



Financial Review

For the year ended
31st March 2017



Broadland Housing Association

Consolidated and Association Financial
Statements

Year ended 31 March 2017

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

Homes and Communities Agency
Registration Number:
L0026

Broadland Housing Association

Report and Financial Statements for the year ended 31 March 2017

Contents

Page:

5	Executives and advisors
7	Chair and Chief Executive's review
12	Report of the Board of Management
36	Strategic report
44	Independent auditor's report
46	Consolidated and Association statement of comprehensive income
47	Consolidated and Association balance sheets
48	Consolidated statement of changes in reserves
49	Association statement of changes in reserves
50	Consolidated statement of cash flows
51	Notes forming part of the financial statements

Broadland Housing Association

Executives and advisors for the year ended 31 March 2017

Board of management

Chair	Alison Inman JP FRSA BA (Hons) CIHM (Hon) (leave of absence from 27.09.2016) (resigned 27.11.2016)
	Jenny Manser (appointed 13.10.2016 at Special General Meeting)
Vice Chair	Jenny Manser (until 13.10.2016)
Vice Chair	Jonathan Barber BSc (Hons) MSc MBA MCIEH FCMI CIHM (appointed to post 13.10.2016)
Group Chief Executive	Samantha England (co-opted 01.03.2017) Chris Ewbank BA (Hons), MBA (co-opted 26.04.2017) Richard Hawthorn Dr Simon Hibberd (co-opted 26.04.2017) 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 (co-opted 01.03.2017) Louise Wiseman (resigned 30.7.16)

Executive management

Group Chief Executive	Michael Newey D.Sc (Hon) BSc FRICS FCIH FRSA MAHI
Executive Property Director	Louise Archer BSc FRICS CIHCM
Executive Frontline Director	Ivan Johnson FCIH
Executive Partnership Director	Andrew Savage MSc MRICS
Executive Finance Director	Julian Foster MA (Hons) ACA FCT (appointed 01.07.16)
Deputy Group Chief Executive and Executive Finance Director	Anna Simpson MA (Cantab) FCA AMCT (resigned 29.04.2016)

Group Audit & Risk Committee

Jonathan Barber BSc (Hons) MSc
MBA MCIEH FCMI CIHM (Chair)
Martin Clark MRICS MCIOB
Susan Guest (independent lay member) (resigned
26.5.2016)
Richard Hawthorn
Paul Slyfield FCCA
Gavin Tempest BSc (Hons)

Broadland Housing Association

Executives and advisors for the year ended 31 March 2017 (*continued*)

Secretary and registered office

Sarah Wyatt MA ACIS
(appointed 02.05.2016)

NCFC, Carrow Road, Norwich, NR1 1HU

Anna Simpson (resigned
29.04.2016)

Website
www.broadlandgroup.org.uk

External auditors

BDO LLP
2nd Floor, Yare House, 62-64 Thorpe Road, Norwich,
NR1 1RY

Internal auditors

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

Principal solicitors

Bates Wells & Braithwaite London LLP
10 Queen Street Place London, EC4R 1BE

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 2017

It would be difficult to find one word or phrase to summarise the last twelve months in the life of the Group. It has certainly been eventful and challenging, with some significant governance changes and continuing welfare cuts, as well as another year of a rent reduction. But it has also been a year of developing our capacity so that we can deliver more homes, continue to focus on reducing the chances of our tenants experiencing fuel poverty and investing in our digital capability to improve the tools we give our staff team and also the way that tenants can interact with us.

Governance changes

Very sadly Alison Inman, who was elected Chair in 2015, became unwell last Summer and regrettably had to ask the Board to agree a period of long term absence just before the 2016 Annual General Meeting. Alison, who is also the Vice President of the Chartered Institute of Housing, was advised by her medical team that she needed a longer period of absence in the Autumn and unfortunately decided to resign from the Board in November, in order to allow her to recover her health before taking over as CIH President later this year. We were very sorry to lose Alison and we wish her well for her Presidential term. We were delighted to see that her long term contribution to social housing was recognised earlier this year with the award of an OBE in the Honours list.

At a Special General Meeting held shortly after the 2016 AGM, Jenny Manser was elected onto the board of Broadland Housing Association and subsequently elected by the Board as our Interim Chair. Jenny has been involved in the Broadland Housing Group as a board member since 2008, as she was the Chair of Broadland Meridian, an ex officio member of the Association's board and Vice Chair of the Group. Jenny agreed to serve as the Association's Chair until either Alison was able to return or until the 2017 Annual General Meeting, at which point she would retire from the Association's board, whilst remaining a member of the Broadland Meridian board.

After Alison's resignation in November, the Board appointed Campbell Tickell to advise them on the recruitment of a new Chair and to particularly help them in identifying the skills and experience that would be appropriate in the new Chair at this point in our history.

After an extensive recruitment process, the Board identified Chris Ewbank as the Association's next Chair, subject to election as a board member by shareholders in September. Chris, a qualified lawyer with extensive banking experience, is currently the Chief Financial Officer of St John's College Cambridge. He has been co-opted on to the Board until the AGM.

There have been further changes to the Board's membership during the year. Three other new members have been co-opted and will be standing for election at the AGM.

Siobhan Trice is a tenant living in Little Plumstead with her young family. She works for Norfolk Wildlife Services as a Consultancy Business Officer.

Sam England is also a tenant and lives with her partner in Norwich. She is a Town Councillor and works as a Health and Social Care Assessor. She is a member of the Patient Community Advisory Group to the Clinical Care Commission NHS and a member of the Independent Advisory Group for Norfolk Constabulary.

Broadland Housing Association

Chair and Chief Executive's review for the year ended 31 March 2017 (*continued*)

Dr Simon Hibberd has just retired as a general practitioner. He has been heavily involved in primary care commissioning over the past 20 years. In 2009, he and his partners established a community interest company called Breckland Care at home, which has recently been taken over by Independence Matters.

The Board has therefore been strengthened over the year with two new tenant board members and two independent members, all of whom bring valuable skills and experience to the Group.

Welfare reform and rent reductions

The Government's welfare reform programme has continued, with the key features including the continuing roll out of Universal Credit and the second 1% reduction in social housing rents.

Developing new affordable homes

We have not built the number of new homes that we wanted to over the past five or six years. Over the past year we have undertaken a fundamental review of our financial capacity, our approach to funding new developments and our approach to risk, primarily with regard to our exposure to the housing market.

We agreed in 2016 that we would aim to build 175 new affordable homes by 2019, but we have now decided that we need to do more than that, especially as the housing crisis is getting worse not better. More families are finding themselves unable to access homes either to rent or to buy in the private market that they can afford. The board have now changed our development ambitions and we are planning to deliver 600 new affordable homes for rent and for shared ownership over the next four years.

We know that we cannot rely on public subsidy through grant from central government in order to fulfil our ambitions. We are therefore planning to additionally deliver 158 homes for sale, in order to provide the gap funding required, as well as to help deliver mixed tenure communities. This does change our exposure to risk and the possibility that there may be disruption to the housing market, especially as the UK exits the European Union. We have therefore been cautious in our scheme appraisals and stress tested our business plans, so that we can cope with any resultant scheme delays.

North Norfolk District Council

One particularly successful partnership to deliver new homes is that with North Norfolk District Council, where we are now progressing the construction of 64 affordable homes and 41 homes for sale across six sites. This is a project that has taken around four years to progress and without the commitment and tenacity of both officers and councillors at North Norfolk DC, we would not now be on site in Trunch, Bodham and Great Ryburgh. Binham, Erpingham and Edgefield schemes will follow during the course of this year.

Carrow Quay

Another scheme that has been long in the pipeline is the Carrow Quay development adjacent to the Football Ground in Norwich. We started considering the possibility of building new homes

Broadland Housing Association

Chair and Chief Executive's review for the year ended 31 March 2017 (*continued*)

on this site back in 2009 and after acquiring the land over a number of years, we finally secured planning consent in 2013. Earlier this year, following a careful review of our financial capacity and business plans, we were able to start the procurement process for the first phase of the development and expect to build out the whole site over the next four years. Once complete the project will deliver 154 new affordable homes for rent; 58 shared ownership homes; and 111 homes for sale on the open market.

Broadland St Benedicts

Developing homes for sale on the open market to generate profit is not an activity that can take place within Broadland Housing Association, as it is outside our purposes as an exempt charity. We established Broadland St Benedicts back in 2006 in order to deliver an open market programme and the company's first scheme was Caro Court in St Benedicts Norwich. Ironically this scheme was actually sold to Broadland Housing Association during the global financial crisis with support from the then Housing Corporation. Broadland St Benedicts (BSB) has continued to trade and has been fully involved in the Group's plans for a reinvigorated development programme.

The Company has a board of five, comprising 2 independent non-executives, namely Martin Clark and Sean Tompkins; 1 BHA board member, Helen Skoyles; and 2 executives, Julian Foster and Michael Newey. Martin, a chartered surveyor, is a local property developer, whilst Sean is the Global Chief Executive of the Royal Institution of Chartered Surveyors.

BSB will deliver all the properties for open market sale, with the intention to donate profits back to BHA to help close the funding gap on new affordable homes.

Environmental responsibilities

Broadland has a track record in taking seriously our environmental responsibilities, not just in respect of our new build programmes, but also tackling the chances of our tenants living in fuel poverty, as well as looking at our own operations to see how we can reduce our impact on the planet.

We are pleased that our efforts were nationally recognised this year with two awards from Sustainable Homes in their annual SHIFT awards, namely "Best in class for existing homes" and the "Green and Lean" award for the work we have undertaken at Campion and Sorrel House in Bowthorpe. We were also assessed against the SHIFT (Social Housing Index for Tomorrow) accreditation criteria and were not only assessed as being at a gold level, but actually achieved the highest accreditation score of any of the social landlords participating in the assessment. We will strive to do better and are aiming for platinum accreditation, which no landlord received this year, but it is difficult with a relatively large and rural operational area to achieve some of the efficiencies that would make a difference.

Funding our ambitions

Whilst the Group is in a good position currently in terms of liquidity, we do need to raise more new money in order to finance our development ambitions, as well as repay some of our existing debt. We are therefore planning to raise a further £25 million before the end of the 2017/18

Broadland Housing Association

Chair and Chief Executive's review for the year ended 31 March 2017 (*continued*)

financial year. In the past we have borrowed money from the main banks, but the availability of such funding, especially on a long term basis, has significantly declined since the global financial crisis. We expect to need to raise further funding in 2018.

Homes for Cathy

Broadland was founded in 1963 and just three years later the BBC screened "Cathy come home" as its Wednesday night drama. This film, directed by Ken Loach, managed to not only sum up the concerns of many about the housing crisis and the social impact poor housing had, but also inspired the establishment of many housing associations across the country. Coincidentally both Shelter and Crisis were established within months of the screening.

In mid 2016 a group of 20 housing associations, including Broadland, came together under the banner "Homes for Cathy" with the intention of marking the 50th anniversary of the screening in November and to highlight the reality that the housing crisis has not gone away. In many ways it is a tragedy that there is still a need for both Shelter and Crisis – neither wanted to have a 50 year life.

We held a screening of the BBC film last November at Stage Two, the educational building adjacent to and part of the Theatre Royal, which was followed by a debate on housing chaired by the Bishop of Norwich. We also screened the film to all our staff team. We were also involved in arranging a screening at the Royal Institution of Chartered Surveyors in London, with a subsequent debate chaired by Michael Newey, and a reception at the House of Lords, where the homeless drama company, Cardboard Citizens, delivered two scenes from their play, Cathy, which is a modern day take on the same story.

The Homes for Cathy group have decided to continue for the next two years and BHA will remain an active member. We are currently developing ideas for various events focussing on housing and homelessness in 2018.

Grenfell Tower disaster

We were appalled when the Grenfell Tower fire, with its massive loss of life, happened in June. Shortly afterwards we became aware that Brennan Bank, a building constructed by Taylor Wimpey in 2014 providing 54 affordable rent homes, included external cladding that was under suspicion of exacerbating the fire at Grenfell Tower.

At the time of writing this report we do not have sufficient information to know the exact causes and refurbishment issues associated with Grenfell Tower, nor do we have a definitive answer on the safety or otherwise of the cladding on Brennan Bank. In partnership with Taylor Wimpey and Norwich City Council, and with the full involvement of the Norfolk Fire and Rescue Service, we have taken a series of immediate measures to ensure the safety of our tenants. These measures will remain in place until we either satisfy ourselves and the Fire Service on the inherent safety of the building or we have undertaken whatever changes are deemed appropriate by the authorities to the building in partnership with Taylor Wimpey.

Broadland Housing Association

Chair and Chief Executive's review for the year ended 31 March 2017 (*continued*)

Thank you's

The reality is that every organisation is only as good as the people who work in it and for it. As Chair and Chief Executive, we would like to record our tremendous thanks to the whole team – board members and staff – for their commitment to the organisations and to our tenants, as well as people and families who would like to be our residents. Many of our staff go the extra mile to ensure that we deliver what we need to, when we need to. Board members across the group provide supportive challenge and challenging support to ensure that we deliver what we need to in the right way, having thought issues out appropriately, bringing considerable knowledge and expertise from outside Broadland to help us make the right decisions.

Finally,

The next year will be equally challenging as the year just completed. We will continue to see welfare reforms that adversely affect our tenants' incomes and we will continue to strive for efficiency gains that allow us to stretch our financial resources further. We will start to see more development sites being built under the Broadland banner across Norfolk and we will continue to focus on improving our engagement with tenants, delivering our environmental priorities and developing our digital offering for both staff and tenants. It will be another busy year.



Jenny Manser, Chair



Michael Newey, CEO

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017

Principal activities and review of business

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. 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 Homes and Communities Agency. The Association carries out the majority of the Group's business and is regarded by the Group Board as the ultimate parent of the Group and is therefore required by statute 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 organisations working with disadvantaged individuals.

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. Activities in the social enterprise have now ceased.

Meridian East Property Services Limited – a private company, limited by guarantee. Activities in this company have now ceased and preparations are being made to strike off the company.

Effects of material estimates and judgements upon performance

The Association has made provisions for depreciation and a proportion of rent arrears which is 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 policy under which individual claims of up to £7.5m are covered subject to an overall cap (for all National Housing Federation members) of £45m.

Value for Money Self-Assessment

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.

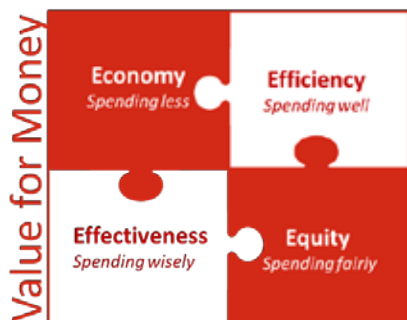
We deliver this by:

- 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.

The extent to which we have delivered our strategic priorities and furthered our organisational purpose underpins our self-assessment of value achieved. We return to this principle throughout this self-assessment.

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.

Further detail of our governance arrangements including our Value for Money Strategy and links to our Value for Money Self-Assessments is available on our website.

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.

In 2016-17 we reduced our rents by 1% for the second of four years in line with the Welfare Reform and Work Act 2016 which amounted to a £245k reduction in our operating income.

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

2.2 Our 2016-17 value for money highlights

In 2016-17 we generated **cost and efficiency savings of £766k**. Some key achievements within this are:

- **£445k salary cost savings** for from our organisational restructure (full year recurrent saving of £500k for 2017-18)
- **£75k savings** in interest costs arising from arrangement of Revolving Credit Facility as opposed to a new loan
- **8.5% reduction** in the average cost of a responsive repair
- **£61k savings** on provision of our van fleet used to provide our in-house repairs service
- **£25k costs avoided** in legal fees associated with negotiating security valuation
- **15% increase** in number of tenants making rent payments by direct debit leading to staff time efficiency savings
- **£128k procurement savings** achieved with a further £160k embedded future years' savings from these initiatives
- **£19k saving** in repairs service salary costs from geographical restructuring from four areas to three
- **26% reduction** in calls to our Customer Services Team through introduction of automated call direction

3.0 Our Financial Position

Our financial strategy has been to increase the surplus retained by the Association within reserves to strengthen the balance sheet, ultimately enabling more capital investment for the future at a lower cost of funding. Our 2016-17 budget reflected this change in strategy with a targeted surplus higher than the minimum that would have been accepted by our funders.

3.1 Performance against budgeted surplus

The actual surplus achieved in 2016-17 was £3.3m, exceeding the budget surplus of £1.3m, due to in-year budget management and underspend on delivery of the planned maintenance programme. The underspend in respect of planned maintenance has not caused any decent homes compliance issues and the spend has been rolled forward into an increased programme in future years. The drive to increase our surplus to support the development of new homes continues into 2017-18 with a budgeted surplus of £1.8m.

3.2 Performance against budgeted operating costs

The 2016-17 budget incorporated a savings target of £445k from the organisation restructure which came into effect in July 2016. The budgeted operating margin for 2016/17 represented an improvement of 1.5% on 2015-16 performance to be achieved through savings in pay and repairs. The actual operating margin achieved in 2016-17 is 33.9% (27.3% in 2015-16).

3.3 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 our overall Corporate Strategy and related 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.

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

3.4 Key financial ratios

BHA	2016-17 actual	2016-17 budget	2015-16 actual
Total turnover	£27,288	£28,733	£27,872
Operating surplus (absolute)	£9,368	£7,925	£8,002
Operating margin	34.3%	27.6%	27.6%
EBITDA MRI interest cover	169%	136%	158%
Gearing	44.8%	46.3%	49.8%

3.5 Future value for money targets

Our **2017-18 budget** includes the following targets:

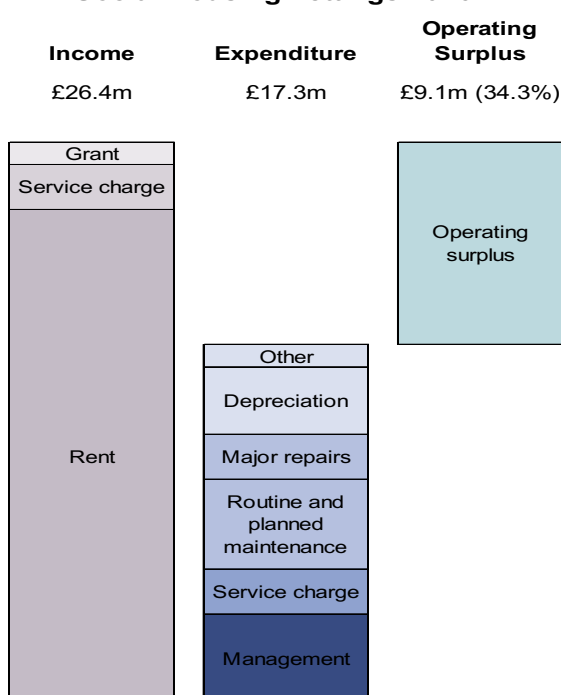
- £118k reduction in management costs
- £134k reduction in service costs
- £240k reduction in financing costs
- £191k reduction in IT investment following completion of key projects
- £92k additional income from development activity
- £80k reduction in pay costs of office based staff
- £40k savings through service level agreement cost recovery from subsidiaries

4.0 Operating Cost Performance

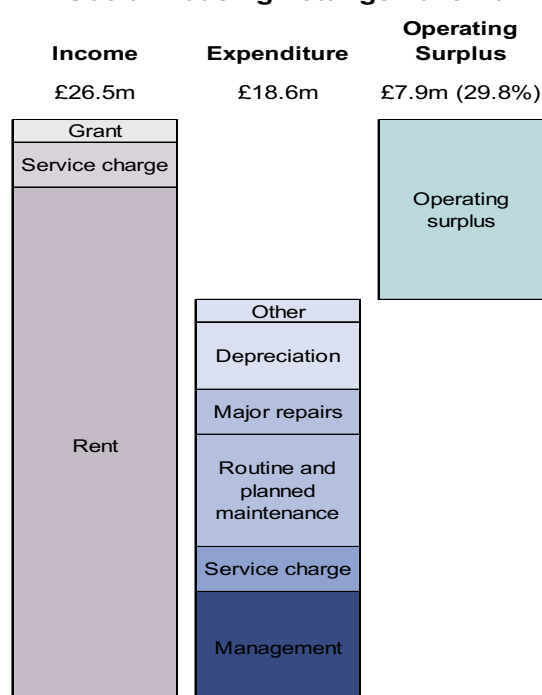
4.1 Social housing lettings (excluding property disposals)

The reduction in rent and service charge income was partly offset by an increase in government grant resulting in a net decrease of £103k to 2016-17. We achieved a reduction in operating costs of £1.2m, which included £1.1m in management costs and £0.6m in planned maintenance. The outcome was an increase in operating surplus on social housing lettings of £1.1m on 2016-17.

Social Housing Lettings 2016-17



Social Housing Lettings 2015-16



Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

4.1 Unit cost data

We continue to monitor our unit costs in line with analysis undertaken by the HCA and compare our performance with the whole sector as published in the annual Global Accounts.

	Headline Social Housing Cost CPU (£)	Management CPU (£)	Service Charge CPU (£)	Maintenance CPU (£)	Major Repairs CPU (£)	Other Social Housing Costs CPU (£)
BHA 2016-17*	2,712	906	455	916	332	103
2015-16 BHA	3,140	930	430	1,040	510	230
Sector median	3,570	1,020	360	970	810	210
2014-15 BHA	3,130	1,050	410	920	660	90
Sector median	3,550	950	360	980	800	200
* RAG ratings based on sector quartiles for 2015-16						

We have reduced expenditure on reactive repairs which shows in the maintenance cost per unit above. Major repairs expenditure is also lower than in 2015-16 which reflects delays to delivery of our component replacement programme and these works have been carried forward to 2017-18.

5.0 Update on areas for focus in our interim VFM self-assessment

The interim VFM self-assessment provided highlights of our cost, performance and satisfaction data for the first six months of 2016-17 alongside the detailed analysis of results from the 2015-16 HouseMark benchmarking dataset released in September 2016. This was presented to and debated by the Board resulting in a continued focus on areas where further value gains could be sought.

In 2016-17 we have chosen to benchmark our data against the PlaceShapers peer group which provides a robust and recognised set of housing associations to compare our data to. All 2015-16 data has been re-stated against this group.

- The **cost benchmarking** indicated a continued need to focus on overhead costs, specifically in relation to ICT and office premises.
- The **performance benchmarking** showed good results in relation to void management and income collection, whilst highlighting the need for continued focus on customer contact metrics.
- The **satisfaction benchmarking** showed good results in relation to our repairs service surveys but disappointing results compared to sector averages in our STAR surveys.

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

5.1 Repairs service

- We have undertaken void repair works to 549 re-let properties
- Our gas servicing programme covered all 3,374 properties with a connected gas supply
- Procurement initiatives for materials have yielded cost savings, including £24k on our flooring contract (53% budget saving) and £16k on electrical supplies (10% budget saving)
- The average cost of providing a responsive repair service has decreased by 8.5% since 2015-16 through a number of efficiency initiatives:
 - Reduction in number of repairs operatives from 37 to 30 – some vacant posts were frozen and others were transferred to planned works thus partly mitigating the increase in contractor spend year on year
 - Introducing restrictions to the types of repairs carried out, such as repairs and replacements of sheds and fence panels
 - Review of Repairs Operatives Skills Matrix to maximise use of multi-skilled staff reducing the number of trades required to complete a repair
 - £2k time efficiency saving on out of hours work scheduling through providing Norwich City Council with access to our scheduling system.

Transactional tenant satisfaction with our Repairs Service has remained high at 97.9% (98.1% in 2015-16) exceeding the peer group upper quartile of 97.4%

Costs will be sensitive to lower economies of scale compared to our peers as a result of the geographical spread of our properties. We continue to seek ways in which to enhance efficiency to compensate for this. During 2016-17 we have reduced from four operational areas to three leading to staff cost savings of £19k. In quarter 4 we implemented scheduling of appointments according to operatives' home postcodes which has delivered efficiency savings with further savings anticipated in 2017-18.

5.2 Housing Management Service

- Rent arrears performance continues to be closely monitored. The year-end arrears position was £1,328k of which £452k was attributable to unpaid housing benefit. Of the remaining £876k, £584k related to current tenants and £292k to former tenants.
- This equates to 3.2% of the annual rent debit and falls in the upper median quartile when compared to our peer group.
- Current tenant arrears have risen by £146k during the year which is partly impacted by our policy of minimising evictions for rent arrears. We recognise the trade-off between tenancy sustainment leading to reduced legal and void expenditure with improved collection of the outstanding arrears not written off. £70k of this relates to arrears of tenants on Universal Credit.
- Former tenant arrears rose by £160k and this is being monitored closely.

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

- We managed 549 re-lets with a weighted average standard re-let time (excluding those with major works at void) of 17 days against a target of 15 days. Our general needs properties and homeless accommodation each exceeded their target. However, performance on our housing with care, sheltered and supported properties is lower than target, impacted by issues with the local council nomination process. Re-let times outside target continue to be monitored through root cause analyses.

5.3 Overheads

Comparative data from annual benchmarking exercises indicates that our central and finance overheads were in line with the PlaceShapers peer group median. However, we noted that our overheads in relation to ICT and office premises were higher than the median. We continue to closely monitor overhead costs and further detailed benchmarking data for 2016-17 will be available through HouseMark in October 2017.

5.3.1 ICT overheads

Cost type	2015-16 %	2016-17 %
Project management	0.4	0.7
Hardware support	0.1	0.1
Software support	0.2	0.5
Systems support	0.9	1.0
Hardware purchase	0.3	0.0
Software purchase	2.0	0.4
ICT training	2.0	0.1
Communications	0.1	0.4
ICT management	0.1	0.2
Total	4.7	3.4

RAG rating versus PlaceShapers peer group

Detailed analysis of our ICT overhead costs shows higher than sector average costs in relation to project management and software purchase. This relates to development and depreciation costs for our in-house IT system which provides our housing management, repairs service and asset management functionality. This also drives higher costs in project management and ICT training. However, an overall reduction in ICT overheads has been achieved.

5.3.2 Office premises overheads

Cost type	2015-16 %	2016-17 %
Rent / depreciation	1.4	1.5
Heating, light and power	0.2	0.1
Office cleaning	0.1	0.1
Office maintenance	0.1	0.1
Facilities management	0.7	0.5
Other premises costs	0.1	0.5
Total	2.6	2.9

RAG rating versus PlaceShapers peer group

We recognise that our costs are higher than the sector average in relation to rent on our rented offices and depreciation on our owned offices. During the year we have closed two offices and made changes to facilities management staff resources through our organisational restructure. As a result we have owned office space rented out which is forecast to yield £25k revenue in 2017-18.

Our Head Office is rented and lease costs fixed for the foreseeable future however this decision was taken twelve years ago, which reflects the low availability of freehold office premises in Norwich.

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 *(continued)*

Strategic priority to deliver our purpose	2016-17 outcome
Provide fit for purpose local housing and asset management services	17,270 responsive and void repair works plus £1.4m investment in planned works across our portfolio Increased opportunities for digital interactions with tenants through Tenants Online system

Strategic priority to deliver our purpose	2016-17 outcome
Provide excellent value for money and maintain a focus on minimising increases in our operating costs	Increase in overall operating margin from 29.9% to 33.9% in 2016-17 driven by downward pressure on operating costs

6.0 Asset Management

6.1 Financial Return on Assets

Property Portfolio	Social housing return: rental income as a percentage of existing use valuation		
	2017 %	2016 %	2015 %
General Needs	10.9	11.0	9.2
Supported Housing	14.9	13.3	15.7
Housing for Older People	10.8	10.0	9.1
Intermediate Market Rent	8.7	8.6	9.0
Low Cost Home Ownership	4.4	4.8	5.1

We commission an independent valuation of our property portfolio on an annual basis. In 2016-17 the existing use value of our property portfolio was £216.8m. From this we generated an average income yield of 10.7%.

The rent and service charge income on social housing lettings of £25.4m has been used to deliver services to tenants as well as contribute towards the overall net surplus to reserves of £3.3m which will be re-invested in the development of new homes.

During the financial year we have continued to review our asset base in line with our strategic objective on energy efficiency as outlined below. This includes our lowest energy performing properties ring-fenced for disposal as they become void as part of our CROHM (Carbon Reduction Options for Housing Managers) Plan. This supports delivery of our strategic objective that all our properties will have a minimum energy performance certificate rating of C by 2019.

6.2 Investment in our property portfolio

We have undertaken major works to 502 properties during the year re-investing a capital cost of £1.4m back into our stock portfolio. We were unable to deliver our full planned component replacement programme due to inability to recruit skilled staff from the local labour market and delays arising from the desire to achieve VFM through procurement activities. At year-end spend was £0.4m below budget. These works have been carried forward to 2017-18.

7.0 Environmental Return

Strategic priority to reduce fuel poverty amongst our tenants:

- We have continued to deliver strong environmental performance during 2016-17 as recognised by our SHIFT (Sustainable Homes Index for Tomorrow) Gold accreditation, previously Silver – see below
- The average SAP rating of our properties is 73.6 (the 2015-16 HouseMark average was 71.2).
- In cross-working with our Tenancy Support Team 43% of our referred tenants have received assistance with finding the best energy deal.

Carbon Footprint:

CROHM – Carbon Reduction Options for Housing Managers

- Our aim is for our entire property portfolio to be at an Energy Performance Certificate (EPC) rating of C or above by 2019.
- The investment required to reach SAP 69 (C) was estimated at £2.37m over the whole project in 2015-16 and has now reduced to £1.6m through work completed
- Disposal of 8 low energy performing homes has yielded a surplus of £100k for re-investment in energy works.
- Further works planned for 2017/18 include installation of photovoltaic panels and quantum heaters. Upon completion of these works, 3 low rated schemes (39 properties) will have met the SAP 69 (C) target.

• Sustainability **SHIFT Sustainable Homes Index for Tomorrow**

Our achievement in delivering energy efficiency and sustainability through our business operations and homes was recognised at the SHIFT Awards in November 2016. Broadland Housing received the following industry awards; Best in Class – Existing Homes; and, The Lean and Green Award.



Accreditation

In our gold accreditation we achieved the highest score of all housing associations in the category. The table below shows performance against the aspirational Platinum accreditation.

Environmental Impact	Absolute impacts		Progress against platinum target
	BHG performance	2016 SHIFT platinum target	
CO ₂ - homes	17,147 tonnes	17,839 tonnes	
CO ₂ - offices	139 tonnes	190 tonnes	
CO ₂ – business mileage	70 tonnes	45 tonnes	
Water - homes	0.6 million m ³	0.6 million m ³	
Water - offices	536m ³	1,608m ³	
Waste – homes	1,762 tonnes	2,308 tonnes	
Waste – offices	2 tonnes	6 tonnes	
Waste - refurbishment	20 tonnes	170 tonnes	
Biodiversity – homes with ecological enhancements	2,000 homes	750 homes	
Adaption to climate change – homes protected from flooding	4,350 homes	1,150 homes	
Adaption to climate change – homes protected from overheating	3,700 homes	1,150 homes	

8.0 Development Strategy

During 2016-17 we positioned ourselves, through securing funding and planning consents, to deliver our pipeline of new housing development (175 homes over five years).

The number of starts on site was 56, which represents an increase of 83.9% on the previous year, compared to the whole sector increase in that time period of 13%.

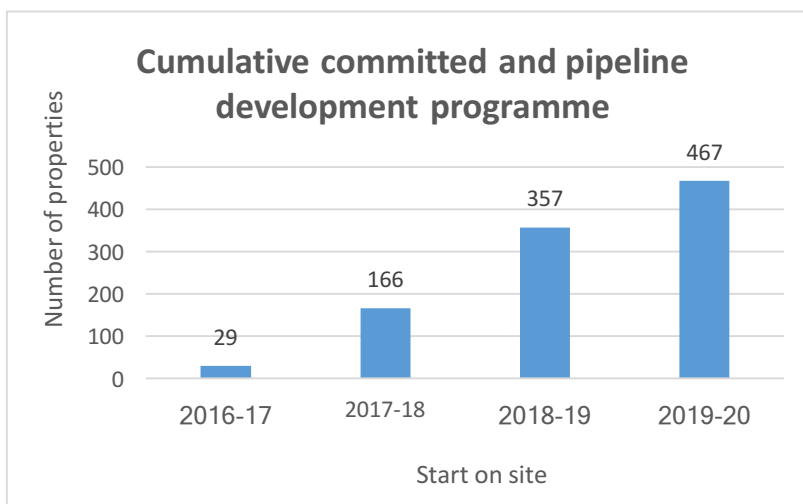
- Our value for money achievements directly support our development ambitions by generating operating surplus to be re-invested in growing social housing supply.
- In 2016-17 we generated a surplus of £3.3m up from £1.6m in 2015-16 to support our development ambitions.
- We are also maximising the tax efficiency of our development activities through our subsidiary company Broadland Development Services Ltd.
- Development of market for sale homes through Broadland St Benedict's (our wholly owned subsidiary company) will maximise the number of homes we can build for social rent and shared ownership.
- Our business plan forecasts a surplus of £7m from market sale homes over 4 years as an internal subsidy directly reinvested back into new social housing supply.

In a change to our Corporate Strategy the Board has approved future development of up to 800 new homes over four years (600 affordable rent and 200 market for sale) from 2017-18. This represents a much larger programme and a commitment to scale up the development programme significantly. Our strategy is ambitious but each committed scheme has been subject to formal appraisal parameters and is required to meet financial appraisal targets.

- Our innovative Land Options Agreement with North Norfolk District Council has now moved to build stage in 2017-18. It is predicated on meeting local housing need in five North Norfolk villages connected by a unilateral section 106 agreement that facilitates a mix of tenures tailored to each. With the sixth scheme in North Norfolk, these contribute 106 properties to the development pipeline below between 2016-17 and 2019-20:
 - 46 social rented properties
 - 19 shared ownership properties
 - 41 market sale properties
- 2016-17 has seen significant progress towards our ambitions to develop our site at Carrow Road in Norwich which is now expected to start construction in 2018.
- The scheme contributes 323 properties to the development pipeline between 2017-18 and 2019-20:
 - 154 social rented properties
 - 58 shared ownership properties
 - 111 market sale properties

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)



Through our treasury management activities we completed a revolving credit facility of £15m alongside our existing loan facilities which will deliver £75k savings in interest costs when compared to the alternative loan option.

In order to meet the capital spend requirement of our proposed development programme and other working capital needs we have identified future funding requirements of £50 million over the next 3 years. We are planning to make a capital markets issue in 2017-18 to meet part of this need.

Strategic priority to deliver our purpose	2016-17 outcome
Build new homes for rent and low cost home ownership	Eight new homes completed Sold 50% shares in six new shared ownership properties and stair cased a further nine to 100% One Intermediate Rent converted to shared ownership and then sold Two Right to Acquire sales

9.0 Our Tenancy Support Strategy

We have invested £248k in our Tenancy Support Team which has generated a positive impact on rent arrears as well as achieving social benefit outcomes (detailed in a later section).

239 tenants have been supported by the team during the year benefiting from; guidance on managing their finances; digital skills training; support into training and employment; and securing individual grant and benefit awards. 92% of tenants who received support rated the service as “very good”.

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

Strategic priority to deliver our purpose	2016-17 outcome
Reduce fuel poverty amongst our tenants	Energy advice provided to 43% of tenants referred to the service Disposal of low energy rated properties to generate a fund of £200k to re-invest in energy improvements to other properties
Help our tenants sustain their tenancies	85% of first time tenancies sustained after 12 months Number of evictions for rent arrears down to 18 compared to 34 in the previous year

Tenant gains include:

- £84k of benefit increases for tenants
- £42k in rent arrears reductions
- £31k of household grants awarded
- 30% increase in total tenant income

Organisational gains include:

- 85% of first time tenancies sustained after 12 months leading to savings on void and re-let costs
- 73% of first time tenancies not in rent arrears after 12 months

10.0 Our Digital by Default Strategy

Developing our digital services remains a top priority. We aim to ensure that our services to tenants, where appropriate, are available through digital access. We will also optimise our use of digital technology to achieve efficiency savings.

In 2016-17 we have:

- Established dedicated resource to delivering digital improvements
- Seen a 26% reduction in calls to our Contact Centre following the introduction of automated call direction technology
- Launched our tenant Digital Panel with its first consultation on how we communicate value for money information to our tenants
- Seen a 30% increase in tenants accessing our services digitally as measured by the number of log-ins (against our target of at least 10% increase per annum)
- Seen a 66% increase in tenants making rent payments online as a result of our Frontline and Customer Services staff promoting the facility

In 2017-18 we anticipate:

- A further 25% reduction in call volumes when the automated rent payment system becomes operational
- A series of tenant Digital Panel consultations to inform and shape the services we offer
- Further increase in digital interactions with tenants of at least 10%
- Full year recording of cost benefit analyses on system developments and use of digital technology

Broadland Housing Association

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

Strategic priority to deliver our purpose	2016-17 outcome
Develop digital services that benefit our customers and drive efficiencies in the business	Improvements to Tenants Online providing enhanced digital access to services 66% increase in rent payments made through Tenants Online since March 2016
Involve our residents in shaping the services we provide	Establishment of tenant Digital Panel and first consultation undertaken on Value for Money

11.0 Service Performance

We benchmark our performance against HouseMark sector data for the PlaceShapers peer group and review this at Group Board level on a quarterly basis.

HouseMark Benchmarked Performance Indicator	Performance vs PlaceShapers Peer Group							
	2015-16				2016-17			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarterly performance indicators								
Percentage of staff turnover in the year								
Average number of days lost to sickness absence								
Percentage of calls answered								
Average time taken to answer inbound calls								
Percentage of properties with a valid gas safety certificate								
Former tenant arrears as a percentage of total rent debit								
Current and former tenant arrears as % of total rent debit								
Rent arrears written off as a percentage of annual rent due								
Rent loss due to voids								
Average re-let times								
Percentage of properties vacant (available to let)								
Percentage of properties vacant (unavailable to let)								
Annual performance indicators								
Percentage of gas checks completed within timescale								
Rent collected current & former tenants excluding arrears b/f								
Rent collected current & former tenants including arrears b/f								
Current tenant arrears net of unpaid HB as % of rent debit								

Our call handling performance measures remain in the lower quartile as a result of delays to the full implementation of interactive voice recognition technology. To match the peer group median would require a significant increase in call handlers. Instead we are investing in digital technology and during 2017-18 we anticipate seeing the benefit of; interactive voice recognition for rent payments; full implementation of automated call direction; and our strategy to encourage online reporting of repairs; in these KPIs.

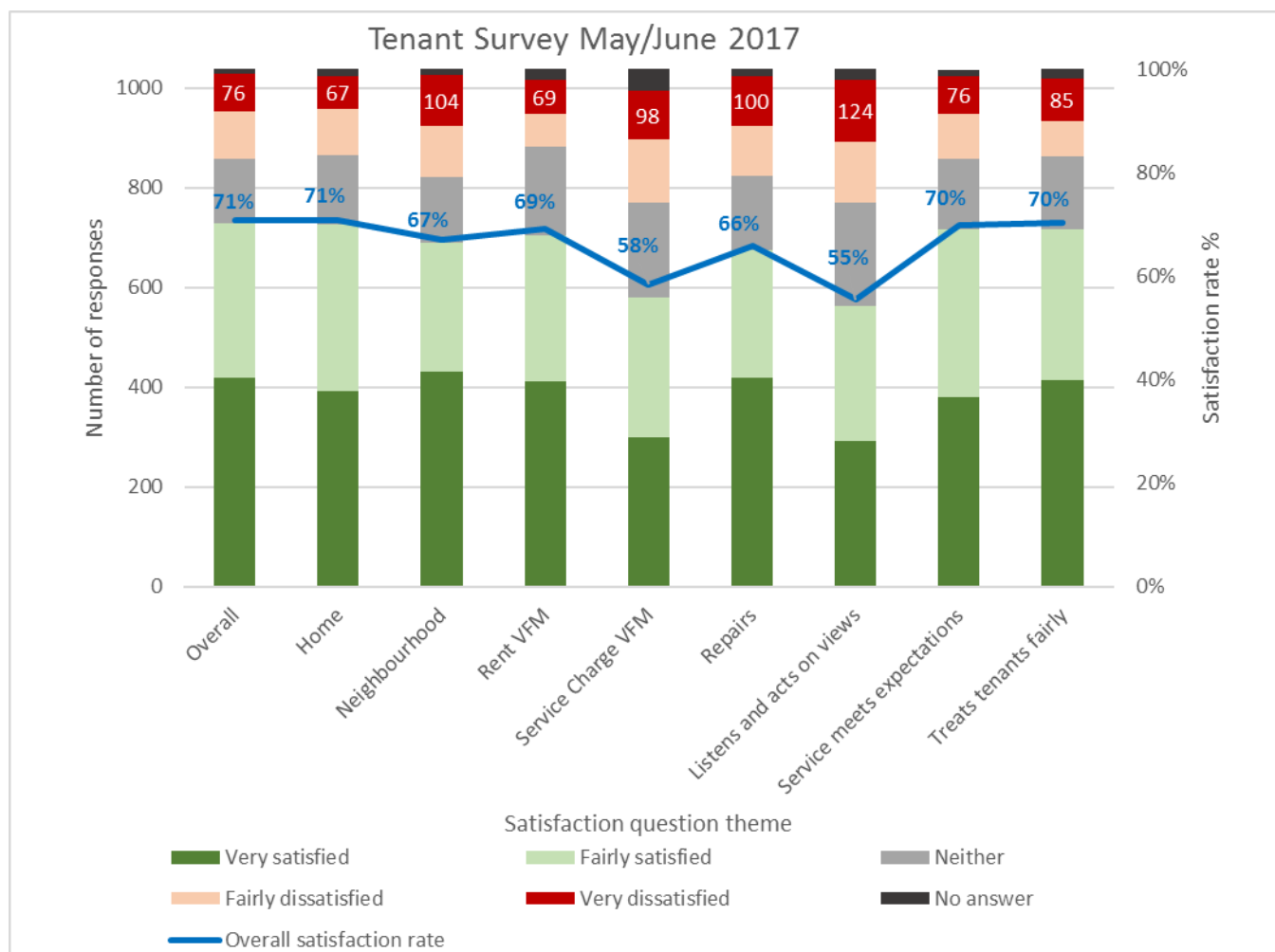
Our annual rent collection performance for both current and former tenants is in the lower quartile. This reflects the increase in both current and former tenant arrears during the year. We will continue scrutiny of rent collection performance and anticipate a reduction of the arrears balances in 2017-18 as a result of our “rent first” initiative and dedicated arrears management staff in our housing management team.

12.0 Tenant Satisfaction

Our Repairs Service transactional survey of tenant satisfaction shows a high satisfaction rate of 97.9%.

Our survey of tenants receiving assistance from our tenancy support team showed that 92% rated it as very good.

Through quarterly STAR surveys we measure our tenants' overall satisfaction with the services we provide. For 2016-17 this was 73% very satisfied or satisfied, marginally lower than the 2015-16 score of 77% (the sector median was 88%). We recognise that our satisfaction rates require improvement and we will be refreshing our data in quarter 1 of 2017-18. This will provide, for the first time, sufficient tenancy information to be able to address specific instances of dissatisfaction and facilitate lessons learned. The ways in which this tenant feedback shapes changes to our services will be communicated to tenants. Initial data analysis indicates areas for focus in 2017-18:



Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

13.0 Sector Scorecard

We have joined the pilot of the sector scorecard which aims to measure the efficiency of social housing providers. The data we submit to this will not only enable us to further assess our own performance compared to others but also facilitate sector-wide evidenced discussions with Government and the HCA on social housing efficiency. We anticipate that these efficiency measures will become the key approach used by the Homes and Communities Agency in its regulator role through a revised value for money standard later in 2017. We will be looking closely at the peer group data on these measures when it becomes available to set formal targets for these measures in due course.

Broadland Housing Association		2016-17	2015-16
1.	Operating margin – overall	33.9%	27.6%
2.	Operating margin – social housing lettings	34.3%	29.9%
3.	EBITDA MRI	169%	158%
4.	Units developed	8	14
5.	Units developed as a percentage of units owned	0.17%	0.29%
6.	Gearing	44.8%	49.8%
7.	Customers satisfied with the overall service provided by BHA	74%	77%
8.	Investment in new housing for every £1 generated from operations	7.2%	16%
9.	Investment in communities for every £1 generated from operations	3.6%	n/a
10.	Return on capital employed	3.4%	2.8%
11.	Occupancy	99.7%	99.8%
12.	Ratio of responsive repairs to planned maintenance spend	1.34:1	1.88:1
13.	Headline social housing cost per unit	£2,712	£3,350
	- Management cost per unit	£906	£1,133
	- Service cost per unit	£455	£428
	- Maintenance cost per unit	£916	£1,043
	- Major repairs cost per unit	£332	£508
	Other social housing cost per unit	£103	£238
14.	Rent collected	97.9%	98.7%
15.	Overheads as a percentage of adjusted turnover	12.8%	14.7%

Other measures that we consider relevant to demonstrating efficiency:

Number of evictions as a percentage of total stock: 0.5% reduced from 1.0% in 2015-16

Number of homeless families housed: 116 of our 553 lettings (21%) in 2016-17 were to our homeless properties.

14.0 Social Value

Our mission is to improve life opportunities for the people of Norfolk and North Suffolk through housing and support provision. The services provided by Broadland Housing Association offer considerably more than a landlord in the private rented sector.

Social Rent

- Our tenants benefit from rents set at below market rates. In 2016-17 the differential between market and social rent on our general needs properties totalled £11.4m. The average saved per tenant was £1,629, £3,040 and £4,127 per year on 1, 2 and 3 bedroom properties respectively.

Tenancy Support

- 24 tenants received digital skills training
- 26 tenants supported into work and volunteering
- 18 tenants helped into certified training

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

- Social rents also provide a benefit to society. Across our general needs portfolio 49.1% of tenants are in receipt of Housing Benefit. If this rate was extrapolated to the rent differential between the rent we charge and the comparative Local Housing Allowance, this amounts to a notional saving to the public purse of £2.2m per annum.
- The work of our Tenancy Support Team in relation to training and employment has delivered a social benefit of £180k. This has been calculated with reference to HACT (Housing Associations' Charitable Trust) data and is after deducting 15% to allow for any change that may have occurred without intervention. The staff salary cost to deliver this work was £56k so for each £1 invested in staff resource £3.20 in social benefit was generated.

Procurement

We comply with the Public Services (Social Value) Act 2012. During 2016-17 we have included a social value question in procurement tender offers as part of our procurement practice and if a supplier makes a social value offering this will become part of their contractual obligations. We expect to see the benefits of this new approach during 2017-18 when we will quantify the social value gains generated.

Development

We commissioned a study on the social impact and benefits to the community of our proposed development in the North Norfolk village of Binham.

Benefits included:

- access to affordable housing to local residents otherwise priced out of the housing market (average salary in the area of £18k versus cost: £157k for terraced or £376k for a detached property).
- estimated £2.84 benefit to the community for each £1 invested in construction in the East of England.

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

15.0 Our Value for Money Journey

15.1 Update on 2016-17 commitments

Commitment	Progress
Quantify savings achieved through efficient scheduling of gas servicing appointments	Our current access rate exceeds 80%, up from 69% four years ago. We are currently working collaboratively with Corgi Technical Services to further enhance this.
Continue work to collate and quantify social benefit achieved through our Tenancy Support Service	We have established the HACT (Housing Associations' Charitable Trust) categories that align with our services and established data recording to evidence the social values applied
Use data analytics to identify tenants at risk of welfare reform changes and provide tenancy support	Data analysis was used to identify specific tenants aged under 35 who would be affected by the LHA rate cap.
Projected renewable heat incentive income from biomass boiler of £35k	£33k income received in 2016-17 bringing the cumulative benefit since inception to £48k
Ongoing commitment to energy improvements to achieve a minimum EPC rating of C on all properties	During the year we have disposed of ring-fenced properties yielding £100k for re-investment in other properties. Delivering our commitment will require investment of £1.6m by March 2020.
Efficiency savings from revised governance arrangements relating to Board and Committee meetings	£20k per annum time and cost savings from digital management of Board and Committee administration.
Develop and implement project costing methodology for corporate projects	We have implemented a Cost and Efficiency Savings Log which captures the outcome of projects alongside all other VFM gains. Tracking of staff input to projects was trialled.
Implementation of changes to ASB case management system following on from corporate project which incorporated tenant feedback	IT system changes more time effective and screening process correctly identifies ASB cases. Number of cases reduced from 485 in 2015-16 to 372 in 2016-17. Follow-up tenant satisfaction survey in progress.
Achieve Procurement Plan savings target of £235k	Procurement initiatives have delivered £128k of savings in 2016-17 plus an additional NPV recurrent savings of £160k
Realise cost savings of £450k through planned organisational restructure	Organisational restructure complete and savings realised whilst remaining a 'living wage' employer.
Remap geographical areas covered by repairs staff to reduce travel time	Changes to operational scheduling and call out rotas resulting in staff salary saving of £19k
Implement Interactive Voice Recognition to reduce calls into the Customer Service Team	Implementation of automated call direction has resulted in a reduction in call volumes of 26% with tenants being automatically transferred to the correct service team

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

Achieve savings target of £40k per annum from closure of St Benedict's and King Street offices

Savings achieved and additional income from renting out office space with predicted income in 2017-18 of £25k.

15.2 Areas for focus in 2017-18:

We will continue to seek value for money efficiencies without adversely affecting the quality of the services we provide to our tenants. We will do this by:

- Delivering against the planned value gains outlined in the 2017-18 budget of £895k (detailed in the financial position section above)
- Continuing to monitor overhead costs, in particular IT and Premises to identify initiatives to deliver further value gains
- Continuing our review of below sector average STAR tenant satisfaction rates starting with an all tenant survey in May 2017
- Continuing to adapt to challenges in respect of income pressures arising from; the second of four annual 1% rent reductions; continued roll-out of Universal Credit and other welfare reform changes; Local Housing Allowance rates rent cap; and, the extension of the 1% rent reduction to our supported and sheltered housing schemes.
- Focusing on our development programme by bringing the remaining North Norfolk sites on site and the first phase of Carrow Quay on site once the procurement process has completed. We will also be starting to look at land to replace that released from our land bank.
- Continuing talking to tenants about various alternatives following the withdrawal of Supporting People funding, which we are in the early stages of doing. Options will be explored with the residents and their next of kin. Costs for each initiative will be identified and explained to them.
- Continuing discussions with Norfolk County Council to overhaul the current nomination process for Housing with Care in order to reduce void times and losses to BHA. The plan is to have a common procedure for the whole of Norfolk and simplify the process for customers.
- Obtaining Board approval of our Asset Policy. Following approval by the Board of our Asset Management Strategy we will further develop our Asset Management Policy. This will ensure robust integration with the Business Plan and development of an Asset Assessment Grid to support our evaluation of our assets and how they perform.

Compliance with HCA 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 HCA 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.

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.

Code of Governance

The Group has adopted the NHF Code of Governance "Code of Governance" as the governance code for the all entities within the Group subject to certain exceptions relating to the subsidiary companies where the Code does not always apply. 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. Broadland Housing Association, a Registered Provider with the Homes and Community Agency 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.

The Group is committed to upholding the highest standards of governance and aims to work within the requirements of the Code of Governance to this end. As required by the Code, we undertake an annual review the effectiveness of our governance arrangements and our Board's effectiveness. Our 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 Board. Performance against the Governance Action Plan and our assessment of compliance with the Code of Governance will inform the Annual Board Effectiveness Review going forwards to ensure governance arrangements remain fit for purpose.

A review of Broadland Housing Association's compliance with the Code of Governance will continue to be carried out annually in line with the Code's requirements.

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

The 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 twice yearly 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 four tenant Board Members.

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 Boards for approval. It submits an annual report on internal controls to the parent company board. Through the reports it receives, the Audit and Risk Committee gains comfort that the Group has appropriate systems of internal control and is able to comply with the Homes and Communities Agency'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 applications. In addition, the Remuneration Committee oversees the process for board member appraisal and reviews the process for board member appointment.

Governance

The Group Board is conscious of the significant challenges faced by the sector and the key role that governance plays in this respect. With this in mind and in line with the requirements of the NHF Code of Governance, we commissioned an independent review of our governance arrangements, as a source of external assurance on the robustness of our current

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

arrangements. The 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 were fully considered by Board members in a series of workshops which generated an Action Plan in March 2016. These actions have now been completed. Efficiency gains are being realised in relation to the structure and frequency of Group Board, Committee and Panel meetings which have taken effect from September 2016.

The Group Board remains committed to striving to maintain the highest standards of governance in order to retain the organisation's V1 G1 rating with the HCA and ensures that the governance arrangements are taken into consideration in the context of the changing political and economic environment. To this end, our board development arrangements have been enhanced to ensure a more cohesive approach across the annual board effectiveness review, succession planning, board recruitment, board appraisal process, board training and board induction. This should ensure that the governance framework across the Group and the skills set within its boards remain fit for purpose.

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.

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 in the financial statements.

Board Assessment of the effectiveness of internal control

The Board acknowledges its overall responsibility, applicable to all organisations within the Group, for establishing and maintaining the whole 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 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 2016 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 Board on the management of risk and internal controls throughout the year

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

- clearly defined management responsibilities for the identification, evaluation and control of significant risks
- annual management assurance statements signed by each Executive Director, confirming that effective controls have operated in respect of their directorates
- 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 which is 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 accreditation
- SHIFT: Broadland received a Gold accreditation this year and was the highest performing landlord out of 44 registered landlords; it was nominated for 4 awards and won two (Lean and Green and Best in Class – Existing Homes).

A fraud register is maintained, and is reviewed by the Group Audit and Risk Committee on a quarterly basis. A nil return was submitted to the HCA 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 Group 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'.

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

Post balance sheet events

There are no significant post balance sheet events likely to materially impact on these financial statements (see note 33).

Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

Board members' responsibilities

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

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are 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: 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.

Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them 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) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence 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 Management is prepared in accordance with the Statement of Recommended Practice: 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 members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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


Broadland Housing Association

Report of the Board of Management for the year ended 31 March 2017 (*continued*)

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.

BDO LLP have expressed their willingness to continue. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Jenny Manser
Chair

26 July 2017

Objectives and strategies to achieve those objectives

The board agreed a new corporate strategy for the period 2016-19 with 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 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 our Value for Money self-assessment on page 11.

Broadland Housing Association

Strategic report for the year ended 31 March 2017 *(continued)*

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:

Risk appetite parameter	Proposed minimum level
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

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; model also endorsed by the IoD)*

During this year the Group has adopted the below assurance map for use, to clarify the various areas of its effective risk management to identify and mitigate threats to the achievement of the corporate strategy.

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' Assurance statements, submitted annually
- RAP meetings and decision-making

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

- Leadership Group monthly meetings to assess, rate and 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; implementation of retendered coverage planned for April 2018

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

- Internal audit – planned annually in conjunction with Corporate Strategy, risk registers and current developments in the sector
- External audit of financial statements

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

Broadland Housing Association

Strategic report for the year ended 31 March 2017 (*continued*)

Principal risks and uncertainties

Risks that may prevent Broadland Housing Group (the Group) achieving its objectives are considered and reviewed on a monthly basis by the Group Directors, at each meeting of the Group Audit and Risk Committee (four times a year) and annually by the Board. Each member of the Group Audit and Risk Committee also attends the Group Directors' monthly risk meeting at least once a year.

The risks are recorded and assessed in terms of their impact and 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, and the outcome of actions taken. A summary of the highest rated risks and related actions as at 31 March 2017 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 'unviability' of the Group.	<p>The Group has this year continued its active horizon scanning in order to remain fully up to date in terms of new legislation. In doing this, it has been particularly aware of those changes to welfare and/or benefit policy changes that would potentially have a significant negative effect on either its individual tenants, or on the viability of the Group as a whole.</p> <p>Further steps are taken in specific areas where changes are likely to result in difficulties being experienced by particular groups of the Group's tenants, to ensure that the Group is well placed to support tenants in these situations.</p> <p>Changes to government policy are also included in 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 policy changes.</p>
Failure to agree and implement a Digital by Default strategy leading to lost business improvement opportunities and failure to meet customer and stakeholders' evolving needs.	<p>This risk is being mitigated through constant and sustained attention from the newly formed Digital Engagement team (launched this year during summer 2016), which is working to improve both the Group's digital capability and its use of the potential this unlocks.</p> <p>The major focus of this strategy is to improve the digital services offered to tenants online, to allow them maximum ownership and direct control of interactions and transactions conducted with the Group. Close attention is paid to the levels of usage of online services, to identify any barriers to engagement as early as possible.</p>

Broadland Housing Association

Strategic report for the year ended 31 March 2017 (*continued*)

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	<p>The group recognises the importance of continuing to develop and enhance the financial systems and provision contained in its digital infrastructure. A joint meeting between the Finance team and the RSL (digital provision) team was held in August 2016, to identify and scope the requirements for additional programming to enable more reliance on and use of the system.</p> <p>Since then, rollout and user testing of the amended system has taken place, to ensure understanding and effective use of the identified improvements.</p>
Introduction of Direct Payments / Universal Credits resulting in increased arrears, breach of covenants and difficulty in delivering corporate strategy	<p>Although the number of tenants affected by this area of Welfare Reform remains small, Broadland has been preparing a comprehensive response, both to support these tenants as much as necessary, and also to ensure its approach is strong enough to scale up when numbers increase.</p> <p>This includes direct work with affected tenants, monitoring and responding to arrears at early stages, and working with Money Advice and credit unions, as well as liaison with key local contacts and national lobbying.</p> <p>An internal audit was completed in June 2017 which confirmed that the association is largely prepared through the approach and processes we are adopting, as the numbers of tenants affected by this change increases. Through this process, Broadland will seek assurance on its current practice, and will also have access to best practice examples which may identify areas for further improvement.</p>
Reductions in tax credits, council tax benefits, disability benefits and increasing restrictions on amount of benefits payable including benefit freezes, leading to reduced income for customers and increasing arrears for the association	<p>During this year Broadland has been undertaking a customer profiling exercise which has allowed an analysis of customers most at risk from these changes. This has been presented to Leadership Group and continues to be monitored at a high level. In addition to this, Broadland has launched a Service Charge Cost Reduction project (<i>Objective: to look at how [the] cost of services can be reduced for our tenants to ensure value for money and that levels are under LHA</i>). In conjunction with the provision of increased levels of tenancy support and promoting applications for Discretionary Housing Payments to councils, Broadland is mitigating the risk to its tenants at a frontline level as well as through its strategic approach.</p>
Introduction of Government policy decreasing the benefit cap from £26k to £20k resulting in increased rent arrears leading to weaker financial performance and increased tenant poverty.	<p>Further to a tenant survey conducted last year in preparation for the implementation of this policy, the Group has reliable data on the huge majority of its tenants, though it continues to aim for 100% of tenant data being in place.</p> <p>Working with the data it has, the group is implementing a programme of ongoing monitoring of individual households affected by these policy changes, which is being overseen by the Frontline directorate management team. Visits are continuing to tenants affected by the cap, to identify the need for support and offer this where appropriate.</p>

Broadland Housing Association

Strategic report for the year ended 31 March 2017 (*continued*)

	<p>Alongside this initiative, the group is also running projects on Service Charge Cost Reduction (see above risk) and Income Collection (<i>Objectives: to examine current methods of payment and adopt strategies for reducing costs; to analyse forthcoming benefit changes and their likely impact on BHA; to examine and recommend ways of minimising their impact; to improve communications and transfer of data with DWP and Local Authorities; to review our processes for arrears collection and enforcement; and to review our processes for collecting FTA & recharges</i>). The intention of all these activities is to support tenants affected by this benefit decrease, and avoid rent arrears wherever possible.</p>
Changes to benefit eligibility, including sanctions, resulting in higher rent arrears, potential eviction and reputational damage	<p>The group continues to monitor this changing benefit situation closely, and is putting additional strategies in place to respond to particular announcements; for example, it is developing a strategy (led by executive directors) to respond to the need for distinct provision for under 35 year olds who will be adversely affected by recent changes. The Income Collection project (see the above risk) will also help with this approach.</p>
Failure to recruit or retain key staff / teams leading to inability to deliver strategic objectives resulting in inadequate service to our customers	<p>The likelihood of occurrence of this risk has increased recently due to extended difficulty experienced in recruiting BRS operatives, particularly in a few specific roles. In response, the group has introduced a new pay structure within this area of its operations, to reflect the market relating to these roles. This supports the group's robust structure which covers all roles, including clear job descriptions, competitive remuneration packages, continuity planning, and a variety of staff engagement mechanisms. This area remains under continuous review so that the group is prepared for further fluctuations in the labour market.</p>
Failure to comply with Data Protection regulations resulting in financial penalties.	<p>The Group has a strong Data Protection Policy and procedures, which are regularly reviewed. Staff training in the policy and on day to day implementation has been provided throughout the year.</p> <p>All IT equipment is password protected and these passwords are regularly updated in line with good practice requirements.</p> <p>After the successful launch and implementation of a 'Going Paperless' project this year, all tenant files have now been scanned into computerised systems, making them much more secure and less vulnerable to loss.</p> <p>Progress has been made this year on implementing a Hacking Response Plan (currently pending further required information from Microsoft), and plans are also in place to commission a company to attempt to hack the group's systems, to test their robustness.</p> <p>Future planned improvements include a move to digital tenancy files for greater security and backup of data, as well as an improved hacking response plan to respond to this new area of potential risk.</p>

Broadland Housing Association

Strategic report for the year ended 31 March 2017 (*continued*)

Inaccurate and incomplete service charge assessments leading to incorrect charging, resulting in reduced income and reputational damage	<p>BHG is responding to this risk in a variety of ways, including independent assurance from an internal audit on service charges in November 2016, which gave the Group 'reasonable assurance' in this area as a result of the mitigating strategies already in place.</p> <p>Further to this, BHG is halfway through a 'Service Charge Reporting' project launched during this year. The effect of this project will be to improve the transparency of service charges, and thereby effectively mitigate this risk.</p>
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Financial performance and development activity during the financial year

A surplus of £3.3m was achieved (2016:£1.6m) which strengthened reserves for planned development activity in the future. The Group has embarked on a renewed development programme of new homes across Norfolk with various partners, even where grant remains unavailable or unviable for our business model. Overall, operating costs have risen at a slower rate than revenue leading to an increased operating margin of 33.9% (2016: 27.6%) which has largely been caused by procurement and other management cost efficiencies. 2016 operating margin was adversely affected by the triennial pensions revaluation impact of £0.8m. Without the pensions revaluation (which relates to historic defined benefit arrangements) 2016 operating margin would have increased to 30.0%.

Broadland Housing Association

Strategic report for the year ended 31 March 2017 (*continued*)

Future prospects

Our forward business plan projections assume that operating margin will increase over the next four 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 26 July 2017.



Jenny Manser
Chair

Broadland Housing Association

Independent auditor's report for the year ended 31 March 2017

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

We have audited the financial statements of Broadland Housing Association for the year ended 31 March 2017 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 reserves, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the 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 association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board members' responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2017 and of the group's and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

Broadland Housing Association

Independent auditor's report for the year ended 31 March 2017 (*continued*)

- have been prepared in accordance with the requirements of 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.

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 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.



*BDO LLP, statutory auditor
Norwich, Norfolk
United Kingdom*

26 July 2017

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 2017


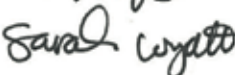
	Note	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Turnover (*)	4	27,428	28,117	27,288	27,872
Operating costs	4	(18,372)	(20,548)	(18,170)	(20,264)
Final staircasing of shared ownership properties	11	116	276	116	276
Surplus on disposal of other housing properties	11	100	-	100	-
Other income		34	118	34	118
Operating surplus (*)	4/7	9,306	7,963	9,368	8,002
Other interest receivable and similar income	12	125	122	124	121
Interest and financing costs	13	(6,113)	(6,464)	(6,113)	(6,464)
Changes in fair value of investments	18	22	(17)	22	(17)
Movement in fair value of investment properties	17	-	6	-	6
Surplus before taxation		3,340	1,610	3,401	1,648
Taxation on surplus	14	(1)	-	-	-
Surplus for the year and total comprehensive income for year		3,339	1,610	3,401	1,648

(*) prior year comparatives have been reclassified to conform with the current year presentation as explained in note 2

All activities relate to continuing operations.

The notes on pages 50 to 89 form part of these financial statements.

The financial statements were approved by the Board of Management and authorised for issue on 26 July 2017.

Chair – Jenny Manser

Vice Chair – Jonathan Barber

Secretary – Sarah Wyatt

Broadland Housing Association

Consolidated and Association balance sheets at 31 March 2017

	Note	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Fixed assets					
Tangible fixed assets – housing properties	15	260,172	263,906	260,439	264,170
Other tangible fixed assets	16	2,572	2,779	2,572	2,779
Investment properties	17	1,031	1,031	1,031	1,031
Investments – other	18	158	132	158	132
		263,933	267,848	264,200	268,112
Current assets					
Properties held for sale	19	3,106	459	3,106	459
Trade and other debtors	20	2,514	2,661	2,601	2,768
Cash and cash equivalents		14,694	13,256	14,308	12,873
		20,314	16,376	20,015	16,100
Creditors: amounts falling due within one year (*)	21	(8,941)	(7,163)	(8,973)	(7,277)
Net current assets		11,373	9,213	11,042	8,823
Total assets less current liabilities		275,306	277,061	275,242	276,935
Creditors: amounts falling due after more than one year (*)	22	(256,681)	(261,775)	(256,681)	(261,775)
Net assets		18,625	15,286	18,561	15,160
Capital and reserves					
Income and expenditure reserve		18,438	15,121	18,374	14,995
Investment reserve		57	35	57	35
Restricted reserve		95	95	95	95
Revaluation reserve		35	35	35	35
		18,625	15,286	18,561	15,160

(*) prior year comparatives have been reclassified to conform with the current year presentation as explained in note 2

The notes on pages 54 to 86 form part of these financial statements

The financial statements were approved by the Board of Management and authorised for issue on 26 July 2017.





Chair – Jenny Manser

Vice Chair – Jonathan Barber

Secretary – Sarah Wyatt

Broadland Housing Association

Consolidated statement of changes in reserves for the year ended 31 March 2017

	Income and expenditure reserve	Investment reserve	Restricted reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2016	15,121	35	95	35	15,286
Surplus and total comprehensive income for the year	3,317	22	-	-	3,339
Balance at 31 March 2017	18,438	57	95	35	18,625

	Income and expenditure reserve	Investment reserve	Restricted reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2015	13,500	52	95	29	13,676
Surplus/(deficit) and total comprehensive income/(expense) for the year	1,621	(17)	-	6	1,610
Balance at 31 March 2016	15,121	35	95	35	15,286

Broadland Housing Association

Association statement of changes in reserves for the year ended 31 March 2017

	Income and expenditure reserve	Investment reserve	Restricted reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2016	14,995	35	95	35	15,160
Surplus and total comprehensive income for the year	3,379	22	-	-	3,401
Balance at 31 March 2017	18,374	57	95	35	18,561

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	Investment reserve	Restricted reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2015	13,336	52	95	29	13,512
Surplus/(deficit) and total comprehensive income (expense) for the year	1,659	(17)	-	6	1,648
Balance at 31 March 2016	14,995	35	95	35	15,160

Broadland Housing Association

Consolidated statement of cash flows for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Surplus for the financial year	4/7	3,339	1,610
Adjustments for:			
Interest payable	13	6,113	6,464
Interest receivable	12	(125)	(122)
Net fair value losses recognised in profit or loss	17/18	26	11
Surplus on the sale of fixed assets- housing properties	11	(216)	(276)
Surplus arising on low cost home ownership sales	4	(104)	(404)
Depreciation of fixed assets - housing properties	15	3,159	3,649
Depreciation of fixed assets - leasehold properties	15	239	270
Depreciation of fixed assets – other	16	809	768
Amortisation housing grant	23	(1,006)	(978)
Loan issue costs amortised	13	66	63
Pensions costs less pensions payable	28	(233)	736
Decrease (increase) in properties for sale	19	(2,647)	(248)
Decrease (increase) in trade and other debtors	20	301	(290)
Increase (decrease) in trade creditors	21/23	439	(362)
Proceeds from sale of fixed assets – housing properties	11	1,266	687
Net cash generated from operating activities		11,426	11,578
Cash flows from investing activities			
Purchase of fixed assets – housing properties, net of increase in properties for sale	15	671	(1,759)
Capitalised improvement expenditure	15	(1,458)	(1,175)
Purchases of fixed assets – other	16	(603)	(712)
Social housing grant and other grants	23	551	485
Interest received	12	125	122
Net cash from investing activities		(714)	(3,039)
Cash flows from financing activities			
Interest paid		(6,134)	(6,553)
Debt issue costs incurred		9	(7)
Repayment of loans		(3,149)	(1,733)
Net cash used in financing activities		(9,274)	(8,293)
Net increase / (decrease) in cash and cash equivalents		1,438	246
Cash and cash equivalents at beginning of year		13,256	13,010
Cash and cash equivalents at end of year		14,694	13,256

The notes on pages 54 to 86 form part of these financial statements.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017

INDEX OF NOTES

General notes

- 1 Legal status
- 2 Accounting policies
- 3 Judgements in applying accounting policies and key sources of estimation uncertainty

SOCI related notes

- 4 Particulars of turnover, cost of sales, operating costs and operating surplus
- 5 Income and expenditure from social housing lettings
- 6 Units of housing stock
- 7 Operating surplus
- 8 Employees
- 9 Directors' and senior executive remuneration
- 10 Board members
- 11 Surplus of disposal of fixed asset
- 12 Interest receivable and income from investments
- 13 Interest payable and similar charges
- 14 Taxation on surplus on ordinary activities

Balance sheet related notes

- 15 Tangible fixed assets – housing properties
- 16 Other tangible fixed assets
- 17 Investment properties
- 18 Fixed asset investments
- 19 Properties for sale
- 20 Debtors
- 21 Creditors: amounts falling due within one year
- 22 Creditors: amounts falling due after more than one year
- 23 Deferred capital grant
- 24 Recycled capital grant fund
- 25 Disposal Proceeds Fund
- 26 Loans and borrowings
- 27 Pensions deficit contributions liability
- 28 Pensions
- 29 Share capital
- 30 Operating leases
- 31 Capital commitments
- 32 Capital and reserves
- 33 Post balance sheet event

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

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 Homes and Communities Agency as a social housing provider.

2 Accounting policies

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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It 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.

The following principal accounting policies have been applied:

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.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Accounting policies (continued)

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.

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

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),
- First tranche sales of Low Cost Home Ownership housing properties developed for sale.
- Service charges receivable,
- Revenue grants and proceeds from the sale of land and property

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.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Accounting policies (continued)

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 Limited, Broadland Meridian, Charlie's Social Enterprise Community Interest Company and Meridian East Property Services Limited are all part of the VAT group. Broadland St Benedicts also joined this VAT group from April 2017.

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.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Accounting policies (continued)

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 so accrued at the balance sheet date.

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 includes 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.

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.

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

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.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Accounting policies (continued)

The cost of all housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Freehold land is not depreciated.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

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

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

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.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Accounting policies (continued)

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 related sales proceeds 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 stated 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.

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 range as follows:

Description	Economic useful life (years)
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

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Accounting policies (continued)

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 'other operating income' in 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 HCA 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 HCA 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".

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Accounting policies (continued)

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) Sales 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 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. Changes in fair value are recognised in income or expenditure.

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 market value at each balance sheet date. Gains and losses on remeasurement are recognised in the statement of comprehensive income for the period.

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 to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at VIU-SP.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Accounting policies (continued)

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.

Property for sale

Property for sale represents work in progress and completed properties, properties developed for outright sale; and shared ownership properties. For shared ownership properties the value held as stock 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 and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

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.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Accounting policies (continued)

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

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 approximately to ownership (finance leases), the assets are 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 profit or loss over the shorter of estimated useful economic life and the term of the lease.

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

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss 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 measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Accounting policies (continued)

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

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

The revaluation reserve is created from surpluses on the revaluation of investment property a separate reserve has been established to distinguish unrealised surpluses.

Prior year comparatives

Certain prior year comparative information in both the Income Statement and the Balance Sheet has been reclassified to conform to the presentation adopted in the current year. In particular, reclassifications from turnover to other categories above operating surplus have been made. Additionally, the Group's policy has been amended so that the staircasing of shared ownership properties and other income are now included as part of Operating Surplus and the pension liability is presented as a creditor rather than a provision. This has no effect on the reported surplus or total assets, total liabilities and net assets.

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

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the group's tangible 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. The members 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. The members have also considered impairment based on their assumptions to define cash or asset generating units.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs 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 also based on the member's best estimate of sales value based on economic conditions within the area of development.
- the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 15 and 16)*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

- *Rental and other trade receivables (debtors) (see note 20)*

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 forming part of the financial statements for the year ended 31 March 2017 (continued)

4 Particulars of turnover, cost of sales, operating costs and operating surplus – Group			
	Turnover	Operating costs	Operating surplus/ (deficit)
	2017	2017	2017
	£'000	£'000	£'000
Social housing lettings (Note 5)	26,434	(17,374)	9,060
Other Social Housing Activities			
First tranche low cost home ownership sales	572	(468)	104
Supporting people	72	(22)	50
Supported housing management	62	(80)	(18)
Other management	42	-	42
Other income	87	-	87
Development services	19	(229)	(210)
Support services	140	(193)	(53)
Broadland St Benedicts	-	(6)	(6)
	27,428	(18,372)	9,056
Other operating activities (Note 11)			
Final staircasing	196	(80)	116
Surplus on disposal of other housing properties	261	(161)	100
Other income	79	(45)	34
	536	(286)	250
	27,964	(18,658)	9,306

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

4 Particulars of turnover, cost of sales, operating costs and operating surplus – Group (continued)

	Turnover	Operating costs	Operating surplus/ (deficit)
	2016 £'000	2016 £'000	2016 £'000
Social housing lettings (Note 5)	26,537	(18,597)	7,940
Other Social Housing Activities			
First tranche low cost home ownership sales	1,213	(809)	404
Supporting people	69	(22)	47
Supported housing management	40	(50)	(10)
Other management	13	(13)	-
Development services	-	(773)	(773)
Support services	245	(302)	(57)
Broadland St Benedicts	-	18	18
	28,117	(20,548)	7,569
Other operating activities (Note 11)			
Right to acquire sales	228	(111)	117
Surplus on disposal of other housing properties	459	(300)	159
Commercial property income	160	(42)	118
	847	(453)	394
	28,964	(21,001)	7,963

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

4 Particulars of turnover, cost of sales, operating costs and operating surplus – Association			
	Turnover	Operating costs	Operating surplus/ (deficit)
	2017	2017	2017
	£'000	£'000	£'000
Social housing lettings (Note 5)	26,434	(17,374)	9,060
Other social housing Activities			
First tranche low cost home ownership sales	572	(468)	104
Supporting people	72	(22)	50
Supported housing management	62	(80)	(18)
Other management income	42	-	42
Commercial properties	87	-	87
Development services	19	(226)	(207)
	27,288	(18,170)	9,118
Other operating activities (Note 11)			
Final staircasing	196	(80)	116
Surplus on disposal of other housing properties	261	(161)	100
Other income	79	(45)	34
	536	(286)	250
	27,824	(18,456)	9,368
	Turnover	Operating costs	Operating surplus/ (deficit)
	2016	2016	2016
	£'000	£'000	£'000
Social housing lettings (Note 5)	26,537	(18,597)	7,940
Other social housing Activities			
First tranche low cost home ownership sales	1,213	(809)	404
Supporting people	69	(22)	47
Supported housing management	40	(50)	(10)
Other management income	13	(13)	-
Development services	-	(773)	(773)
	27,872	(20,264)	7,608
Other operating activities (Note 11)			
Right to acquire sales	228	(111)	117
Disposal of other housing properties	459	(300)	159
Commercial property income	160	(42)	118
	847	(453)	394
	28,719	(20,717)	8,002

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

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

	General needs £'000	Supported housing £'000	Low cost home ownership £'000	Other £'000	Total 2017 £'000	Total 2016 £'000
Income						
Rents net of identifiable service charges	19,402	3,412	200	117	23,131	23,245
Service charge income	994	1,287	15	1	2,297	2,314
Amortised government grants	835	163	8	-	1,006	978
Turnover from social housing lettings	21,231	4,862	223	118	26,434	26,537
Expenditure						
Management	(3,869)	(622)	(40)	(10)	(4,541)	(5,627)
Service charge costs	(1,311)	(959)	(12)	(1)	(2,283)	(2,127)
Routine maintenance	(3,782)	(640)	-	(1)	(4,423)	(5,030)
Planned maintenance	(26)	(146)	-	-	(172)	(153)
Major repairs expenditure	(1,405)	(258)	-	-	(1,663)	(1,351)
Bad debts	(145)	(38)	-	(5)	(188)	(253)
Depreciation of housing properties:						
- annual charge	(3,464)	(490)	32	14	(3,908)	(3,918)
- accelerated on disposal of components	(188)	(8)	-	-	(196)	(138)
Operating expenditure on social housing lettings	(14,190)	(3,161)	(20)	(3)	(17,374)	(18,597)
Operating surplus on social housing lettings	7,041	1,701	203	115	9,060	7,940
Void losses - rent	(120)	(90)	-	-	(210)	(190)
Void losses – service charge	(12)	(40)	-	-	(52)	(43)
	(132)	(130)	-	-	(262)	(233)

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

6 Units of housing stock

GROUP and ASSOCIATION

	2017 Number	2016 Number
General needs housing:		
- Social rent	3,932	3,904
- Affordable rent	91	80
Low cost home ownership	125	132
Supported housing	131	166
Housing for older people	594	594
Intermediate rent	66	67
 Total social housing units	 4,939	 4,943
Residential care home bed spaces	25	25
Student accommodation	1	5
Respite care homes	10	10
 Total owned	 4,975	 4,983
 Accommodation managed for others	 25	 25
Leasehold managed	14	14
 Total owned and managed accommodation	 5,014	 5,022
 Units under construction	 14	 8

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

7 Operating surplus

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
This is arrived at after charging:				
Depreciation of housing properties:				
- annual charge	3,908	3,919	3,908	3,919
Depreciation of other tangible fixed assets	809	723	809	723
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	28	26	21	26
- fees for audit of accounts of associated entities	-	8	-	-
- fees for other services	-	-	-	-
Defined contribution pension contributions	195	200	191	191
Defined benefit pension contributions	84	968	84	968
Total pension costs (note 28)	279	1,168	275	1,159
Operating lease costs – office equipment		10		10

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

8 Employees

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	5,535	5,903	5,389	5,607
Social security costs	527	505	521	488
Defined benefit scheme (note 28)	463	381	463	381
Defined contribution scheme	195	200	191	191
	6,720	6,989	6,564	6,667

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:

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Office staff	95	109	91	100
Scheme managers and operatives	86	90	86	90
	181	199	177	190

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

9 Directors' and senior executive remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 2, who are also considered to be the Key Management Personnel of the Group and Association.

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Executive directors' emoluments	554	565	554	565
Amounts paid to non-executive directors	46	50	42	44
	600	615	596	609

The total amount payable to the Chief Executive (who was also the highest paid director) in respect of emoluments was £134k (2016 - £131k). Pension contributions of £15k (2016 - £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 (2016 - 3).

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards:

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
£60,000 - £69,999	1	2	1	2
£70,000 - £79,999	2	1	2	1
£80,000 - £89,999	1	-	1	-
£90,000 - £99,999	2	2	2	2
£100,000 - £109,999	-	2	-	2
£110,000 - £119,999	1	-	1	-
£120,000 - £129,999	-	-	-	-
£130,000 - £139,999	-	1	-	1
£140,000 - £149,999	1	-	1	-

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

10 Board members

Board Member	Members of								
	Remuneration	BHA Board	Broadland Meridian Board	Group Audit & Risk Committee	Group Remuneration & Membership Committee	Maintenance & Asset Management *	Frontline Panel*	Capital Funding *Panel	
Non-executive directors									
Jonathan Barber	5.0	Vice Chair		Chair	✓			✓	
Richard Hawthorn	3.5	✓		✓		✓	✓		
Jenny Manser	7.5	Chair	✓		✓		✓		
Helen Skoyles	2.5	✓					✓		
Kate Slack	5.0	✓				Chair		✓	
Paul Slyfield	5.0	✓		✓	Chair			Chair	
Gavin Tempest	5.0	✓	Chair	✓		✓	Chair		
Siobhan Trice (co-opted 01.03.2017)	0.3								
Samantha England (co-opted 01.03.2017)	0.3								
Former non-executive directors									
Alison Inman (resigned 27.11.2016)	6.6	Chair			✓				
Louise Wiseman (resigned 30.07.2016)	1.0	✓				✓	✓		
Other Board/Committee members									
Martin Clark				✓					
Susan Guest (resigned 26.05.2016)				✓					
Michael Newey (CEO)		✓		✓				✓	

*These panels were discontinued in September 2016.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

11 Surplus on disposal of fixed assets

GROUP and ASSOCIATION	Right to acquire 2017 £'000	Other housing properties 2017 £'000	Total 2017 £'000	Total 2016 £'000
Housing Properties:				
Disposal proceeds	255	457	712	687
Carrying value of fixed assets	(73)	(106)	(179)	(173)
Selling costs	(3)	(18)	(21)	(35)
	179	333	512	479
Recycled capital grant fund (note 24)	-	(117)	(117)	(48)
Disposals proceeds fund (note 25)	(179)	-	(179)	(155)
Total surplus on sale of fixed assets	-	216	216	276

Proceeds from sale of shared ownership properties are included in Note 4.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

12 Interest receivable and income from investments

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Interest receivable from long term deposits and bank deposits	118	116	117	115
Dividend income from unit trusts and shares	7	6	7	6
	125	122	124	121

13 Interest payable and similar charges

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Bank loans, overdrafts and other loans	6,409	6,462	6,409	6,462
Loan issue costs amortised	66	63	66	63
	6,475	6,525	6,475	6,525
Interest capitalised on construction of housing properties	(362)	(61)	(362)	(61)
	6,113	6,464	6,113	6,464

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

4.42% 4.42%

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

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 and ASSOCIATION

	2017 £'000	2016 £'000
Corporation tax		
Adjustment in respect of prior periods	1	-

The tax charge arising in Broadland St Benedicts for the year of £1k is comprised of an adjustment in respect of the prior year of £2k net of taxable losses arising in the year of £1k.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (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						
<i>Cost or valuation:</i>						
At 1 April 2016	289,645	11,970	8,272	4,986	193	315,066
Additions:						
- construction costs	-	-	1,951	-	428	2,379
- replaced components	1,454	4	-	-	-	1,458
- transfer	1,697	-	(1,697)	-	-	-
Reclassification of properties	(68)	50	(1,973)	-	1,973	(18)
Transfer to properties held for sale	-	-	(1,381)	-	(1,725)	(3,106)
Disposals:						
- sales	(340)	-	-	(72)	-	(412)
- replaced components	(587)	(50)	-	-	-	(637)
At 31 March 2017	291,801	11,974	5,172	4,914	869	314,730
<i>Depreciation:</i>						
At 1 April 2016	47,260	3,736	-	164	-	51,160
Charge for the year	3,634	239	-	35	-	3,908
Eliminated on disposals:						
- replaced components	(442)	-	-	-	-	(442)
- other	(68)	-	-	-	-	(68)
At 31 March 2017	50,384	3,975	-	199	-	54,558
Net book value at 31 March 2017	241,417	7,999	5,172	4,715	869	260,172
Net book value at 31 March 2016	242,385	8,234	8,272	4,822	193	263,906

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (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
ASSOCIATION						
<i>Cost or valuation:</i>						
At 1 April 2016	289,909	11,970	8,272	4,986	193	315,330
Additions:						
- construction costs	-	-	1,954	-	428	2,382
- replaced components	1,454	4	-	-	-	1,458
- transfer	1,697	-	(1,697)	-	-	-
Reclassification of properties	(68)	50	(1,973)	-	1,973	(18)
Transfer to properties held for sale	-	-	(1,381)	-	(1,725)	(3,106)
Disposals:						
- sales	(340)	-	-	(72)	-	(412)
- replaced components	(587)	(50)	-	-	-	(637)
At 31 March 2017	292,065	11,974	5,175	4,914	869	314,997
<i>Depreciation:</i>						
At 1 April 2016	47,260	3,736	-	164	-	51,160
Charge for the year	3,634	239	-	35	-	3,908
Eliminated on disposals:						
- replaced components	(442)	-	-	-	-	(442)
- other	(68)	-	-	-	-	(68)
At 31 March 2017	50,384	3,975	-	199	-	54,558
Net book value at 31 March 2017	241,681	7,999	5,175	4,715	869	260,439
Net book value at 31 March 2016	242,649	8,234	8,272	4,822	193	264,170

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

15 Tangible fixed assets - Housing properties (continued)

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
The net book value of housing properties may be further analysed as:				
Freehold	252,173	255,672	252,440	255,936
Long leasehold	7,552	7,647	7,552	7,647
Short leasehold	447	587	447	587
	260,172	263,906	260,439	264,170
Interest capitalisation				
Interest capitalised in the year	362	61	362	61
Rate used for capitalisation				
	4.42%	4.42%	4.42%	4.42%
Works to properties				
Improvements to existing properties capitalised	1,458	1,174	1,458	1,174
Major repairs expenditure to income and expenditure account	1,663	1,351	1,663	1,351
	3,121	2,525	3,121	2,525

Finance Leases

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

Properties held for security

Broadland Housing Association had property with a net book value of £198,336k pledged as security at 31 March 2017 (2016 - £219,452k).

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

16 Other tangible fixed assets				
Group	Freehold office buildings £'000	Leasehold office buildings £'000	Office and computer equipment £'000	Total £'000
<i>Cost</i>				
At 1 April 2016	978	1,201	5,002	7,181
Additions	-	-	603	603
Disposals	-	-	(31)	(31)
At 31 March 2017	978	1,201	5,574	7,753
<i>Depreciation</i>				
At 1 April 2016	24	505	3,873	4,402
Charge for year	12	63	734	809
Disposals	-	-	(30)	(30)
At 31 March 2017	36	568	4,577	5,181
<i>Net book value</i>				
At 31 March 2017	942	633	997	2,572
At 31 March 2016	954	696	1,129	2,779
Association	Freehold office buildings £'000	Leasehold Office Buildings £'000	Office and computer equipment £'000	Total £'000
<i>Cost</i>				
At 1 April 2016	978	1,201	4,859	7,038
Additions	-	-	603	603
Disposals	-	-	(31)	(31)
At 31 March 2017	978	1,201	5,431	7,610
<i>Depreciation</i>				
At 1 April 2016	24	505	3,730	4,259
Charge for year	12	63	734	809
Disposals	-	-	(30)	(30)
At 31 March 2017	36	568	4,434	5,038
<i>Net book value</i>				
At 31 March 2017	942	633	997	2,572
At 31 March 2016	954	696	1,129	2,779

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

17 Investment properties

Group and Association	Commercial £'000	Total £'000
At 1 April 2016	1,031	1,031
Movement in fair value	-	-
	1,031	1,031
At 31 March 2017		

The group's investment properties are valued annually on 31 March by a suitably qualified valuer employed by the Association on the basis of 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 2017		31 March 2016	
	Cost £'000	Fair value £'000	Cost £'000	Fair value £'000
Unit trusts	101	158	97	132

Group and Association	2017 £'000	2017 £'000
Investment revaluation reserve:		
At 1 April	35	52
Increase/(decrease) in value of investments	22	(17)
At 31 March	57	35

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

18 Fixed asset investments (continued)

Details of Subsidiary undertakings, associated undertakings and other investments

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

Name	Country of Incorporation or registration	Proportion of voting rights / ordinary share capital held	Nature of business	Nature of entity
<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%	Dormant	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 indirectly owned through intermediate parent companies.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

19 Properties for sale

GROUP and ASSOCIATION	First tranche shared ownership properties 2017 £'000	Outright market sales 2017 £'000	Total 2017 £'000	Total 2016 £'000
Work in progress	913	2,193	3,106	-
Completed properties	-	-	-	459
	913	2,193	3,106	459

20 Debtors

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Due within one year				
Rent and service charge arrears	1,328	1,408	1,328	1,408
Less: Provision for doubtful debts	(398)	(518)	(398)	(518)
	930	890	930	890
Other debtors and prepayments	1,584	1,771	1,671	1,878
	2,514	2,661	2,601	2,768

21 Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Housing loans (note 26)	4,614	3,464	4,614	3,464
Trade creditors	2,701	2,082	2,645	2,196
Amounts owed to group undertakings	-	-	93	-
Housing capital creditors	74	204	74	204
Taxation and social security	32	80	32	80
Other creditors and accruals	140	202	135	202
Loan interest	934	659	934	659
holiday accruals	53	96	53	96
Pensions liability (note 27)	393	376	393	376
	8,941	7,163	8,973	7,277

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

22 Creditors: amounts falling due after more than one year

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Loans and borrowings (Note 26)	136,568	140,792	136,568	140,792
Deferred capital grant (Note 23)	117,074	117,686	117,074	117,686
Recycled capital grant fund (Note 24)	317	459	317	459
Disposal proceeds fund (Note 25)	179	45	179	45
Pensions liability (note 27)	2,543	2,793	2,543	2,793
	256,681	261,775	256,681	261,775

23 Deferred capital grant

GROUP and ASSOCIATION	2017 £'000	2016 £'000
At 1 April	117,686	118,161
Grants received during the year	255	485
Grants recycled to/from the recycled capital grant fund & disposal proceeds fund.	(166)	18
	305	-
Released to income during the year	(1,006)	(978)
At 31 March	117,074	117,686

24 Recycled capital grant fund

GROUP and ASSOCIATION	HCA 2017 £'000	HCA 2016 £'000
Funds pertaining to activities within areas covered by		
At 1 April	459	394
Inputs to fund:		
- grants recycled from deferred capital grants	117	154
- interest accrued	1	1
Recycling of grant:		
- new build	(260)	(90)
At 31 March	317	459
Amounts 3 years or older where repayment may be required	-	-

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

25 Disposal Proceeds Fund

GROUP and ASSOCIATION

Funds pertaining to activities within areas covered by	HCA 2017 £'000	HCA 2016 £'000
At 1 April	45	130
Inputs to fund:		
- funds recycled from deferred capital grants	179	48
Use / allocation of funds:		
- new build	(45)	(130)
- other	-	(3)
At 31 March	179	45
Amounts 3 years or older where repayment may be required	-	-

26 Loans and borrowings

Maturity of debt:

GROUP and ASSOCIATION

	Bank loans 2017 £'000	Bank loans 2016 £'000
In one year or less	4,671	3,520
Less loan issue costs	(57)	(56)
Short term loans	4,614	3,464
In more than one year but not more than two years	5,277	5,165
In more than two years but not more than five years	15,813	22,587
In more than five years	116,254	113,886
Less: issue costs	(776)	(846)
Long term liabilities	136,568	140,792
Total Liabilities	141,182	144,256

Loans are secured by specific charges on the housing properties of the group. The loans bear interest at fixed rates ranging from 3.71% to 10.54% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

At 31 March 2017 the group had undrawn loan facilities from a local authority of £3.5m (2016-£3.5m) and from a bank in respect of a revolving credit facility of £15m (2016 - £nil).

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

27 Pensions deficit contributions liability GROUP and ASSOCIATION	SHPS pension deficit contribution 2017 £'000	SHPS pension deficit contribution 2016 £'000
Liability at start of period	3,169	2,433
Unwinding of the discount factor (interest expense)	62	45
Deficit contribution paid	(379)	(277)
Remeasurements – impact of any change in assumptions	84	968
Remeasurements – amendments to the contribution schedule	-	-
Liability at end of period	2,936	3,169

28 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.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

28 Pensions (continued)

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

Deficit contributions

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

PRESENT VALUES OF DEFICIT CONTRIBUTIONS

	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Liability at start of period	2,936	3,169	2,433

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

28 Pensions (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCE

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
at start of period	3,169	2,433
Unwinding of the discount factor (interest expense)	62	45
Deficit contribution paid	(379)	(277)
Remeasurements - impact of any change in assumptions	84	(20)
Remeasurements - amendments to the contribution schedule	-	988
at end of period	2,936	3,169

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Interest expense	62	45
Remeasurements – impact of any change in assumptions	84	(20)
Remeasurements – amendments to the contribution schedule	-	988
Contributions paid in respect of future service*	279	304
Costs recognised in income and expenditure account	425	1,317

*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 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.33	2.06	1.92

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 forming part of the financial statements for the year ended 31 March 2017 (continued)

28 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 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Year 1	393	379	277
Year 2	409	393	288
Year 3	424	409	300
Year 4	371	424	313
Year 5	313	371	326
Year 6	324	313	269
Year 7	278	324	208
Year 8	229	278	216
Year 9	236	229	167
Year 10	122	236	115
Year 11	-	122	119
Year 12	-	-	61
Year 13	-	-	-

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.

29 Share capital

	2017 £	2016 £
At 1 April	351	346
Shares issued in the year	11	5
At 31 March	362	351

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 forming part of the financial statements for the year ended 31 March 2017 (continued)

30 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	2017 £'000	2016 £'000
Not later than one year	261	92
Later than one year and not later than five years	429	25
Total	690	117

31 Capital commitments

GROUP and ASSOCIATION	2017 £'000	2016 £'000
Commitments contracted but not provided for: Development	2,060	923
Commitments approved by the Board but not contracted for: Development	67,061	9,505
	69,121	10,428

Capital commitments for the Group and Association will be funded as follows:

GROUP and ASSOCIATION	2017 £'000	2016 £'000
Cash	14,694	10,428
Revolving credit facility	15,000	-
	29,694	10,428

Future capital commitments will be funded through existing cash resources and a revolving credit facility that is expected to be utilised in 2017. Additional funding requirement for commitments approved by the Board but not contracted for will be sought in 2017-18.

Broadland Housing Association

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

32 Capital and reserves

Revaluation gains on investments of £35k comprise unrealised gains on investments held within the Group of £35k.

33 Post balance sheet event

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

In April 2017 the parent company agreed a £9.9 million loan facility for a term of 10 years to its subsidiary, Broadland St Benedicts to assist in developing new homes for sale. The loan carries a commercial rate of interest.

Contacting Broadland Housing Group

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