



## Financial Statements

For the year ended  
31st March **2018**





**Broadland Housing Association**

Annual Report and Financial Statements

Year ended 31 March 2018

Co-operative and Community Benefit  
Societies Act Registration Number:  
16274R

Regulator of Social Housing  
Registration Number:  
L0026

# **Broadland Housing Association**

## **Report and Financial Statements for the year ended 31 March 2018**

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## **Broadland Housing Association**

### **Executives and advisors for the year ended 31 March 2018**

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#### **Board of Directors**

Interim Chair	Jenny Manser (Resigned 27.09.2017 at Annual General Meeting)
Chair	Chris Ewbank (Appointed 27.09.2017 at Annual General Meeting)
Vice Chair	Jonathan Barber BSc (Hons) MSc MBA MCIEH FCMI  Samantha England Richard Hawthorn (deceased 10 September 2017) Dr Simon Hibberd Michael Newey D.Sc (Hon) BSc FRICS FCIH FRSA MAHI Kate Slack MA Paul Slyfield FCCA Helen Skoyles BA (Hons) CIHCM Gavin Tempest BSc (Hons) Siobhan Trice

#### **Executive Directors**

Group Chief Executive	Michael Newey D.Sc (Hon) BSc FRICS FCIH FRSA MAHI
Executive Property Director	Louise Archer BSc FRICS CIHCM
Executive Housing Director	Ivan Johnson FCIH
Executive Development Director	Andrew Savage MSc MRICS
Executive Finance Director	Julian Foster MA (Hons) ACA FCT

<b>Group Audit &amp; Risk Committee</b>	Jonathan Barber BSc (Hons) MSc MBA MCIEH FCMI CIHM (Chair) Martin Clark MRICS MCIOB Richard Hawthorn (deceased 10 September 2017) Paul Slyfield FCCA Gavin Tempest BSc (Hons)
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## **Broadland Housing Association**

### **Executives and advisors for the year ended 31 March 2018 (*continued*)**

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**Secretary and registered office** Sarah Wyatt MA ACIS

NCFC  
South Stand  
Carrow Road  
Norwich  
NR1 1HU

**External auditors** BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

**Internal auditors** RSM Risk Assurance Services LLP  
The Pinnacle  
170 Midsummer Boulevard  
Milton Keynes  
Bucks  
MK9 1BP

**Principal solicitors** Birketts LLP  
24-26 Museum Street  
Ipswich  
Suffolk  
IP1 1HZ

**Bankers** NatWest Bank  
45 London Street  
Norwich  
NR1 4LX



## **Broadland Housing Association**

### **Chair and Chief Executive's review for the year ended 31 March 2018**

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Broadland was established in 1963 with an enduring purpose of providing affordable homes for families and individuals of all ages in our region. Over the past 55 years the Association has remained focussed on this task, often having to navigate our way through changes in government policy that made the job of delivering new homes and supporting our tenants to sustain their tenancies either more or less difficult.

Over the last eight years there have been some fundamental changes in our operating framework – reduced welfare benefits for low income and vulnerable people, imposed rent reductions, substantial reductions in government investment in new social housing and changes in the focus in housing association regulation. A significant amount of our focus since 2011 has been in helping our tenants sustain their tenancies, as well as restructuring our development function to continue delivering new homes for people who need them in our communities.

Just over a year ago our national conscience was challenged by the Grenfell Tower tragedy. On Wednesday 14th June 2017 we woke to harrowing images on television news and over the weeks that followed we heard about residents' concerns during the refurbishment programme and how they felt ignored and not listened to.

It is too early to be definitive on the cause of the spread of the fire and to fully understand the context of the building's refurbishment and the place of the residents in the progression of that project. It is nevertheless clear that the tragedy has stimulated the Government to engage afresh with social housing tenants and to consider whether they and the sector had been in a listening mode, treating residents with the respect they deserve. Last October some of our tenants joined over 100 other tenants from East of England housing associations and local authorities to engage with the then Housing Minister, Alok Sharma, as part of his tour of the country seeking to understand their perspectives and experience of social housing.

As this report is written, we are awaiting the publication of a new Housing Green Paper promised last Autumn and influenced by the discussions Mr Sharma; his successor Dominic Raab; and senior civil servants had at these tenant engagement events. The sector is anticipating renewed focus by the Regulator of Social Housing on consumer protection and more proactive regulation of the Tenant Engagement and Empowerment Standard. We would welcome this broadening of approach by the regulator, who are currently required by Government to primarily focus on the quality of an Association's governance and the strength of its financial viability.

Broadland was subject to an In-Depth Assessment (IDA) by our regulator last summer, at that time the Homes and Communities Agency, now renamed the Regulator of Social Housing. The IDA involved a small team from the Regulator engaging with the Association over a couple months – working through a considerable amount of background papers, attending Board and Audit Committee meetings and interviewing our Chair, Vice Chair and four of the five members of the Executive Team. Reflecting the Regulator's current terms of reference set by the Ministry of Housing, Communities and Local Government, the IDA team did not engage with our housing management team, but instead focussed on the strength of our board and our spending commitments and aspirations in order to deliver our strategic ambitions.

## **Broadland Housing Association**

### **Chair and Chief Executive's review for the year ended 31 March 2018 (*continued*)**

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We were very pleased to be judged as G1V2. The G1 stands for Governance and reflects the Group's clear strengths in our governance arrangements, whilst the V2, still a compliant grading, reflects our financial stretch to continue developing new homes for rent and sale. The Board and Executive Team felt that the assessment was fair, realistic and broadly in line with our own self-assessment.

On the governance side, we were very sorry to lose Richard Hawthorn, who had been a valuable and active tenant board member since 2010, when he sadly passed away in September 2017. He is much missed by staff, board members and his neighbours at Woodcote.

Another key change within the financial year was the retirement of Jenny Manser as Chair of the Board at the 2017 AGM. We are very grateful and appreciative of Jenny's tremendous contribution over the last decade. We are fortunate that Jenny has remained on the board of Broadland Meridian, so her expertise and advice has not been lost. Jenny's successor is Chris Ewbank, who joined the Board in April 2017, and was elected Chair of the Board following the AGM. Chris, a qualified solicitor and former banker, is the Senior Bursar and Chief Financial Officer of St John's College, Cambridge.

Back in 2011 we were unsuccessful in our bid for grant from the Homes and Communities Agency to support our development ambitions. The level of grant per home then available was not sufficient to meet our then development appraisal criteria and we recognised that we needed a fundamental rethink of how we were going to continue providing much needed new homes in Norfolk and North Suffolk.

We now recognise and accept that we need to generate our own subsidies to make new affordable rented and low-cost home ownership schemes financially viable. Over 10 years ago we established a wholly owned subsidiary, Broadland St Benedicts Ltd (BSB), to develop homes for sale into the open market, which is not possible within Broadland Housing Association due to our charitable purposes. At that time our objective was primarily to build balanced mixed tenure communities, but the global financial crisis in 2008 disrupted our plans and our ambitions were put on hold.

About a decade later BSB has become an essential vehicle to generate the subsidies required to support our affordable housing ambitions. We have undertaken a fundamental review of our development criteria, accepting that the notional repayment model over 30 years is no longer fit for purpose and instead adopting an internal rate of return approach. This has meant accepting that our intention is not to aim to become debt free over the years ahead, but instead recognise that we will continue to borrow money to not only fund new homes, but also to refinance our existing debt facilities.

After a period of relatively little development the Association is now actively building new homes again. Our ambition is to build 600 new affordable homes, supported by 200 open market homes for sale, over the next four years. For example, we have been actively building properties on six sites in villages in North Norfolk, in partnership with the District Council, including homes for rent and shared ownership, as well as homes for sale to both create mixed communities, as well as generate surpluses that help to make the affordable provision financially viable.



## **Broadland Housing Association**

### **Chair and Chief Executive's review for the year ended 31 March 2018 (*continued*)**

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We have also recently seen the start on site at Carrow Quay by our contractor, R G Carter Group. Towards the end of the 2017/18 financial year the Board were able to give the green light to Phase 1, which will comprise 60 flats to rent. This first phase is being delivered in partnership with Norwich City Council who generously allocated £3 million of grant, generated by right to buy receipts, to help us keep the rent levels on Phase 1 as low as feasible. We expect Phase 2 to start on site before the end of 2018, which will include both rented homes and homes for sale.

To deliver on our development ambitions, we needed to raise new money to finance the Association. In the past we have entered into bilateral loans with banks, but, on this occasion, we undertook a private placement to raise £50 million, with a 35-year term, from the BAE Systems Pension Fund. We were very encouraged by the private placement process, which took place after the publication of our IDA result. The fact that we were rated as V2 by the Regulator did not make Broadland unattractive to investors and we were pleased with the agreed cost of new funds. This facility, which can be accessed in three draw downs, will ensure that we are able to finance our current affordable development ambitions.

The Association continues to focus on our value for money agenda – how can we deliver our social purpose, meeting the needs of our tenants and those who aspire to be our tenants, in the most efficient and cost-effective manner. We continue to generate cost savings and additional income in order to offset the impact of the four-year rent reductions announced in the July 2015 budget.

A good example of our consideration of financial pressures is our ambition that all our properties should be energy efficient, with a minimum EPC rating of C. We believe that, in our current business plan, we will be able to achieve the additional investment of £700,000 within 5 years, but we would have preferred to have been able to make the immediate capital investment rather than waiting.

We are very aware that whilst the Ministry of Housing, Communities and Local Government has announced that social housing rents will increase by a maximum of CPI plus 1% from 2020, there has not yet been an announcement from either the Treasury or the Department of Work and Pensions on working age welfare benefits, which of course were frozen by George Osborne for four years from 2015. Any disconnect between benefit payments and inflation will put further pressure on the Association to optimise value for money to minimise rent increases if feasible.

There is further information on value for money later within these accounts and we know where our activities appear to cost more than similar services or overheads experienced by other housing providers. It is important for us to understand differences and to appreciate the context of the delivery of services by other associations, so we are clear about where we can adapt our services and where our geographical context and our enduring social purpose mean that the difference is justified.

Broadland continues to actively participate within groups of shared interest within the sector.

## **Broadland Housing Association**

### **Chair and Chief Executive's review for the year ended 31 March 2018 (*continued*)**

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We joined Placeshapers almost 10 years ago – today a group of over 100 housing associations from across the country that believe in being community based, resident influenced, and neighbourhood focussed housing providers. Placeshapers share good practice and campaign for policies that will benefit the residents that live in our combined 850,000 homes across the country.

We are also playing a significant role in “Homes for Cathy” – initially a group of 22 associations established in the 1960s and 1970s, coming together two years ago to mark the 50<sup>th</sup> anniversary of the first showing by the BBC of “Cathy come home”. Following the anniversary, we invited other housing associations to join us and agreed to work closely with Crisis to help develop and deliver their plans, published in June 2018, to eradicate homelessness in the UK. Today the Group includes 73 housing associations and our primary focus is on helping housing associations play their part in meeting the needs of people who are homeless and people at risk of becoming homeless.

To conclude, we began by saying that Broadland, established in 1963, remains focused on our enduring purpose, namely to provide affordable homes for families and individuals of all ages in Norfolk and North Suffolk. We are operating in difficult times currently, but we remain ambitious and are delivering against our plans to help people sustain their tenancies; to reduce the likelihood of our tenants experiencing fuel poverty; to deliver a fit for purpose repairs function; and to build new homes for families and individuals who need them. We could not do any of this without our committed staff team and without the guidance of our hard-working board members across the Group, which is hugely appreciated. Our thanks to everyone who makes up the team.



**Chris Ewbank**  
Chair



**Michael Newey**  
Chief Executive

## Broadland Housing Association

### Report of the Board of Directors for the year ended 31 March 2018

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#### **Principal activities, business review and development activity**

The Group's principal activities are the development and management of affordable housing, supported housing and housing for older people in Norfolk and North Suffolk. Currently there are just over 5,000 homes in management. The Group also provides effective support services that improve the life opportunities of our tenants and vulnerable people in our communities. There is also some provision of low cost home ownership, primarily through shared ownership.

The Association is a non-profit-making housing association registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society with charitable status. The Association was founded in 1963 and registered by the Housing Corporation in 1963. The Association is the only Registered Provider within the Group and as such is the only entity to be registered with the Regulator of Social Housing (RSH), the regulatory body established in January 2018 when the Homes and Communities Agency was replaced by Homes England. The Association carries out the majority of the Group's business and is the ultimate parent of the Group. It is therefore required to prepare group accounts.

Details of other Group entities are as follows:

**Broadland St Benedicts Limited** – a private limited company, limited by shares, established to generate surpluses from non-charitable activities to support the charitable objects of the Group which cannot be undertaken by the Association.

**Broadland Meridian** – a registered charity, limited by guarantee, which provides financial grants to charitable organisations set up to provide training and employment services to individuals suffering from mental health conditions.

**Broadland Development Services** – a private limited company, limited by shares, established to procure development of new build homes for other group members.

**Charlie's Social Enterprise CIC** – a community interest company which is currently not trading.

A review of business performance and development activity for the year can be found in our Strategic report which follows this report of the Board of Directors.

#### **Effects of material estimates and judgements upon performance**

The Association has made provisions for depreciation and impairment and a proportion of both rent arrears and outstanding sundry debtors which are unlikely to be received, in accordance with the judgments made in applying accounting policies described in note 3 to the financial statements. We believe these provisions to be based on realistic assessments of future housing component lifecycles and other economic factors. The costs incurred to date on development schemes not yet in contract have been assessed and compared to scheme financial projections showing positive net present values. Business plan stress testing carried out for the Association has confirmed the ability to remain compliant with its loan covenants in a variety of scenarios.

#### **Qualifying third party indemnity provisions**

The Association participates in the National Housing Federation's Directors' and Officers' Liability Insurance policy under which individual claims of up to £5m are covered subject to an overall cap (for all National Housing Federation members) of £30m.

## Value for Money Statement

### 1.0 Our Mission

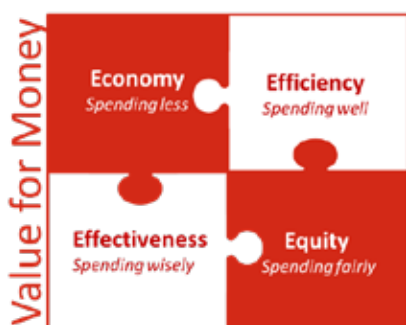
Our organisational purpose is to help families and individuals in housing need access high quality homes in Norfolk and North Suffolk.

We deliver this by:

- Providing low cost homes for rent and shared ownership
- Helping people on low incomes access quality homes
- Ensuring our homes are well managed and well maintained

Our operating environment is challenging but we remain committed to holding true to our organisational purpose. This commitment is embodied in operational decision-making in the context of delivering services that are aligned to our strategic priorities.

### 2.0 Our Value for Money Strategy



Value for money remains a core strand in our refreshed Corporate Strategy 2016-19 and we continue **“to seek economy, efficiency, effectiveness and equity in all we do”**.

Delivering our purpose through our strategic priorities requires us to go beyond simply securing financial savings, to also achieve value gains in the way that we utilise our people resources and property assets to provide the best services to tenants that we can.

#### 2.1 Our drive for value

Our operating environment requires us to balance income pressures with rising demand for social housing services. Achieving operational excellence is crucial in supporting our ambition to provide great services to our tenants whilst also building new affordable homes for rent and shared ownership.

Our programme of corporate projects is reviewed annually and aligned to delivering the Board's strategic priorities. This in turn drives the allocation of staff resources to specific improvement and performance enhancement projects.

A key part of our drive for value is to increase our economies of scale through sustainable development growth and the current impetus to develop new affordable homes subsidised by surpluses from homes for outright sale forms a key part of this strategy. We recognise that this will only yield value for money if development contracts and funding are keenly negotiated. Part of ensuring this is the case is our development appraisal process which involves looking not just at the initial financial aspects of individual developments but also where they are located, likely future demand together with future management and maintenance costs.

## Broadland Housing Association

### Report of the Board of Directors for the year ended 31 March 2018 (continued)

Aside from growth the Group is also concerned to maximise value for money from existing operations. An efficiency log is maintained by each directorate which enables individual members of the management team to log efficiencies in terms of money or time. These efficiencies range in nature from procurement activity with third party suppliers to digital initiatives which enable us to improve capacity and time taken to provide services to our tenants. This is important to us to offset unavoidable cost increases but also to lean downwards on the significant costs which the Group incurs.

### 3.0 Role of the Board

The Board is committed to considering value for money in its decision-making and challenge of financial and operational performance.

Board Away Days have provided opportunities for debate of the Business Plan and stress testing; approval of budgets; and, the scale of the development programme aligned with overall Corporate Strategy and funding requirements.

Board meetings include scrutiny of the monthly financial and key operational performance indicators at each meeting as well as periodic updates on delivery against strategic objectives.

In the following tables the Group has reported its performance against the “Sector Scorecard” performance indicators agreed during the year but applied to the median of the Placeshapers club of housing associations. Of the total 15 performance indicators seven are specifically required to be published annually under the “Value for Money Standard 2018” issued by the Regulator. The colour coding (see table below) denotes quartile comparisons with the 2017 Sector Scorecard published for the Placeshapers club. Where performance indicators are marked “n/a” such comparators are not available or targets have not been approved at this stage.

<b>No comparison available</b>
<b>Lower quartile</b> - worse performance than median and worse than bottom quartile performance trigger
<b>Lower median</b> - worse performance than median but better than bottom quartile performance trigger
<b>Upper median</b> - better performance than median but worse than top quartile performance trigger
<b>Upper quartile</b> - better performance than median and better than top quartile performance trigger

	<b>2017 sector benchmark</b>	<b>2017 actual</b>	<b>2018 actual</b>	<b>2019 forecast</b>	<b>2022 target</b>
<b>Business Health</b>					
Operating margin (overall) <sup>A</sup>	33.3%	33.1%	27.4%	28.1%	>28%
Operating margin (social housing lettings only) <sup>B</sup>	34.3%	34.3%	28.4%	25.0%	>25%
EBITDA (MRI) interest cover % <sup>C</sup>	232.5%	178.8%	153.1%	147.7%	>175%

## Broadland Housing Association

### Report of the Board of Directors for the year ended 31 March 2017 (continued)

A Excludes gains on disposal of fixed assets

B Excludes income and expenditure not relating to social housing

C Earnings before interest, tax, depreciation and amortisation adding back major repair capitalised costs as a % of gross interest payable

The Group recognises that with relatively low economies of scale compared with Placeshapers members, matching operating margin and EBITDA MRI interest cover will be very challenging. We recognise that a county wide dispersion of properties impacts on our management and maintenance costs and that additional costs in the areas of tenancy support and digital development impact on our operating margin. However, we expect to maintain our operating margin above 28% with the increased economies of scale from new development offsetting the impact of rent reductions and the introduction of Universal Credit. It is expected that EBITDA MRI interest cover will improve with the impact of the economies of scale of the committed development programme.

	2017 sector benchmark	2017 actual	2018 actual	2019 forecast	2022 target
<b>Development – capacity and supply</b>					
New supply delivered % (Social housing units) <sup>D</sup>	1.17%	0.16%	0.30%	0.96%	>2.5%
New supply delivered % (Non-social housing units) <sup>D</sup>	n/a	0.00%	0.00%	0.18%	>0.5%
Gearing = Net debt / Carrying value of housing properties <sup>E</sup>	48.9%	48.6%	47.9%	50.0%	<52.5%

<sup>D</sup> As % of housing stock owned at the end of the year

<sup>E</sup> Gearing calculated as net debt (All loans net of cash held) / carrying value of housing properties

Development supply is expected to increase dramatically following the ambition of the 2016 corporate strategy and the securing of new private finance for both the Association and Broadland St Benedicts during 2018. While gearing is likely to increase marginally as a result of this, it is expected that loan covenant compliance will be achieved for the proposed duration of the development programme up to 2022 and beyond.

	2017 sector benchmark	2017 actual	2018 actual	2019 forecast	2022 target
<b>Outcomes delivered</b>					
Customer satisfaction with overall service provided	n/a	74.0%	81.8%	75.0%	>75.0%
Reinvestment % (in properties) <sup>G</sup>	n/a	1.47%	4.97%	6.60%	>6.0%
£000s invested in communities	n/a	n/a	52	n/a	n/a

<sup>F</sup> Based on % satisfied / total of satisfied and dissatisfied customers

<sup>G</sup> Investment in properties as a % of the value of total properties held at end of year

## Broadland Housing Association

### Report of the Board of Directors for the year ended 31 March 2018 (continued)

Our customer satisfaction has been calibrated on the basis of the definition explained above but no similar sector benchmark is available. A range of initiatives are in place to discover the responses of our tenants to services provided and to react to those responses. The reinvestment % is increasing significantly with the growing development programme but will also improve as a result of increased investment in existing properties during 2019 with further increases in 2023 in accordance with our planned component replacement programme.

Our social investment includes the direct and indirect employment of apprentices together with a range of tenancy awareness and training initiatives.

	2017 sector benchmark	2017 actual	2018 actual	2019 forecast	2022 target
<b>Effective Asset Management</b>					
Return on capital employed (ROCE) <sup>H</sup>	4.44%	3.38%	2.60%	2.29%	>3%
Occupancy (General needs only) <sup>I</sup>	99.50%	99.70%	99.68%	99.0%	>99.0%
Ratio of responsive repairs to planned maintenance <sup>J</sup>	0.70	0.82	0.73	0.62	<0.62

<sup>H</sup> Return on capital employed calculated as operating surplus including gain on sale of fixed assets at a % total fixed assets plus current assets less current liabilities

<sup>I</sup> General needs occupancy only

<sup>J</sup> Routine maintenance of a % of planned maintenance plus major repairs expenditure plus capitalised major repairs

Return on capital employed reflects the same issues described under “Business health” above when compared with sector benchmarks. However, this performance indicator is expected to improve with increasing outright for sale and shared ownership programmes.

Occupancy for general needs properties has remained high as a result of good letting and maintenance procedures.

The ratio of responsive repairs to planned is expected to fall as the increase in planned maintenance takes place following a period when a lower level of component replacement has been required.

	2017 sector benchmark	2017 actual	2018 actual	2019 forecast	2022 target
<b>Operating Efficiencies</b>					
Headline social housing cost per home	3,480	3,099	3,235	3,520	<3,700
<ul style="list-style-type: none"> <li>Management cost per home</li> <li>Service charge cost per home</li> <li>Maintenance cost per home</li> <li>Major repairs cost per home</li> </ul>	916 308 940 700	906 455 943 596	905 452 1,085 686		
Other social housing cost per home	138	199	106		
Rent collected as a % of the rent due (General needs only)	n/a	100.15%	101.60%	99.0%	>99.0%
Overheads as a % of turnover	10.7%	12.4%	13.0%	13.0%	<13.0%



## Broadland Housing Association

### Report of the Board of Directors for the year ended 31 March 2018 *(continued)*

Costs per home generally compare reasonably with sector comparisons but are distorted by the impact of additional tenancy support costs, digital development and maintenance due to the wide area coverage of houses in management. Rent collection for both the current and preceding year have benefitted from the timing of housing benefit payments which is not expected to repeat in the coming year. Overheads as a % of turnover reflect the comments under costs above.

<b>Homes for Cathy indices</b>	<b>2017 sector benchmark</b>	<b>2016 actual</b>	<b>2017 actual</b>	<b>2018 actual</b>
Number of homeless households rehoused	n/a	75	102	n/a
Evictions – rent arrears	n/a	n/a	18	18
Evictions – anti social behaviour	n/a	n/a	6	3

As a member of the Homes for Cathy group of housing associations we are publishing indicators which relate to our performance in rehousing homeless people and limiting the number of evictions we reluctantly make in respect of rent arrears and anti-social behaviour. No formal targets have been set for these indicators at this point but we expect to develop these alongside benchmarking information during the coming year.

#### **Statement of compliance with the RSH Governance and Financial Viability Standard**

The Accounting Direction requires that Registered Providers should undertake an assessment of compliance with this standard at least once a year and must certify compliance with the standard within the narrative report or explain if not.

A self-assessment of compliance has taken place of Broadland Housing Association's compliance with the Governance and Financial Viability Standard as the only Registered Provider within the Group and has been reviewed by the Board. Following this review the Board confirm compliance with the Governance & Viability Standard with no qualifications. In addition, we carry out a yearly self-assessment against the RSH Economic and Consumer Standards to ensure that we are compliant and that any plans for continuous improvement are documented. This self-assessment is reported to the Board.

#### **NHF Code of Conduct**

The Group has adopted the NHF Code of Conduct for all entities within the Group. The Group conducts a Group-wide self-assessment of compliance with the Code on an annual basis. The results of the assessment are reported to the Board. The Board concluded that the Group complied with the Code during the year. A review of Broadland Housing Association's compliance with the Code of Conduct will continue to be carried out annually.

#### **NHF Code of Governance**

BHG has adopted the NHF Code of Governance for all entities within the Group subject to certain exceptions relating to the subsidiary companies where the Code does not always apply. A Group-wide self-assessment of compliance with the Code is conducted on an annual basis. The results of the assessment are reported to the Broadland Housing Association Board as parent. The Board concluded that Broadland Housing Association, a Registered Provider with the Regulator of Social Housing (RSH), is compliant with all aspects of the Code, whilst its commercial subsidiaries comply with all material aspects of the code applicable to them as non-Registered Providers.

## **Broadland Housing Association**

### **Report of the Board of Directors for the year ended 31 March 2018 (*continued*)**

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The Group is committed to upholding the highest standards of governance and aims to work within the requirements of the Code to this end. As required by the Code, we undertake an annual review of the effectiveness of our governance arrangements and our Boards. Board Members are appraised annually on an individual basis. Any required actions identified during this process are recorded in our Governance Action Plan which is monitored by the BHA Board. Performance against the Governance Action Plan and our assessment of compliance with the Code will inform the Annual Board Effectiveness Review going forwards to ensure governance arrangements remain fit for purpose. A review of compliance with the Code will continue to be carried out annually for all entities within BHG.

#### **NHF Merger Code**

In November 2016, the Board agreed to adopt the NHF Mergers, Group Structures and Partnerships Voluntary Code for Housing Associations to guide its approach to future opportunities.

#### **Whistleblowing**

The board approved an updated whistleblowing policy during the year. There were no reported instances of whistleblowing.

#### **Broadland Housing Association Board**

This Board is the ultimate governing body of the Group. It comprises up to eleven non-Executive Directors and the Group Chief Executive and meets approximately every eight weeks for formal business meetings. It holds Board Away Days at least annually in order for the BHA Board, and where appropriate Board Members from across the Group, to come together to discuss wider strategic issues.

Our Board Members receive remuneration to compensate them for the time they devote fulfilling their role and the valuable contribution they make. Remuneration has also helped to attract the skills that the Board requires. Members are drawn from a broad range of professional and business backgrounds to ensure there is an optimum mix of skills and expertise present on the Board. We are also keen there is a tenant voice on the Board and at the time of writing have two tenant Board Members.

#### **Board Delegation**

The Board delegates some of its responsibilities to the Group Audit and Risk Committee and the Group Remuneration and Membership Committee. These Committees have clear terms of reference and delegated authority which are set out in the Group Standing Orders and the Group Delegation Scheme. They report back to the Board regularly and, where necessary, their recommendations are fully considered and approved. These Committees are chaired by a non-executive member of the parent company Board and have a Group-wide remit. Matters which fall outside of the remit of these two Committees and need consideration outside of the formal Board meeting may be dealt with on an ad hoc basis by a Task and Finish Group comprising of both non-executive and executive directors.

#### **The Group Audit and Risk Committee**

The role of this Committee is to oversee the work of both the internal and external audit function and to oversee the risk management framework and internal control framework for the Group. The Committee reviews the audited financial statements for all parts of the Group and recommends them to the relevant Board for approval. It submits an annual report on internal

## **Broadland Housing Association**

### **Report of the Board of Directors for the year ended 31 March 2018 *(continued)***

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controls to the parent company board. Through the reports it receives, the Group Audit and Risk Committee gains comfort that the Group has appropriate systems of internal control and is able to comply with the RSH's expectations in this area.

#### **The Group Remuneration and Membership Committee**

This Committee supports the Board in the discharge of its duties relating to establishing and reviewing the remuneration package and terms and conditions of the Executive Team. The Committee also considers salary and terms & conditions for other employees as appropriate and approves applications for shareholding membership. In addition, the Group Remuneration Committee oversees the process for Board Member appraisal and makes recommendation to the Board in relation to Board Member appointments.

#### **Governance**

BHA retained its G1 rating following the most recent in-depth assessment by the RSH and remains committed to continuously reviewing and improving its governance arrangements to ensure they are fit for purpose whilst maintaining a Board with the necessary skills and experience to determine the strategic direction of the organisation. The recent in-depth assessment regraded our viability to V2 as a result of our development of homes for outright sale which understandably carries an increased degree of risk. We believe we have the ability to manage this additional risk and our business plan stress testing incorporates scenarios which include serious changes to the housing market.

Alongside annual appraisal of individual Board Members to assess performance and identify training/development needs, BHA also conducts an annual Board effectiveness review. The review provides an opportunity for the Board to discuss collective performance, the relationship with Executive Directors, the quality of Board information, communication across group entities and many other aspects of the governance framework. This discussion identifies any actions needed which are recorded in the Governance Action Plan and monitored by the board. A key aspect of the review this year has been succession planning to maintain boards that provide constructive challenge and support to the Executive Directors. Issues arising during these discussions will be factored into recruitment campaigns to ensure boards have Non-Executive Directors able to understand the key risks to the business and ask the right questions in order to manage the significant challenges faced by the sector whilst fulfilling BHA's social objectives.

We also commission an independent governance review every three years as a source of external assurance on the robustness of our governance arrangements. The last review was undertaken by Savills UK Limited in December 2015 and concluded that the Group's governance structure was generally robust. The review provided a number of suggestions to further enhance governance which have now been fully implemented. BHA has engaged a leading housing consultant to undertake the next governance review which will commence in October 2018.

#### **Going concern**

The Group's business activities, its current financial position and risks likely to affect its future development, are set out within the Strategic Report within these financial statements. The Group has in place long-term debt facilities which provide adequate resources to finance both the reinvestment and development programmes to which it is committed, and the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

## **Broadland Housing Association**

### **Report of the Board of Directors for the year ended 31 March 2018 (*continued*)**

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On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis of preparation for these financial statements.

#### **Internal controls assurance**

The Board acknowledges its overall responsibility, applicable to all organisations within the Group, for establishing and maintaining the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the period commencing 1 April 2017 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Board-approved terms of reference and delegated authority for Group Audit and Risk Committee, and to the Lead Director of any Task and Finish Panel;
- annual report from Group Audit and Risk Committee to the Board on the Directors of risk and internal controls throughout the year;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks, at an appropriate level;
- annual management assurance statements signed by each Executive Director, and this year extended to the Senior Management Team, confirming that effective controls have operated in respect of their areas of responsibility;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for significant new initiatives and commitments;
- a sophisticated approach to treasury management, subject to external review;
- regular reporting to the appropriate Committee on key business objectives, targets and outcomes;
- Board-approved fraud policy, covering prevention, detection and reporting, together with recoverability of assets;
- regular monitoring of loan covenants and requirements for new loan facilities.

External accreditations during this period include:

- Investors in People: Silver reaccreditation for 2017-18
- Disability Confident: accreditation awarded November 2017
- Mindful Employer: accredited February 2017 and in place throughout this year
- Best Companies: One to Watch level, awarded in February 2018 based on feedback pertaining to this financial year.

## Broadland Housing Association

### Report of the Board of Directors for the year ended 31 March 2018 *(continued)*

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A Fraud Register is maintained and is reviewed by the Group Audit and Risk Committee at each meeting. A nil return was submitted to the RSH for this year, as there were no material incidents of fraud during the period.

As the provider of internal audit service to Broadland Housing Group for the period, RSM is required to provide to the BHA Board an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements.

Based upon the areas reviewed, RSM's reported opinion is that *'The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective'*.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Group Audit & Risk Committee to regularly review the effectiveness of the system of internal control. The BHA Chair receives a copy of all Group Audit and Risk Committee reports and minutes. All Group Audit & Risk Committee reports and minutes are made available electronically to BHA Board Members. The Board has received the annual review of the effectiveness of the system of internal control for the Group, and the annual report of the internal auditor.

#### **Statement of the responsibilities of the Board for the annual report and financial statements**

The Board is responsible for preparing the Report of the Board of Directors, the Strategic Report, and the Financial Statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and registered social landlord legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Group and of the financial surplus of the Group for that period, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts)

## **Broadland Housing Association**

### **Report of the Board of Directors for the year ended 31 March 2018 *(continued)***

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Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is also responsible for maintaining an adequate system of control and safeguarding the assets of the Group and Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board of Directors is prepared in accordance with the SORP: Accounting by registered social housing providers 2014.

Financial statements are published on the Group and Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group and Association's website is the responsibility of the Board. The Boards' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Financial statements are published on the Group and Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group and Association's website is the responsibility of the Board. The Boards' responsibility also extends to the ongoing integrity of the financial statements contained therein.

#### **Disclosure of information to auditors**

All of the current Board Members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

#### **External auditors**

BDO LLP have expressed their willingness to continue in office and a resolution to re-appointment them will be proposed at the Annual General Meeting.

#### **By order of the Board**



**Chris Ewbank**  
**Chair**

25 July 2018

## Broadland Housing Association

### Strategic report for the year ended 31 March 2018

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#### Objectives and strategies to achieve those objectives

The corporate strategy for the period 2016-19 sets out the following key priorities:

- To provide fit for purpose local housing and asset management services;
- To help our tenants sustain their tenancies;
- To reduce fuel poverty amongst our tenants;
- To involve our residents in shaping the services we provide;
- To build up to 600 new homes for rent and low-cost home ownership and up to 200 new homes for sale over the next 4 years;
- To ensure that we provide excellent value for money and maintain a focus on minimising increases in our operating costs; and
- To develop digital services that benefit our customers and drive efficiencies in the business.

In implementing these priorities our ground rules are:

- We listen to our customers and stakeholders and focus on understanding the aspirations of our tenants and people in housing need within our communities;
- Fairness is important to us and we will always be intolerant of any form of discrimination against colleagues and customers;
- Our staff are the lifeblood of the organisation and we are committed to supporting them to achieve fantastic results;
- We work in partnerships with others to help low income families and individuals access high quality homes;
- We will use our resources wisely, to maximise the return (social and financial) to our communities and the value for money of our activities;
- We will all work in a professional, trustworthy and reliable way; and
- We will seek to minimise the impact of our activities on the environment.

The Board has identified the following strategies within the corporate plan that will help the Group deliver on its priorities over the next three to four years. These are:

Development strategy	Digital strategy	Environmental strategy
Finance strategy	Governance strategy	People strategy
Tenancy support strategy	Tenant engagement and involvement strategy	Value for Money strategy

Each of these strategies is supported by a series of target achievements and strategic performance measures intended to monitor performance against these targets. While many of these targets will be achieved from existing resources our development ambitions will involve additional funding in due course.

The achievement of our strategic objectives is closely linked to our value for money philosophy which is explained in more detail within the Value for Money section of the Report of the Board of Directors which precedes this Strategic report.



## Broadland Housing Association

### Strategic report for the year ended 31 March 2018 *(continued)*

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#### Business model

Our business model aims to use the strength of our balance sheet to grow our economies of scale through the development of new homes while maintaining the sustainability of our existing homes through efficient component replacement. We expect to cross subsidise some of the affordable homes we develop through surpluses generated from market for sale homes developed through our non-charitable subsidiary, Broadland St Benedicts.

In order to keep our growth ambitions in check the Board have approved financial risk appetite parameters as follows:

<b>Risk appetite parameter</b>	<b>Proposed minimum level</b>
Net surplus	>£0.5m per annum
EBITDA MRI* : funding costs	>110%
Capital expenditure % turnover	Rolling 3 year average <75%
Unencumbered security	Sufficient to fund 3 years of unsecured funding
No. of months until further financing required	>12 months

\*Earnings (surplus) before Interest, Tax, Depreciation and Amortisation, with Major Repairs (capital spend) included.

## Risk management

Our risk and assurance mapping is based on the “Three Lines of Defence Model” *(based on Chartered Institute of Internal Auditors: [www.iaa.org.uk/resources](http://www.iaa.org.uk/resources); model also endorsed by the IoD)*

During this year the Group has maintained its use of this assurance map, to clarify the various areas of its effective risk management.

### ***The first line of defence – functions that own and manage risk***

- Directorate operational management of risk
- Third party ownership of BHG risks, including companies undertaking new developments
- Individual Executive Directors’ and Senior Management Team members’ Assurance statements, submitted annually
- Risk Assessment Panel meetings and decision-making

### ***The second line of defence – functions that oversee or specialise in risk management, compliance***

- Leadership Group monthly meetings to assess and score risks, and to undertake the implementation of risk management (with reference to the Corporate Strategy and KPIs) at a corporate level
- Group Audit and Risk Committee regular contact with and checking of corporate risk registers, as well as any directorate high-level risks
- Insurance to mitigate certain risks; overall retender of coverage was fully implemented in April 2018

### ***The third line of defence – functions that provide independent assurance, above all internal audit***

- Internal audit – planned annually in conjunction with the Group’s Corporate Strategy and risk registers, and with current developments in the sector
- HCA: regular assessments against Governance and Viability standards

... contributing to a quality assured, risk mature organisation

## Broadland Housing Association

### Strategic report for the year ended 31 March 2018 *(continued)*

#### Principal risks and uncertainties

Risks that may prevent the Group achieving its objectives are considered and reviewed on a monthly basis by the Executive Directors, at each meeting of the Group Audit and Risk Committee (GARC) (at least three times a year) and annually by the BHA Board. Each member of the GARC also attends the Executive Directors' monthly risk meeting at least once a year, to maintain a direct link between the GARC and the Director's risk management approach. The risks are recorded and assessed in terms of their impact and likelihood (likelihood incorporating both probability and timescale). Major risks, presenting the greatest threats to the Group, are reported, together with action taken to manage them: this includes assessments of key controls employed in working with them, and the progress and outcome of actions taken. A summary of the highest rated risks and related actions as at 31 March 2018 is given below:

Key risk	Mitigating controls and current actions
Changes to government policy relating to welfare/benefit changes, or difficulties experienced when policy changes are put into practice, resulting in increased tenancy support costs to the organisation.	BHG maintains a watching brief in relation to this risk, particularly in the area of Right to Buy and associated changes in rules and expectations. Findings from these exercises will continue to be monitored within BHG's stress testing exercises, and tested alongside other factors which may occur concurrently, to ensure that the Group is as prepared as it can be for further policy changes.
Build cost inflation resulting in unviable developments, leading to failure to deliver the business plan in the Corporate Strategy.	The Group is undertaking cost / valuation exercises on individual schemes to identify any areas where the viability of developments is in doubt or may be at risk. Cost plans are commissioned from independent consultants, with allowance for inflation and contingencies, and wider market trends are monitored. Risks are also pooled across schemes to minimise their impact. The Risk Assessment Panel is continuing to oversee activity and to approve budget revisions, and appraisal reviews are conducted to consider the impact of any changes to income, such as anticipated open market sales prices.
Failure to identify required changes to RSL's financial system, leading to a lack of robustness in accounting processes, and potentially resulting in failed audits.	In response to this identified risk, the Group has in place additional checks on the robustness of the financial processes provided by the RSL system. These include control checks between Sage and the nominal ledger, and between Sage and the payroll analysis sheet. At the same time as implementing these 'double checks', a coding project is underway which will enhance the capability and consistency of reporting available, and underpin the robustness of these processes.

## Broadland Housing Association

### Strategic report for the year ended 31 March 2018 *(continued)*

Failure to address tenant damage and enforce tenancy conditions leading to high maintenance and void costs resulting in financial loss to the association.	BHG has implemented increased use of internal inspections by Housing staff, and has increased the use of legal remedies and enforcement of tenancy conditions. Referrals to Tenancy Support are also becoming more widely used, to ensure that issues are managed appropriately and as early in the process as possible. There is regular monitoring and liaison jointly between the Property and Housing directorates to support this. The Recharge Policy and Procedure are currently under review, after which further training is planned for Housing, Property and relevant Finance staff.
New higher government expectations on the combustibility of cladding attached to Brennan Bank resulting in increased costs to ensure the ongoing safety of residents.	There has been an appropriately significant level of attention on this risk over this period, and a variety of safety measures have been implemented. These have included a 24 hour/7 day on-site fire warden, weekly testing of fire and smoke alarms, additional advice to tenants regards smoking, barbeques and candles, removal of vehicles from under the residential block in question, and compliance with additional advice sought from the Norfolk Fire and Rescue Service. Current actions to mitigate this risk include partnership working with the developer to ascertain the safety of existing cladding and look at potential replacement if needed; liaison with Norfolk Fire and Rescue Service to ensure they are fully aware of actions and plans relating to this situation; and maintaining regular open, honest and transparent communication with tenants, to ensure they can maintain confidence in Broadland's approach.
Failure to comply with Data Protection regulations resulting in financial penalties.	The Group has taken significant steps towards compliance with the new GDPR legislation and revised Data Protection Act 2018. A Steering Group has been launched to drive and implement the various actions needed, and a Data Protection Officer appointed to provide support in the various obligations to which it will be subject. Both Board and Group Audit and Risk Committee are directly informed of progress in this area on a regular basis. An internal audit was conducted just after the end of this year (April 2018) to look at all areas of the new GDPR requirements, and the Group's compliance with these. This has given a variety of recommendations covering information asset registers, data flow mapping, third party management and project planning, which are all being followed up and implemented. All staff will be required to undertake GDPR training early in the coming financial year.
Inaccurate and incomplete service charge assessments leading to incorrect charging, resulting in reduced income and reputational damage.	In order to mitigate this risk, BHG is continuing to consult and communicate with tenants through various channels, including meetings, publications and online means, to ensure that there is understanding of the service charge situation amongst tenants as widely as possible. The Group has also ensured that it is contractually protected by tenancy agreements, and that budgetary contingency is in place. The Service Charge project has made recommendations relating to formatting and production of reports, accuracy of content, and availability to tenants; these are now being implemented. BHG is also completing an overall review of all service charge subsidies; this is due to complete by the end of 2018.

## Broadland Housing Association

### Strategic report for the year ended 31 March 2018 *(continued)*

#### Financial performance and development activity during the financial year

The Group has realised a surplus for the year of £2.3m (2017: £3.3m) which has strengthened reserves for planned development activity in the future. A renewed development programme of new homes across Norfolk continues with various partners, even where grant remains unavailable or unviable for our business model. Overall, operating costs have risen and with revenue down year on year this has led to a reduced Group operating margin of 27.3% (2017: 33.1%).

Our financial performance and key financial performance indicators for the last five years are as follows:

#### Group financial and performance highlights: five-year summary

For the year ended 31 March	2018	2017	2016	2015	2014
Statement of Comprehensive Income	£'000	£'000	£'000	£'000	£'000
Total turnover	26,474	27,428	28,117	26,783	25,659
Operating surplus excluding gain on disposal of fixed assets	7,250	9,090	7,687	7,677	7,284
Net interest & other charges	5,557	5,988	6,353	6,491	6,734
Surplus/(deficit) before tax	2,300	3,340	1,610	1,733	754
Statement of Financial Position					
Housing properties, gross cost less depreciation	265,385	260,172	263,906	265,123	280,169
Social housing grant and other grants	(118,805)	(117,074)	(117,686)	(118,161)	(134,401)
<b>Number of Housing properties owned at year end:</b>					
Rented accommodation	4,853	4,850	4,851	4,856	4,841
Low cost home ownership	125	125	132	126	116
	<b>4,978</b>	<b>4,975</b>	<b>4,983</b>	<b>4,982</b>	<b>4,957</b>
Key Performance Indicators	2018	2017	2016	2015	2014
Operating surplus as % turnover <i>[figures from above]</i>	27.4%	33.1%	27.3%	28.7%	28.4%
Rent losses <i>[voids and rent bad debts as % of rent and service charges receivable]</i>	2.6%	1.8%	1.9%	2.2%	1.9%
Rent arrears <i>[gross arrears as % of rent and service charges receivable]</i>	4.4%	5.2%	5.5%	4.7%	4.5%
Liquidity <i>[current assets divided by current liabilities]</i>	3.8	2.3	2.3	2.7	2.4
Gearing <i>[net debt (total loans net of cash held) divided by carrying value of housing properties]</i>	47.9%	48.6%	49.6%	50.1%	47.9%

## Broadland Housing Association

### Strategic report for the year ended 31 March 2018 (*continued*)

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#### **Future prospects**

Our forward business plan projections assume that operating margin will increase over the next two years from the development of new homes offset by the impact of the Government imposed rent reductions on the housing sector. Despite the impact of the rent reductions and other welfare reform changes we expect to improve underlying surplus performance through property sales, funding arrangements, digital initiatives and procurement efficiencies.

#### **Approval**

This Strategic Report was approved by order of the Board on 25 July 2018.



**Chris Ewbank**  
**Chair**

## Broadland Housing Association

### Independent auditor's report for the year ended 31 March 2018

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#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROADLAND HOUSING ASSOCIATION

##### Opinion

We have audited the financial statements of Broadland Housing Association ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018, which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

##### Basis for opinion

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

##### Conclusions relating to going concern

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

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association'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.



## **Broadland Housing Association**

### **Independent auditor's report for the year ended 31 March 2018 *(continued)***

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#### **Other information**

The board of directors are responsible for the other information. Other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 including the Chair and Chief Executive's review, Report of the Board of Directors and Strategic Report 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 we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of the board of directors**

As explained more fully in the statement of the responsibilities of the Board for the annual report and financial statements set out on page 20, the board of directors 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 members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Broadland Housing Association

### Independent auditor's report for the year ended 31 March 2018 *(continued)*

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#### **Auditor's responsibilities for the audit of the financial statements**

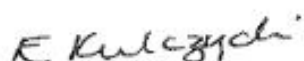
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.



Elizabeth Kulczycki (senior statutory auditor)  
BDO LLP, Statutory Auditor  
Gatwick, United Kingdom

25 July 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Broadland Housing Association

## Consolidated and Association Statement of Comprehensive Income for the year ended 31 March 2018

	Note	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Turnover	4	<b>26,474</b>	27,428	<b>26,515</b>	27,288
Operating costs	4	<b>(19,239)</b>	(18,372)	<b>(19,191)</b>	(18,170)
Final staircasing of shared ownership properties	4/11	<b>154</b>	116	<b>154</b>	116
Surplus on disposal of other housing properties	4/11	<b>299</b>	100	<b>299</b>	100
Non social housing activities	4	<b>15</b>	34	<b>48</b>	34
<b>Operating surplus</b>	4/7	<b>7,703</b>	9,306	<b>7,825</b>	9,368
Surplus on disposal of fixed assets (non-operational)	11	-	-	<b>177</b>	-
Interest receivable and similar income	12	<b>73</b>	125	<b>139</b>	124
Interest and financing costs	13	<b>(5,630)</b>	(6,113)	<b>(5,621)</b>	(6,113)
Movement in Fair Value of Investment Properties	17	<b>159</b>	-	<b>159</b>	-
Movement in Fair Value of Fixed Asset Investments	18	<b>(5)</b>	22	<b>(5)</b>	22
<b>Surplus before tax</b>		<b>2,300</b>	3,340	<b>2,674</b>	3,401
Taxation	14	<b>37</b>	(1)	-	-
<b>Surplus and total comprehensive income for the year</b>		<b>2,337</b>	3,339	<b>2,674</b>	3,401

All activities relate to continuing operations.

The notes on pages 37 to 71 form part of these financial statements.

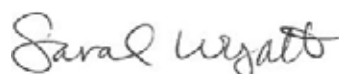
The financial statements were approved by the Board of Directors and authorised for issue on 25 July 2018.



Chair – Chris Ewbank



Vice Chair – Jonathan Barber



Secretary – Sarah Wyatt

# Broadland Housing Association

## Consolidated and Association Statement of Financial Position at 31 March 2018

	Note	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
<b>Fixed assets</b>					
Tangible fixed assets – housing properties	15	265,385	260,172	265,590	260,439
Other tangible fixed assets	16	2,393	2,572	2,393	2,572
Investment properties	17	1,190	1,031	1,190	1,031
Fixed asset investments	18	157	158	157	158
		<b>269,125</b>	263,933	<b>269,330</b>	264,200
<b>Current assets</b>					
Properties held for sale	19	2,887	3,106	1,205	3,106
Trade and other debtors	20	2,247	2,514	4,089	2,601
Cash and cash equivalents		19,340	14,694	19,176	14,308
Cash balances held in long notice accounts		13,000	-	13,000	-
		<b>37,474</b>	20,314	<b>37,470</b>	20,015
<b>Creditors: amounts falling due within one year</b>	21	<b>(9,937)</b>	(8,941)	<b>(9,865)</b>	(8,973)
Net current assets		<b>27,537</b>	11,373	<b>27,605</b>	11,042
<b>Total assets less current liabilities</b>		<b>296,662</b>	275,306	<b>296,935</b>	275,242
<b>Creditors: amounts falling due after more than one year</b>	22	<b>(275,700)</b>	(256,681)	<b>(275,700)</b>	(256,681)
<b>Total net assets</b>		<b>20,962</b>	18,625	<b>21,235</b>	18,561
<b>Reserves</b>					
Income and expenditure reserve		20,867	18,530	21,140	18,466
Restricted reserve		95	95	95	95
		<b>20,962</b>	18,625	<b>21,235</b>	18,561

The notes on pages 37 to 71 form part of these financial statements

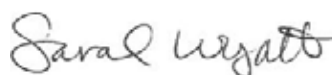
The financial statements were approved by the Board of Directors and authorised for issue on 25 July 2018.



Chair – Chris Ewbank



Vice Chair – Jonathan Barber



Secretary – Sarah Wyatt

# Broadland Housing Association

## Consolidated Statement of Changes in Reserves for the year ended 31 March 2018

	Income and expenditure reserve	Restricted reserve	Total
Balance at 1 April 2017	£'000 18,530	£'000 95	£'000 18,625
Surplus and total comprehensive income for the year	2,337	-	2,337
Balance at 31 March 2018	20,867	95	20,962
	Income and expenditure reserve	Restricted reserve	Total
Balance at 1 April 2016	£'000 15,191	£'000 95	£'000 15,286
Surplus and total comprehensive income for the year	3,339	-	3,339
Balance at 31 March 2017	18,530	95	18,625

## Broadland Housing Association

### Association Statement of Changes in Reserves for the year ended 31 March 2018

	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000
<b>Balance at 1 April 2017</b>	<b>18,466</b>	<b>95</b>	<b>18,561</b>
<b>Surplus and total comprehensive income for the year</b>	<b>2,674</b>	<b>-</b>	<b>2,674</b>
<b>Balance at 31 March 2018</b>	<b>21,140</b>	<b>95</b>	<b>21,235</b>

The restricted reserve of £95,000 reflects property donated to the Association. The terms of the donation state that the property can only be used for social housing purposes, by the Association, and cannot be sold.

	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000
<b>Balance at 1 April 2016</b>	<b>15,065</b>	<b>95</b>	<b>15,160</b>
<b>Surplus and total comprehensive income for the year</b>	<b>3,401</b>	<b>-</b>	<b>3,401</b>
<b>Balance at 31 March 2017</b>	<b>18,466</b>	<b>95</b>	<b>18,561</b>

# Broadland Housing Association

## Consolidated Statement of Cash Flows for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
<b>Cash flow from operating activities</b>			
<b>Surplus for the year</b>		<b>2,337</b>	3,339
<b>Adjustments for non-cash items:</b>			
Amortisation government grants	23	<b>(1,004)</b>	(1,006)
Depreciation & Impairment of housing properties – annual charge	15	<b>4,071</b>	3,202
Accelerated depreciation on disposal of components	15	<b>174</b>	196
Fair Value movements	17/18	<b>(154)</b>	26
Depreciation of other fixed assets	16	<b>678</b>	809
Movement in trade and other debtors	20	<b>304</b>	301
Movement in trade and other creditors	21/22	<b>29</b>	439
Movement in properties for sale	19	<b>219</b>	(2,647)
<b>Adjustments for investing or financing activities:</b>			
Surplus from first tranche LCHO sales	4	<b>(14)</b>	(104)
Net gain/(loss) on sale of fixed assets	11	<b>(420)</b>	(216)
Proceeds from sale of tangible fixed assets	11	<b>786</b>	1,266
Purchases of other fixed assets	16	<b>(480)</b>	(603)
Interest payable	13	<b>5,565</b>	6,113
Loan issue costs amortised	13	<b>70</b>	66
Interest receivable	12	<b>(139)</b>	(125)
Taxation	14	<b>(37)</b>	-
<b>Net cash generated from operating activities</b>		<b>11,985</b>	11,056
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets – housing properties, net of increase in properties held for sale	15	<b>(7,067)</b>	671
Capitalised improvement expenditure	15	<b>(1,930)</b>	(1,458)
Grants received	23	<b>2,390</b>	551
Investment of cash in long notice accounts		<b>(13,000)</b>	-
Inter-group loan issued		<b>-</b>	-
Interest received	12	<b>205</b>	125
<b>Cash used in investing activities</b>		<b>(19,402)</b>	(111)
<b>Cash flow from financing activities</b>			
Interest paid	13	<b>(6,318)</b>	(6,125)
New secured loans	26	<b>23,500</b>	-
Repayment of borrowings	26	<b>(4,726)</b>	(3,149)
Pension deficit payments	27	<b>(393)</b>	(233)
<b>Cash generated from / (used in) financing activities</b>		<b>12,063</b>	(9,507)
<b>Net change in cash and cash equivalents</b>		<b>4,646</b>	1,438
<b>Cash and cash equivalents at beginning of the year</b>		<b>14,694</b>	13,256
<b>Cash and cash equivalents at end of the year</b>		<b>19,340</b>	14,694

The notes on pages 37 to 71 form part of these financial statements.



# **Broadland Housing Association**

## **Notes to the financial statements for the year ended 31 March 2018**

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## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 (*continued*)

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#### **1 Legal status**

The Association is incorporated in England and Wales, is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider.

#### **2 Accounting policies**

##### ***Basis of accounting and Statement of compliance***

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Broadland Housing Association includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

These financial statements are presented in Sterling (£) to the nearest £'000, and have been prepared in compliance with FRS 102. This requires the use of certain critical accounting estimates and also requires Group management to exercise judgement in applying the Group's accounting policies.

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

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

##### ***Basis of consolidation***

The consolidated financial statements present the results of Broadland Housing Association – and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases. In accordance with the transitional exemption available in FRS 102, the group chose not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2012.

## **2 Accounting policies (*continued*)**

### ***Going concern***

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic report. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

### ***Income recognition***

Income is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting);
- Service charges receivable;
- First tranche sales of Low Cost Home Ownership housing properties developed for sale;
- Proceeds from the sale of land and property in the normal course of business;
- Revenue grants.

Rental income is recognised from the point when properties under development reach practical completion and are formally let while income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

### ***Supported housing schemes***

The Group receives Supporting People grants from a number of County Councils. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Income and Expenditure Account. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

### ***Service charges***

The Group adopts the variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

### ***Value Added Tax***

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 (*continued*)

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#### **2 Accounting policies (*continued*)**

##### ***Value Added Tax (*continued*)***

Broadland Housing Association Limited, Broadland St Benedicts, Broadland Meridian, and Charlie's Social Enterprise Community Interest Company are all part of the VAT group.

Broadland Development Services Limited is independently VAT registered.

##### ***Finance costs***

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### ***Pension costs***

The Association participates in an industry-wide defined benefit scheme, The Social Housing Pension Scheme (SHPS) operated by The Pensions Trust, and retirement benefits to the Association's employees are funded by contributions from all participating employers and employees in the scheme as it has not been possible to identify the share of underlying assets and liabilities balance going to individual participating employees. The participating employers additionally make contributions to fund the deficit. As such, the Association accounts for the SHPS pension liability at the amount of the contributions payable to the scheme, measured at present value.

The Association also participates in a defined contribution scheme for its employees. Contributions are charged to the income and expenditure account in the year in which they become payable.

Broadland Meridian only participates in the defined contribution pension scheme.

##### ***Holiday pay accrual***

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

##### ***Tangible fixed assets - Housing Properties***

Housing properties constructed or acquired (including land) are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Directly attributable costs of acquisition include capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 2 Accounting policies *(continued)*

##### ***Tangible fixed assets - Housing Properties (continued)***

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Mixed developments are split by tenure type, with social rented and shared ownership properties held within PPE and accounted for at cost less depreciation and commercial elements held as investment properties.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

##### ***Depreciation of housing property***

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Land is not depreciated on account of its indefinite useful economic life.

Housing properties are split between the structure and the major components requiring periodic replacement. The cost of housing property (net of accumulated depreciation to date and impairment, where applicable) and the subsequent costs of replacement or restoration of major components are capitalised and depreciated over the useful economic lives of the assets on the following basis:

<b>Description</b>	<b>Economic useful life (years)</b>
Structure	150
Roofs	60
Kitchens	17
Bathrooms	30
Windows	30
Doors	30
Boilers	15
Heaters	30
Electrics	60

Freehold land is not depreciated.

Leasehold properties are depreciated over the life of the lease or their estimated useful economic lives in the business if shorter. If the latter is the case the lease and building elements are depreciated separately over their expected useful economic lives.

## **2 Accounting policies *(continued)***

### ***Donated Land and other assets***

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary grant and recognised in the Statement of Financial Position as a liability. Where the donation is from a non-public source the value of the donation is included as income.

### ***Shared ownership properties and staircasing***

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classified as a current asset and any related sales proceeds are included in turnover. The remaining element, "staircasing element", is classified as property, plant & equipment and included in completed housing property at cost less any provision for impairment. Sales of subsequent tranches are treated as a part disposal of property, plant & equipment. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

For shared ownership accommodation that the Group is responsible for, it is the Group's policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

### ***Allocation of costs for mixed tenure and shared ownership developments***

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

### ***Tangible fixed assets – Other***

Other tangible fixed assets, other than investment properties, are measured at historic cost less accumulated depreciation and any accumulated impairment losses. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 2 Accounting policies *(continued)*

##### ***Depreciation of other tangible fixed assets***

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives are as follows:

<b>Description</b>	<b>Economic useful life (years)</b>
Freehold office buildings	100
Office/business equipment, fixtures and fittings	5
Motor vehicles	4
Computer equipment	4
Leasehold office	over term of lease
Canteen equipment (included in office equipment)	5

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

##### ***Government grants***

Grant is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

##### ***Recycled Capital Grant Fund***

On the occurrence of certain relevant events, primarily the sale of dwellings, the RSH can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, it will be repayable to the RSH with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

## **2 Accounting policies *(continued)***

### ***Disposal Proceeds Fund***

Receipts from Right to Acquire (RTA) Sales prior to April 2017 are required to be retained in a ring-fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

### ***Investment properties***

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value as at the year end, with changes in fair value recognised in income and expenditure. The fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided.

### ***Valuation of investments***

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

Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are remeasured to fair (market) value at each balance sheet date, with changes in fair value recognised in income and expenditure.

### ***Impairment of fixed assets and goodwill***

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows derived appropriately adjusted to account for any restrictions on their use. No properties have been valued at VIU-SP.

The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.



## **2 Accounting policies *(continued)***

### ***Property for sale***

Property for sale represents shared ownership, completed properties developed for outright sale and property under construction. For shared ownership properties the value held as property for sale is the estimated cost to be sold as a first tranche.

Property for sale is stated at the lower of cost and net realisable value. Cost comprises third party costs (materials and direct labour) and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs of completion and disposal.

### ***Debtors and creditors***

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

### ***Recoverable amount of rental and other trade receivables***

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

### ***Rent and service charge agreements***

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

### ***Loans, Investments and short-term deposits***

All loans, investments and short-term deposits held by the Group are classified as basic financial instruments as they meet the criteria set out in FRS 102. The Group has continued to classify loans with two-way breakage cost clauses as basic since it has no current intention of repaying such loans prior to maturity of the respective fixed rate periods and so incur breakage cost or receive benefit. Loans with longer maturity are measured as explained in the finance cost accounting policy above. Loans and investments that are payable or receivable within one year are not discounted.

### ***Cash and cash equivalents***

Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consists of cash at bank, in hand, deposits and short-term investments with an original maturity of three months or less.

### ***Leased assets: Lessee***

Where assets are financed by leasing agreements that give rights approximate to ownership, i.e. the terms of the lease transfer substantially all the risks and rewards of ownership, the assets are classed as finance leases and treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to income and expenditure over the shorter of estimated useful economic life and the term of the lease.

## **2 Accounting policies (*continued*)**

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

All other leases are treated as operating leases. Their annual rentals are charged to income and expenditure on a straight-line basis over the term of the lease.

The group took advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2012) to continue to be charged over the period to the first market rent review rather than the term of lease. For leases entered into on or after 1 January 2012, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

### ***Leasehold Sinking Funds***

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

### ***Provision for liabilities***

Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the balance sheet date.

### ***Contingent liabilities***

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

### ***Reserves***

The group establishes restricted reserves for specific purposes where their use is subject to external restrictions.

### ***Prior year comparatives***

There has been a requirement this year for the minor representation of some prior year comparative information in these financial statements. This has affected notes 5 and 8 only.

**3 Judgements in applying accounting policies and key sources of estimation uncertainty**

Preparation of the financial statements requires management to make significant judgements and estimates. The key items in the financial statements where these judgements and estimates have been made are as follows.

Impairment

Management have exercised judgement in determining whether there are indicators of impairment of the group's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Management have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on MV-T or depreciated replacement cost and have also considered impairment based on their assumptions to define cash or asset generating units.

Recoverability of properties developed for outright sale

Management makes judgements concerning the anticipated costs to complete on development schemes based on anticipated construction cost, effective rate of interest on loans during the construction period, legal and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is based on their best estimate of sales value based on economic conditions within the area of development.

***Other key sources of estimation uncertainty***

Tangible fixed assets (note 15 and 16) – Useful lives of depreciable assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. For housing property assets, the assets are divided into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of operational factors affecting asset life cycles. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Rental and other trade receivables (debtors) (note 20) – Recoverable amount

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 4 Particulars of turnover, cost of sales, operating costs and operating surplus – Group

	Turnover	Operating costs	Operating surplus/ (deficit)
	2018	2018	2018
	£'000	£'000	£'000
<b>Social housing lettings (Note 5)</b>	<b>26,115</b>	<b>(18,704)</b>	<b>7,411</b>
<b>Other social housing activities</b>			
First tranche low cost home ownership sales	90	(76)	14
Supported housing management	69	(34)	35
Supporting people	63	(63)	-
Other management income	35	(19)	16
Development services	(1)	(359)	(360)
Other income	101	43	144
Support services	2	(27)	(25)
	<b>26,474</b>	<b>(19,239)</b>	<b>7,235</b>
<b>Activities other than social housing</b>	<b>92</b>	<b>(77)</b>	<b>15</b>
	<b>26,566</b>	<b>(19,316)</b>	<b>7,250</b>
Final staircasing of shared ownership properties (note 11)	386	(232)	154
Surplus on disposal of other housing properties (note 11)	536	(237)	299
	<b>27,488</b>	<b>(19,785)</b>	<b>7,703</b>
	Turnover	Operating costs	Operating surplus/ (deficit)
	2017	2017	2017
	£'000	£'000	£'000
<b>Social housing lettings (Note 5)</b>	<b>26,434</b>	<b>(17,374)</b>	<b>9,060</b>
<b>Other social housing activities</b>			
First tranche low cost home ownership sales	572	(468)	104
Supported housing management	62	(80)	(18)
Supporting people	72	(22)	50
Other management income	42	-	42
Development services	19	(229)	(210)
Other income	87	(6)	81
Support services	140	(193)	(53)
	<b>27,428</b>	<b>(18,372)</b>	<b>9,056</b>
<b>Activities other than social housing</b>	<b>79</b>	<b>(45)</b>	<b>34</b>
	<b>27,507</b>	<b>(18,417)</b>	<b>9,090</b>
Final staircasing of shared ownership properties (note 11)	196	(80)	116
Surplus on disposal of other housing properties (note 11)	261	(161)	100
	<b>27,964</b>	<b>(18,658)</b>	<b>9,306</b>

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 4 Particulars of turnover, cost of sales, operating costs and operating surplus – Association

	Turnover	Operating costs	Operating surplus/ (deficit)
	2018	2018	2018
	£'000	£'000	£'000
<b>Social housing lettings (Note 5)</b>	<b>26,115</b>	<b>(18,704)</b>	<b>7,411</b>
<b>Other social housing activities</b>			
First tranche low cost home ownership sales	90	(76)	14
Supported housing management	69	(34)	35
Supporting people	63	(63)	-
Other management income	35	(19)	16
Development services	(1)	(295)	(296)
Other income	144	-	144
	<b>26,515</b>	<b>(19,191)</b>	<b>7,324</b>
<b>Activities other than social housing</b>	<b>92</b>	<b>(44)</b>	<b>48</b>
	<b>26,607</b>	<b>19,235</b>	<b>7,372</b>
Final staircasing of shared ownership properties (note 11)	386	(232)	154
Surplus on disposal of other housing properties (note 11)	536	(237)	299
	<b>27,529</b>	<b>(19,704)</b>	<b>7,825</b>

	Turnover	Operating costs	Operating surplus/ (deficit)
	2017	2017	2017
	£'000	£'000	£'000
<b>Social housing lettings (Note 5)</b>	<b>26,434</b>	<b>(17,374)</b>	<b>9,060</b>
<b>Other social housing activities</b>			
First tranche low cost home ownership sales	572	(468)	104
Supported housing management	62	(80)	(18)
Supporting people	72	(22)	50
Other management income	42	-	42
Development services	19	(226)	(207)
Other income	87	-	87
	<b>27,288</b>	<b>(18,170)</b>	<b>9,118</b>
<b>Activities other than social housing</b>	<b>79</b>	<b>(45)</b>	<b>34</b>
	<b>27,367</b>	<b>(18,215)</b>	<b>9,152</b>
Final staircasing of shared ownership properties (note 11)	196	(80)	116
Surplus on disposal of other housing properties (note 11)	261	(161)	100
	<b>27,824</b>	<b>(18,456)</b>	<b>9,368</b>

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 5 Income and expenditure from social housing lettings – Group and Association

	General needs £'000	Supported housing & Housing for older people £'000	Low cost home ownership £'000	Other £'000	Total 2018 £'000	Total 2017 £'000
<b>Income</b>						
Rent net of identifiable service charges and void losses	18,675	3,885	208	117	22,885	23,131
Service charge income net of void losses	792	1,416	17	1	2,226	2,297
Amortised government grants	833	163	8	-	1,004	1,006
<b>Turnover from social housing lettings</b>	<b>20,300</b>	<b>5,464</b>	<b>233</b>	<b>118</b>	<b>26,115</b>	<b>26,434</b>
<b>Operating expenditure</b>						
Management	(3,898)	(630)	(40)	(10)	(4,578)	(4,541)
Service charge costs	(1,136)	(1,138)	(12)	(1)	(2,287)	(2,283)
Routine maintenance*	(3,213)	(554)	-	(1)	(3,768)	(3,485)
Planned maintenance*	(1,311)	(407)	-	-	(1,718)	(1,244)
Major repairs expenditure*	(1,014)	(525)	-	-	(1,539)	(1,529)
Bad debts	(371)	(198)	-	-	(569)	(188)
Depreciation of housing properties:						
- annual charge	(3,481)	(490)	32	15	(3,924)	(3,908)
- accelerated on disposal of components	(166)	(8)	-	-	(174)	(196)
Impairment of housing properties	(147)	-	-	-	(147)	-
<b>Operating expenditure on social housing lettings</b>	<b>(14,737)</b>	<b>(3,950)</b>	<b>(20)</b>	<b>3</b>	<b>(18,704)</b>	<b>(17,374)</b>
<b>Operating surplus on social housing lettings</b>	<b>5,563</b>	<b>1,514</b>	<b>213</b>	<b>121</b>	<b>7,411</b>	<b>9,060</b>
<b>Void losses</b>	<b>(167)</b>	<b>(144)</b>	<b>-</b>	<b>-</b>	<b>(311)</b>	<b>(262)</b>

\*2017 comparatives have been represented to conform with the current year presentation as explained in note 2.

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 6 Accommodation in management and development – Units of housing stock

##### GROUP and ASSOCIATION

	2018 Number	2017 Number
<b>Social housing</b>		
General needs housing:		
- social rent	3,870	3,905
- affordable rent	99	91
Intermediate rent	65	66
Supported housing	87	56
Housing for older people	594	594
Low cost home ownership / Shared ownership	125	125
<b>Total social housing owned and managed</b>	<b>4,840</b>	<b>4,837</b>
Accommodation managed for others	64	25
<b>Total social housing managed</b>	<b>4,904</b>	<b>4,862</b>
Social housing owned but managed by others	102	102
<b>Total social housing owned or managed</b>	<b>5,006</b>	<b>4,964</b>
<b>Other / Non-social housing</b>		
Leasehold managed (all managed by us for others)	14	14
Residential care home bed spaces (all owned but managed by others)	25	25
Student accommodation	1	1
Respite care homes (all owned but managed by others)	10	10
<b>Total owned or managed</b>	<b>5,056</b>	<b>5,014</b>
Accommodation in development at the year end	108	14

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 7 Operating surplus

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
The operating surplus is arrived at after charging:				
Depreciation of housing properties	<b>3,924</b>	3,908	<b>3,924</b>	3,908
Write-off of housing property components	<b>174</b>	196	<b>174</b>	196
Impairment of housing properties	<b>147</b>	-	<b>147</b>	-
Depreciation of other fixed assets	<b>678</b>	809	<b>678</b>	809
Surplus on disposal of fixed assets	<b>453</b>	216	<b>453</b>	216
<b>Operating lease rentals:</b>				
- motor vehicles	<b>303</b>	298	<b>303</b>	298
<b>Auditors' remuneration (excluding VAT):</b>				
- Fees payable to the Group's Auditors for the financial statement audit	<b>19</b>	21	<b>19</b>	21
- Audit of the accounts of subsidiaries	<b>8</b>	7	-	-
<b>Total audit services</b>	<b>27</b>	<b>28</b>	<b>19</b>	<b>21</b>
- Tax compliance services	<b>4</b>	1	<b>4</b>	1
- Tax advisory services	<b>1</b>	1	<b>1</b>	1
<b>Total non-audit services</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>2</b>



# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 8 Employees

	<b>Group 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>Association 2018 £'000</b>	<b>Association 2017 £'000</b>
Staff costs (including Executive Management Team) consist of:				
Wages and salaries*	<b>5,830</b>	5,477	<b>5,830</b>	5,331
Social security costs	<b>560</b>	527	<b>560</b>	521
Other pension costs* (note 27)	<b>274</b>	363	<b>274</b>	359
	<b>6,664</b>	6,367	<b>6,664</b>	6,211

*\*2017 comparatives have been represented to conform with the current year presentation as explained in note 2. This includes certain ancillary costs now being excluded from 'Wages and salaries' totalling £58,097 for 2017.*

The average number of employees (including Executive Management Team) expressed as full-time equivalents (calculated based on a standard working week of 37 hours) during the year was as follows:

	<b>Group 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>Association 2018 £'000</b>	<b>Association 2017 £'000</b>
Office staff	<b>91</b>	95	<b>91</b>	91
Scheme managers and operatives	<b>94</b>	86	<b>94</b>	86
	<b>185</b>	181	<b>185</b>	177

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 9 Directors' and senior executive remuneration

The directors are defined as the members of the Board of Directors, the Chief Executive and the Executive Management Team disclosed on page 3, who are also considered to be the Key Management Personnel of the Group and Association.

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Executive directors' emoluments	573	554	573	554
Amounts paid to non-executive directors	59	46	50	42
	632	600	623	596

The emoluments excluding pension contributions of the highest paid director (the Chief Executive) was £141k (2017: £134k). Pension contributions of £16k (2017: £15k) were also made to a defined contribution scheme on his behalf.

2 of the directors accrued benefits under the Group's defined benefit pension scheme during the year (2017: 2).

The number of staff who received remuneration over £60,000 (including pension contributions) (including directors / Executive Management Team):

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
£60,001 - £70,000	5	1	5	1
£70,001 - £80,000	2	2	2	2
£80,001 - £90,000	-	1	-	1
£90,001 - £100,000	1	2	1	2
£100,001 - £110,000	2	-	2	-
£110,001 - £120,000	1	1	1	1
£140,001 - £150,000	-	1	-	1
£150,001 - £160,000	1	-	1	-

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 10 Board Members

Board Member	Remuneration £000	Members of					
		BHA Board	Broadland Meridian Board	Group Audit & Risk Committee	Group Remuneration & Membership Committee	Broadland St Benedicts	Broadland Development Services
<b>BHA Non-executive directors</b>							
Chris Ewbank (Appointed Chair 27.09.2017)	9.2	Chair			✓		
Jonathan Barber	5.5	Vice Chair		Chair	✓		
Samantha England	4.0	✓					
Dr Simon Hibberd	3.7	✓					
Kate Slack	3.1	✓					
Paul Slyfield	5.5	✓		✓	Chair		
Helen Skoyles	4.0	✓				✓	
Gavin Tempest	4.0	✓	Chair	✓			
Siobhan Trice	4.0	✓					
<b>Former non-executive directors</b>							
Richard Hawthorn (Deceased)	2.0	✓		✓			
Jenny Manser (Resigned 27.09.2017)	5.0	Chair	✓		✓		
<b>Other Board/Committee members</b>							
Martin Clark (BSB)	4.0			✓		✓	
Sean Tompkins (BSB)	4.0					✓	
Michael Newey (Group CEO)		✓	Attending	Attending	Attending	Chair	Chair

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 11 Surplus on disposal of fixed assets - operational

<b>GROUP and ASSOCIATION</b>	<b>Right to acquire 2018 £'000</b>	<b>Other housing properties 2018 £'000</b>	<b>Total 2018 £'000</b>	<b>Total 2017 £'000</b>
Housing Properties:				
Disposal proceeds	180	922	<b>1,102</b>	712
Carrying value of fixed assets	(28)	(309)	<b>(337)</b>	(179)
Selling costs	(1)	(21)	<b>(22)</b>	(21)
	151	592	<b>743</b>	512
Recycled capital grant fund (note 24)	(151)	(139)	<b>(290)</b>	(117)
Disposals proceeds fund (note 25)	-	-	<b>-</b>	(179)
<b>Total surplus on sale of fixed assets</b>	<b>-</b>	<b>453</b>	<b>453</b>	<b>216</b>

### Surplus on disposal of fixed assets – non-operational

<b>ASSOCIATION</b>	<b>Land 2018 £'000</b>	<b>Land 2017 £'000</b>
Housing Properties:		
Disposal proceeds	<b>290</b>	-
Carrying value of fixed assets	<b>(113)</b>	-
Selling costs	-	-
<b>Total surplus on sale of fixed assets</b>	<b>177</b>	<b>-</b>

The above reflects the transfer of land in the year from Broadland Housing Association to Broadland St Benedicts. This is an intra group non-operational fixed asset sale and the proceeds are included in the Association Statement of Comprehensive Income below operating surplus.

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 12 Interest receivable and similar income

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Interest receivable from long term deposits and bank deposits	66	118	132	117
Dividend income from unit trusts and shares	7	7	7	7
	73	125	139	124

#### 13 Interest and financing costs

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Bank loans, overdrafts and other loans	5,983	6,409	5,974	6,409
Loan issue costs amortised	72	66	72	66
	6,055	6,475	6,046	6,475
Interest capitalised on construction of housing properties	(425)	(362)	(425)	(362)
	5,630	6,113	5,621	6,113

Capitalised interest has been calculated using a weighted average annual rate of interest:

4.01%      4.42%

#### 14 Taxation on surplus on ordinary activities

The association is entitled to tax relief afforded to charitable bodies by Part 11 of the Corporation Taxes Act 2010.

##### GROUP

	2018 £'000	2017 £'000
<b>Corporation tax</b>		
Deferred tax	(37)	-
Current tax	-	1

The tax credit of £37k in 2018 relates to the recognition of deferred tax assets on losses carried forward by subsidiaries of the group.

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 (continued)

15	Tangible fixed assets - Housing properties	Freehold housing properties completed £'000	Leasehold properties completed £'000	General needs under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total £'000
GROUP							
<b>Cost or valuation:</b>							
At 1 April 2017		291,801	11,974	5,172	4,914	869	314,730
Reclassification of properties		(111)	111	1,766	-	(1,766)	-
Additions:							
- construction costs		-	-	5,921	-	2,022	7,943
- replaced components		1,930	-	-	-	-	1,930
- transfer		1,695	-	(1,695)	267	(267)	-
Disposals:							
- sales		(393)	-	-	(149)	-	(542)
- replaced components		(571)	(50)	-	-	-	(621)
<b>At 31 March 2018</b>		<b>294,351</b>	<b>12,035</b>	<b>11,164</b>	<b>5,032</b>	<b>858</b>	<b>323,440</b>
<b>Depreciation &amp; impairment:</b>							
At 1 April 2017		50,384	3,975	-	199	-	54,558
Depreciation charge for the year		3,625	266	-	33	-	3,924
Impairment charge for the year		-	-	147	-	-	147
Eliminated on disposals:							
- replaced components		(447)	-	-	-	-	(447)
- other		(88)	(39)	-	-	-	(127)
<b>At 31 March 2018</b>		<b>53,474</b>	<b>4,202</b>	<b>147</b>	<b>232</b>	<b>-</b>	<b>58,055</b>
<b>Net book value at 31 March 2018</b>		<b>240,877</b>	<b>7,833</b>	<b>11,017</b>	<b>4,800</b>	<b>858</b>	<b>265,385</b>
Net book value at 31 March 2017		241,417	7,999	5,172	4,715	869	260,172

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 (continued)

15 Tangible fixed assets - Housing properties	Freehold housing properties completed £'000	Leasehold housing properties completed £'000	General needs under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total £'000
<b>ASSOCIATION</b>						
<b>Cost or valuation:</b>						
At 1 April 2017	292,065	11,974	5,175	4,914	869	314,997
Reclassification of properties	(111)	111	1,766	-	(1,766)	-
Additions:						
- construction costs	-	-	5,859	-	2,022	7,881
- replaced components	1,930	-	-	-	-	1,930
- transfer	1,695	-	(1,695)	267	(267)	-
Disposals:						
- sales	(393)	-	-	(149)	-	(542)
- replaced components	(571)	(50)	-	-	-	(621)
<b>At 31 March 2018</b>	<b>294,615</b>	<b>12,035</b>	<b>11,105</b>	<b>5,032</b>	<b>858</b>	<b>323,645</b>
<b>Depreciation &amp; Impairment:</b>						
At 1 April 2017	50,384	3,975	-	199	-	54,558
Depreciation charge for the year	3,625	266	-	33	-	3,924
Impairment charge for the year	-	-	147	-	-	147
Eliminated on disposals:						
- replaced components	(447)	-	-	-	-	(447)
- other	(88)	(39)	-	-	-	(127)
<b>At 31 March 2018</b>	<b>53,474</b>	<b>4,202</b>	<b>147</b>	<b>232</b>	<b>-</b>	<b>58,055</b>
<b>Net book value at 31 March 2018</b>	<b>241,141</b>	<b>7,833</b>	<b>10,958</b>	<b>4,800</b>	<b>858</b>	<b>265,590</b>
Net book value at 31 March 2017	241,681	7,999	5,175	4,715	869	260,439

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 15 Tangible fixed assets - Housing properties (continued)

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
<b>The net book value of housing properties may be further analysed as:</b>				
Freehold	257,552	252,173	257,757	252,440
Long leasehold	7,515	7,552	7,515	7,552
Short leasehold	318	447	318	447
	<b>265,385</b>	260,172	<b>265,590</b>	260,439
<b>Interest capitalisation:</b>				
Interest capitalised in the year	425	362	425	362
Rate used for capitalisation	4.01%	4.42%	4.01%	4.42%
<b>Expenditure on works to existing properties:</b>				
Works to new homes capitalised (schemes under construction)	10,685	2,379	8,940	2,382
Components capitalised	1,930	1,458	1,930	1,458
Amounts charged to income and expenditure*	1,655	1,326	1,655	1,326
	<b>14,270</b>	5,163	<b>12,525</b>	5,166

\*Major repairs revenue, cyclical, and aids & adaptations spend on fixed assets housing properties as charged to income and expenditure.

### Finance Leases

The association had no assets held under such leases at either year end.



# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

<b>16 Tangible fixed assets - Other</b>				
<b>Group</b>	<b>Freehold office buildings £'000</b>	<b>Leasehold office buildings £'000</b>	<b>Office and computer equipment £'000</b>	<b>Total £'000</b>
<i>Cost</i>				
At 1 April 2017	978	1,201	5,574	7,753
Additions	-	-	499	499
Disposals	-	-	(7)	(7)
At 31 March 2018	978	1,201	6,066	8,245
<i>Depreciation</i>				
At 1 April 2017	36	568	4,577	5,181
Charge for year	12	63	603	678
Disposals	-	-	(7)	(7)
At 31 March 2018	48	631	5,173	5,852
<i>Net book value</i>				
<b>At 31 March 2018</b>	<b>930</b>	<b>570</b>	<b>893</b>	<b>2,393</b>
At 31 March 2017	942	633	997	2,572
<b>Association</b>	<b>Freehold Office Buildings £'000</b>	<b>Leasehold Office Buildings £'000</b>	<b>Office and computer equipment £'000</b>	<b>Total £'000</b>
<i>Cost</i>				
At 1 April 2017	978	1,201	5,431	7,610
Additions	-	-	499	499
Disposals	-	-	(7)	(7)
At 31 March 2018	978	1,201	5,923	8,102
<i>Depreciation</i>				
At 1 April 2017	36	568	4,434	5,038
Charge for year	12	63	603	678
Disposals	-	-	(7)	(7)
At 31 March 2018	48	631	5,030	5,709
<i>Net book value</i>				
<b>At 31 March 2018</b>	<b>930</b>	<b>570</b>	<b>893</b>	<b>2,393</b>
At 31 March 2017	942	633	997	2,572

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 17 Investment properties

Group and Association	Commercial £'000	Total £'000
At 1 April 2017	1,031	1,031
Movement in fair value	159	159
At 31 March 2018	1,190	1,190

The group's investment properties are valued annually on 31 March by a suitably qualified valuer employed by the Association. These valuations reflect actual or prospective rental values capitalised on the basis of market yields for the type and location of the individual properties.

#### 18 Fixed asset investments

	31 March 2018 Cost £'000	31 March 2018 Fair value £'000	31 March 2017 Cost £'000	31 March 2017 Fair value £'000
Unit trusts	105	157	101	158

Group and Association	2018 £'000	2017 £'000
Investment revaluation reserve:		
At 1 April	57	35
Increase/(decrease) in value of investments	(5)	22
At 31 March	52	57

The above investments relate to a historical interest in the following designated funds: 'John Macintosh Memorial' and 'Violet Macintosh'.

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 18 Fixed asset investments (continued)

##### ***Details of Subsidiary undertakings, associated undertakings and other investments***

The undertakings in which the Association has or had an interest in are as follows:

<b>Name</b>	<b>Country of Incorporation or registration</b>	<b>Proportion of voting rights / Ordinary share capital held</b>	<b>Nature of business</b>	<b>Nature of entity</b>
<i>Subsidiary undertakings</i>				
Broadland St Benedicts Limited	England and Wales	100%	Development of new homes for sale	Incorporated company
Broadland Development Services limited	England and Wales	100%	Development contractor of new homes for parent company and Broadland St Benedicts	Incorporated company
Broadland Meridian	England and Wales	100%	Provide employment opportunities	Incorporated company
Meridian East Property Services Limited *	England and Wales	100%	Deregistered 7 November 2017	Incorporated company
Charlie's Social Enterprise Community Interest Company *	England and Wales	100%	Dormant	Incorporated company

The shares in companies marked with an asterisk are or were indirectly owned through intermediate parent companies.

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 19 Properties for sale

GROUP	First tranche shared ownership properties 2018 £'000	Outright market sales* 2018 £'000	Total 2018 £'000	Total 2017 £'000
Work in progress	711	1,682	2,393	3,106
Completed properties	494	-	494	-
	<b>1,205</b>	<b>1,682</b>	<b>2,887</b>	<b>3,106</b>

\*Outright market sales above includes £52k interest capitalised in the year (2017: nil).

ASSOCIATION	First tranche shared ownership properties 2018 £'000	Outright market sales 2018 £'000	Total 2018 £'000	Total 2017 £'000
Work in progress	711	-	711	3,106
Completed properties	494	-	494	-
	<b>1,205</b>	<b>-</b>	<b>1,205</b>	<b>3,106</b>

### 20 Debtors

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
<b>Due within one year</b>				
Rent and service charges arrears receivable	1,115	1,328	1,115	1,328
Less: Provision for bad and doubtful debts – rent and service charge arrears	(622)	(398)	(622)	(398)
	<b>493</b>	<b>930</b>	<b>493</b>	<b>930</b>
Other debtors	423	308	408	308
Less: Provision for bad and doubtful debts – other debtors	(218)	-	(218)	-
	<b>205</b>	<b>308</b>	<b>190</b>	<b>308</b>
Prepayments and accrued income	1,549	1,276	1,506	1,363
Amounts owed by group undertakings	-	-	1,900	-
	<b>2,247</b>	<b>2,514</b>	<b>4,089</b>	<b>2,601</b>

# Broadland Housing Association

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 21 Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Short term debt (note 26)	5,462	4,614	5,462	4,614
Trade creditors	2,981	2,701	2,990	2,645
Amounts owed to group undertakings	-	-	-	93
Housing capital creditors	-	74	-	74
Taxation and social security	20	32	20	32
Other creditors and accruals	238	140	157	135
Loan interest payable	708	934	708	934
Holiday accrual	119	53	119	53
Pension liability (note 27)	409	393	409	393
	<b>9,937</b>	<b>8,941</b>	<b>9,865</b>	<b>8,973</b>

### 22 Creditors: amounts falling due after more than one year

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Long term debt (Note 26)	153,975	136,568	153,975	136,568
Deferred capital grant (Note 23)	118,805	117,074	118,805	117,074
Recycled capital grant fund (Note 24)	607	317	607	317
Disposal proceeds fund (Note 25)	179	179	179	179
Pension liability (note 27)	2,134	2,543	2,134	2,543
	<b>275,700</b>	<b>256,681</b>	<b>275,700</b>	<b>256,681</b>

### 23 Deferred capital grant

#### GROUP and ASSOCIATION

	2018 £'000	2017 £'000
At 1 April	117,074	117,686
Grants received in the year	2,875	255
Grants recycled to/from the recycled capital grant fund & disposal proceeds fund	(140)	139
Released to income in the year	<b>(1,004)</b>	<b>(1,006)</b>
At 31 March	<b>118,805</b>	<b>117,074</b>

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 24 Recycled capital grant fund

##### GROUP and ASSOCIATION

Funds pertaining to areas covered by Homes England

	2018 £'000	2017 £'000
At 1 April	317	459
Inputs to fund:		
- grants recycled from deferred capital grants	290	117
- interest accrued	-	1
Recycling of grant:		
- new build	-	(260)
At 31 March	607	317
Amounts 3 years or older where repayment may be required	-	-

#### 25 Disposal Proceeds Fund

##### GROUP and ASSOCIATION

Funds pertaining to areas covered by Homes England

	2018 £'000	2017 £'000
At 1 April	179	45
Inputs to fund:		
- funds recycled from deferred capital grants	-	179
Use / allocation of funds:		
- new build development	-	(45)
- other		-
At 31 March	179	179
Amounts 3 years or older where repayment may be required	-	-

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 26 Debt analysis

##### Loans and Borrowings

##### GROUP and ASSOCIATION

	Loans 2018 £'000	Loans 2017 £'000
In one year or less	5,546	4,671
Less: issue costs	(84)	(57)
<b>Short term loans</b>	<b>5,462</b>	<b>4,614</b>
In more than one year but not more than two years	5,537	5,277
In more than two years but not more than five years	17,236	15,813
In more than five years	132,470	116,254
Less: issue costs	(1,268)	(776)
<b>Long term liabilities</b>	<b>153,975</b>	<b>136,568</b>
<b>Total Liabilities</b>	<b>159,437</b>	<b>141,182</b>

##### Security

Loans are secured by specific charges on various housing properties of the group.

##### Terms of repayment and interest rates

The loans bear interest at fixed rates ranging from 3.64% to 10.54% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

At 31 March 2018 the group had undrawn loan facilities from a local authority of £nil (2017: £3.5m), from a bank in respect of a revolving credit facility of £15m (2017: £15m), and from a new capital markets private placement of £30m (2017: nil).

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 (*continued*)

#### 27 Pensions

The association participates in The Pension Trust - Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore, the 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.

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

#### Deficit contributions

<b>Tier 1</b>	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 <sup>st</sup> April)
<b>Tier 2</b>	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 <sup>st</sup> April)
<b>Tier 3</b>	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 <sup>st</sup> April)
<b>Tier 4</b>	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 <sup>st</sup> April)

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

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



## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 27 Pensions (continued)

##### PRESENT VALUES OF LIABILITY (DEFICIT CONTRIBUTIONS)

	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Present value of liability	<b>2,543</b>	2,936	3,169

##### RECONCILIATION OF OPENING AND CLOSING LIABILITIES

	Year Ending 31 March 2018 (£000s)	Year Ending 31 March 2017 (£000s)
Liability at start of period	<b>2,936</b>	3,169
Unwinding of the discount factor (interest expense)	<b>35</b>	62
Deficit contribution paid	<b>(393)</b>	(379)
Remeasurements - impact of any change in assumptions	<b>(35)</b>	84
Remeasurements - amendments to the contribution schedule	-	-
Liability at end of period	<b>2,543</b>	2,936

##### INCOME AND EXPENDITURE IMPACT

	Year Ending 31 March 2018 (£000s)	Year Ending 31 March 2017 (£000s)
Interest expense	<b>35</b>	62
Remeasurements – impact of any change in assumptions	<b>(35)</b>	84
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	<b>309</b>	279
Total costs recognised in income and expenditure account	<b>309</b>	425

\*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

##### ASSUMPTIONS

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

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

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 27 Pensions (continued)

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

##### DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Year 1	409	393	379
Year 2	424	409	393
Year 3	371	424	409
Year 4	313	371	424
Year 5	324	313	371
Year 6	278	324	313
Year 7	229	278	324
Year 8	236	229	278
Year 9	122	236	229
Year 10		122	236
Year 11		-	122
Years 12 - 20		-	-

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

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

#### 28 Share capital

	2018 £	2017 £
At 1 April	362	351
Shares issued in the year	20	11
At 31 March	382	362

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member that share is cancelled and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

## Broadland Housing Association

### Notes to the financial statements for the year ended 31 March 2018 *(continued)*

#### 29 Operating leases

The Group and the Association had minimum lease payments including VAT under non-cancellable operating leases, for motor vehicles only, as set out below:

##### GROUP and ASSOCIATION

	2018 £'000	2017 £'000
Not later than one year	330	261
Later than one year and not later than five years	334	429
Total	664	690

#### 30 Capital commitments

##### GROUP

	2018 £'000	2017 £'000
Commitments contracted but not provided for: Development	22,061	2,060
Commitments approved by the Board but not contracted for: Development	59,625	67,061
	81,686	69,121

Capital commitments for the Group will be funded as follows:

##### GROUP

	2018 £'000	2017 £'000
Cash	19,340	14,694
Cash held in long notice accounts	13,000	-
Revolving credit facility	15,000	15,000
Capital markets private placement facility	30,000	-
	77,340	29,694

As per the above table, future capital commitments will be funded through existing cash resources, a revolving credit facility, and the remaining undrawn balance from a capital markets private placement. Additional funding requirement for commitments approved by the Board but not contracted for will be sought in 2018-19.

#### 31 Post balance sheet events

There are no significant post balance sheet events likely to materially impact on these financial statements.

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