

The service cost for the year ended 31 March 2020 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 £382,000 (2019:£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 are 23.4% (2019:22.7% 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 2020.

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 0% (2019:9%). 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 2020, we have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2019, 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 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 2020 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2020 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 2019 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.

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 2020.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
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**21. Pension schemes (continued)**

**21.2. LPFA (continued)**

**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 2019. 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 (2019:7.0) and have applied an additional initial rate of 0.5% (2019:0%),

The assumed life expectations from age 65 are shown in the table below.

		Weighted by	Unweighted Valuation	
		Liability	at	
		2020	2020	2019
		years	years	years
Retiring today:				
Males		23.5	22.2	21.8
Females		24.3	24.0	23.6
Retiring in 20 years:				
Males		23.2	23.6	23.5
Females		26.2	25.5	25.4

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.

Key assumptions used:	Valuation at	
	2020	2019
Discount rate	2.35%	2.35%
Future pension increases	1.95%	2.45%
Salary increases	2.95%	3.95%

These assumptions are set with reference to market conditions at 31 March 2020.

Our estimate of the Employer's past service liability duration is 15 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:

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
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**21. Pension schemes (continued)**

**21.2. LPFA (continued)**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Present value of defined benefit obligations	<b>14,560</b>	15,504
Fair value of scheme assets (bid value)	<b>11,441</b>	<u>12,523</u>
Deficit	<b>3,119</b>	2,981
Present value of unfunded obligation	<b>169</b>	<u>192</u>
Net liability recognised in the Statement of Financial Position	<b>3,288</b>	<u>3,173</u>

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

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
At 1 April 2019	<b>15,696</b>	15,323
Service cost	<b>157</b>	164
Interest cost	<b>362</b>	385
Change in financial assumptions – loss/(gain)	<b>(1,167)</b>	726
Change in demographic assumptions (gain)	<b>206</b>	(698)
Experience loss/(gain) on defined benefit obligation	<b>(26)</b>	229
Estimated benefits paid net of transfers in	<b>(563)</b>	(448)
Past service costs, including curtailments	<b>51</b>	-
Contributions by Scheme Participants	<b>25</b>	27
Unfunded pension payments	<b>(12)</b>	(12)
At 31 March 2020	<b>14,729</b>	<u>15,696</u>

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

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
At 1 April 2019	<b>12,523</b>	11,807
Interest on assets	<b>289</b>	297
Other actuarial gains / (losses)	<b>(565)</b>	-
Return on plan assets (excluding amounts included in net interest cost)	<b>(335)</b>	767
Administration expenses	<b>(16)</b>	(15)
Contributions from the employer	<b>95</b>	100
Contributions from scheme participants	<b>25</b>	27
Estimated benefits paid plus unfunded net of transfers in	<b>(575)</b>	(460)
At 31 March 2020	<b>11,441</b>	<u>12,523</u>

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**21. Pension schemes (continued)**

**21.2. LPFA (continued)**

<b>Asset breakdown</b>	<b>2020</b>		<b>2019</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Equities	6,174	54	6,812	54
Target Return Portfolio	2,948	26	3,340	27
Infrastructure	834	7	755	6
Property	1,136	10	1,178	9
Cash	349	3	438	4
<b>Total</b>	<b>11,441</b>	<b>100</b>	<b>12,523</b>	<b>100</b>

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

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Current service cost	208	164
Net interest cost	73	88
Administration expenses	16	15
<b>Total</b>	<b>297</b>	<b>267</b>

**Defined Benefit Costs Recognised in the Other Comprehensive Income**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Changes in Financial Assumptions	1,167	(726)
Changes in Demographic	(206)	698
Experience gain / (loss) arising on plan liabilities	26	(229)
Other actuarial gains/(losses) on assets	(565)	-
Actuarial increase in fund assets	(335)	767
<b>Total</b>	<b>87</b>	<b>510</b>

**Overall Accounting Impact of Both Schemes**

The overall liability is reflected in the accounts as follows:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
SHPS	2,135	4,074
LPFA	3,288	3,173
	<b>5,423</b>	<b>7,247</b>

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
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**21. Pension schemes (continued)**

**Defined Benefit Costs Recognised in the Other Comprehensive Income**

	2020 £000	2019 £000
SHPS	2,069	(582)
LPFA	87	510
Actuarial (loss) / gain on pension schemes	<u>2,156</u>	<u>(72)</u>

**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 2019 is expected to be £1,000 (rounded to the nearest £'000). No adjustment is therefore included.



**Broadacres Housing Association Limited**  
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**21. Pension schemes (continued)**

**Impact of the McCloud/Sargeant judgement on the FRS102 disclosures at 31 March 2020**

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019. 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). The results of this analysis are set out in GAD's report dated 10 June 2019.

We have used this analysis provided by GAD to estimate the possible impact of the McCloud/Sargeant judgement for the Employer. The key assumption is the assumed rate of future salary increases.

We have included a summary of our impact assessment below.

GAD estimated the impact on past service liabilities to be 3.2% of active liabilities based on a salary increase assumption of CPI plus 1.5% p.a. Adjusting this to reflect the Employer's own salary increase assumption (which is that salaries will increase at 1.0% p.a. above CPI), gives an estimated impact of 2.1% of active liabilities.

Adjusting this to allow for the additional accrual of liabilities since 31 March 2019 and an approximate adjustment to strip out members who joined the Scheme who are unlikely to be affected by the outcome of the judgement gives an estimated impact of 2.0% of active liabilities. This is equivalent to 0.4% of the Employer's total liabilities at the accounting date (i.e. active liabilities are estimated to be 17% of the Employer's total liabilities at the accounting date).

GAD estimated the impact on the service cost to be 3.0% of payroll based on a salary increase assumption of CPI plus 1.5% p.a. Adjusting this to reflect the Employer's own salary increase assumption (as set out above), gives an estimated impact of 2.0% of payroll. Making an approximate adjustment to strip out members who are unlikely to be affected by the outcome of the judgement gives an estimated impact of 1.0% of payroll.

This is equivalent to 2.9% of the projected service cost.

**Broadacres Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**22. Financial instruments**

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

	Group		Association	
	2020 £000	2019 £000	2020 £000	2019 £000
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Rent arrears and other debtors (see note 16)	3,194	2,623	2,638	1,365
Amounts due from related undertakings (See note 16)	-	-	8,877	9,098
Cash held (See note 18)	1,711	12,254	181	9,804
	<u>4,905</u>	<u>14,877</u>	<u>11,696</u>	<u>20,267</u>
<b>Financial liabilities</b>				
<b>Measured at amortised cost</b>				
Loans payable (see note 19 & 20)	143,065	136,315	143,065	136,315
Trade and other creditors (see note 19 & 20)	19,409	16,413	18,408	15,281
Amounts owed to related undertakings (see note 19)	-	-	2,730	807
	<u>162,474</u>	<u>152,728</u>	<u>164,203</u>	<u>152,403</u>

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

	Group		Association	
	2020 £000	2019 £000	2020 £000	2019 £000
<b>Interest income and expense</b>				
Total interest income for financial assets (note 5)	(49)	(24)	(349)	(336)
Total interest expense for financial liabilities (note 6)	6,812	6,412	6,812	6,412
Net Cost	<u>6,763</u>	<u>6,388</u>	<u>6,463</u>	<u>6,076</u>

**23. Share capital**

	2020 Number	2019 Number
At 1 April 2019	47	45
Joining during the year	2	3
Leaving during the year	(5)	(1)
<b>At 31 March 2020</b>	<u>44</u>	<u>47</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.

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**24. Capital commitments**

Capital commitments are as follows:

	Group		Association	
	2020 £000	2019 £000	2020 £000	2019 £000
Contracted for but not provided for	14,766	15,220	14,766	15,220
Approved by the Board but not contracted	7,273	3,465	7,273	3,465
	<u>22,039</u>	<u>18,685</u>	<u>22,039</u>	<u>18,685</u>

The above Commitments (£22m) will be funded through £7m of borrowing from existing loan facilities with the remainder (£15m) being funded through social housing grant and property sales.

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

	Group		Association	
	2020 £000	2019 £'000	2019 £000	2019 £'000
Payments due:				
– Within one year	4	8	4	8
– Within two to five years	-	4	-	4
– In five years or more	-	-	-	-
	<u>4</u>	<u>12</u>	<u>4</u>	<u>12</u>

**25. Related party transactions**

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

**Intercompany Loans**

As at 31 March 2020, Broadacres Housing Association Limited has loaned £4,394k (2019: £3,994k) to Mulberry Homes Yorkshire Limited and £2,777k (2019: £3,750k) 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.

**Intercompany Payments**

Broadacres Housing Association Limited paid a development recharge to Broadacres Services Limited of £6,253k (2019: £3,414k).

Broadacres Housing Association Limited paid a development recharge to Mulberry Homes Yorkshire Limited of £118k (2019: -).

Broadacres Housing Association Limited paid a recharge to Broadacres Services Limited of £92k (2019: £50k) for development costs and services and recharge salary costs of £63k (2019: £41k).

Broadacres Housing Association Limited paid a recharge to Mulberry Homes Yorkshire Limited of £1k (2019: -) for development services and recharge salary costs of £28k (2019: -).

At the year end, Broadacres Services owes Broadacres Housing association £1,362k interest. Mulberry Homes Yorkshire limited owes Broadacres Housing Association £312k interest.

Broadacres Housing Association owes Broadacres Services Limited £310k for retentions, £43k for tax losses and £501k for accrued expenditure.

All transactions are at arms-length.

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**25. Related party transactions (continued)**

**Hambleton District Council**

Broadacres has a fully utilised loan facility with Hambleton District council of £35m (2019: £35m). Loan interest is based on market rates and the interest payable in year was £1.5m (2019: £1.1m).

**26. Controlling party**

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

**27. 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 £0.9m.