

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

Annual report and financial statements for the year ended 31st March 2019

Registered number: 4603611

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BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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COMPANY INFORMATION

EXECUTIVE DIRECTORS

Mark Robertson CPFA MBA (Chief Executive)
Graeme Anderson BSc Hons MCIH (Director of Housing & Communities)
Abigail Holland ACMA CGMA (Director of Finance and ICT)
Barry Stevens (Director of Asset Management and Development)

BOARD MEMBERS

Barry Thompson (Chair)
Alison Fisher
Vikki Holloway
Mary Miller
Mohan Sandhar
Adam Wagner
Rachel Ward
Emma Windsor
Peter Worthington

SECRETARY

Mark Robertson CPFA MBA

REGISTERED OFFICE

Buntsford Court
Buntsford Gate
Bromsgrove
B60 3DJ

REGISTERED UNDER THE COMPANIES ACT 2006: 4603611

REGISTERED CHARITY: 1111423

RSH REGISTRATION: LH4415

AUDITORS & TAX ADVISORS

Mazars LLP
45 Church Street
Birmingham
B3 2RT

SOLICITORS: Trowers & Hamlins and Anthony Collins

BANKERS: Barclays Bank

HMRC CHARITY REFERENCE: XR92206

VAT REGISTRATION: 833 9760 00

Chair's Statement

The Board continues to put customer excellence at its core, and it is clear that the day to day services provided for our tenants continue to be responsive and of a high quality. The Strategic Report (incorporating the Operating and Financial Review) summarises how the business has responded to this with another year of exceptional performance being achieved. However we recognise there is still more we need to do if we are to achieve our target of a 95% Customer Satisfaction service level.

It is the passion and enthusiasm of Bromsgrove District Housing Trust ("bdht") staff to deliver a consistently excellent service which epitomises what bdht is all about. The Board appreciates the link between highly satisfied staff and highly satisfied customers and we encourage the management team to vigorously invest in staff engagement and trust. So it is with a great sense of pride for me that bdht was recently recognised yet again as one of the best places to work in The Great Place to Work national awards for 2019. Additionally the most recent staff survey revealed that 95% of staff believed bdht was indeed a great place to work. In order to continue to navigate through the many significant on-going challenges facing our sector it is imperative that organisational values and culture are nurtured with care and meaning and the Board of bdht clearly understands its role in this respect.

The last 12 months has seen our new Chief Executive successfully moving forward on the latest priorities set for bdht by the Board. One of these priorities has been to direct additional resources towards front-line services such as tenancy and neighbourhood support as well as working more collaboratively with external partners and statutory agencies. It is imperative that bdht delivers against its social purpose and as part of an increased community profile is seen as a major agent for positive change and action in Bromsgrove and Redditch. I believe we are fulfilling this role and I expect our reach to extend further in the coming years.

The transformation of our services and a shift to digital continues to pick up pace, however we remain committed to delivering services in traditional ways for those who would otherwise be excluded. This again comes back to our social purpose and the need to be inclusive and accountable to customers. I am pleased to report that we have become an early adopter of the NHF's "Together with Tenants" which seeks to enhance the role of the customer voice here at bdht.

Underpinning all of this is the need to ensure we continue to deliver Value for Money for our customers. We have a strong focus on VFM and the Board is committed to making sure we control our costs at a time when resources are being reduced for the sector. For 2018/19 I am pleased to report that our headline cost per unit was 2.5% less than last year and at the same time delivering excellent services.

The Board is fully committed to delivering new homes in order to support the housing shortfall in Bromsgrove and the surrounding areas. With this in mind it is really pleasing to report that 2018/19 was our best year so far delivering 127 new homes, of which 87 were let at social rent levels and the other 40 were for part rent/part ownership for younger people aspiring to get on to the property ladder. Helping people with their housing aspirations is what we are here to do. To reinforce this commitment, the Board has set a target to provide another 500 new homes by 2024. As part of our "landlord of choice" approach these new homes will again be available for both rent and part-ownership.

Finally I have to report that my time with bdht comes to an end in July 2019 after 9 very enjoyable and successful years. Mary Miller will then become Chair of the Board. I am confident that bdht under this new leadership will continue to build excellent communities with passion and pride.

Barry Thompson
Chair of the Board

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STRATEGIC REPORT (INCORPORATING THE OPERATING AND FINANCIAL REVIEW)

Principal Activities

bdht has principal activities which include the development and management of affordable housing in Bromsgrove and Redditch and the surrounding areas.

bdht is a company limited by guarantee and a registered charity. Its main business streams consist of the management of housing for people in need of affordable housing and a number of related services.

bdht develops new affordable housing both with and without grant from Homes England.

Business and Financial Review

The Board is pleased to report a surplus for the year of £6.9 million (2018: £5.5 million) in what has been a very successful year.

We have continued to invest in our existing housing stock in order to maintain homes at and above the Decent Homes Standard. The cost of this investment during the year was approximately £2.5 million.

During the year we completed 127 new affordable homes, and commenced on site or are in contract with another 147 new homes at a cost of £19 million.

During the year our in-house repairs and maintenance operations (day to day repairs, roofing, voids and gas) performed extremely well in terms of customer satisfaction, target times and efficiency measures.

The support services provided for more vulnerable tenants including the Sheltered Living Service, Tenancy Sustainment Service and Sunrise have demonstrated really positive results for our customers.

The Association produces 30 year financial forecasts which are reviewed on an annual basis. The following table sets out the position for the next 5 years:

Forecast Financial Performance	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
<u>Statement of Comprehensive Income</u>					
Turnover	21.1	23.9	26.1	26.4	27.7
Operating Surplus	6.1	6.7	7.1	7.6	8.5
Transfer to Reserves	3.6	3.6	3.4	3.6	3.9
<u>Statement of Financial Position</u>					
Total Assets less Current Liabilities	149.6	173.8	176.9	180.2	183.9
Creditors over one year	93.8	114.3	114.1	113.8	113.5
Reserves/Provisions	50.6	54.2	57.6	61.2	65.2

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STRATEGIC REPORT (INCORPORATING THE OPERATING AND FINANCIAL REVIEW)

Strategic Performance Indicators

bdht monitors and benchmarks its on-going performance using a Strategic Balanced Scorecard presented monthly to Board and scrutinised on a quarterly basis by the Compliance Committee. This enables us to identify areas for improvement and take corrective action where necessary. The following results were achieved in 2018/19:

Indicator	Target	Performance	Top Quartile
Rent Collected	99.86%	100.22%	Yes
Rent Loss	0.65%	0.66%	Yes
Decent Homes	100%	100%	Yes
Valid Gas Certificate	100%	100%	Yes
Valid Electrical Inspection Condition Report	100%	77%	No

These indicators have been revisited in 2019/20 with equally testing targets set.

Objectives and Strategy

Our mission is “Building excellent communities with passion and pride”.

The achievement of this mission is underpinned by outcomes against the four following Corporate Themes:

- Governance and Value for Money
- Service Excellence
- Neighbourhoods & Communities
- Housing Solutions

The delivery against these themes is monitored by the Board as part of its overall Corporate Plan.

Risk Management

bdht has a comprehensive system of risk management. During the year, the Board reassessed its risk appetite position. This resulted in a clear level of risk appetite being assigned to business activities and a set of risk appetite metrics are in place to monitor the position. The highest risks in terms of their impact and probability are discussed quarterly by the Compliance Committee and reported through to the Board. The report identifies action taken to manage the risks as well as new and emerging risks.

The latest assessment of the major risks to successful achievement of the Association’s objectives is set out below:

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Strategic Risk	Controls and Actions
<p>1. Welfare Reform</p> <p>The reforms including Universal Credit create a risk to increased arrears, bad debts and extra cost of support, rent collection and tenancy failure.</p>	<ul style="list-style-type: none"> • Welfare Reform Action Plan • Extra resources allocated • Regular reports to Board and SMG • Driving Futures Team set up (employment and training support) • Good relationship with local authority and DWP
<p>2. Health & Safety Landlord Responsibilities</p> <p>There is a risk to tenants where landlord responsibilities are not up to date or in place.</p>	<ul style="list-style-type: none"> • Monthly report to Board and SMG • Exception Reports • EICR Action Plan • Internal Audit • External scrutiny
<p>3. Economic, Political and Impact of Brexit</p>	<ul style="list-style-type: none"> • Business Plan reviewed in line with latest economic forecasts • Brexit stress testing and contingency planning • Treasury strategy and advice provided by external advisors • NHF provide political interface for the sector
<p>4. Changes to the system and structure of Regulation</p>	<ul style="list-style-type: none"> • All changes are analysed and reported to Board as they happen • EMT and Committees oversee our compliance with regulatory matters
<p>5. Sales risk of expanded shared ownership programme</p>	<ul style="list-style-type: none"> • New bdht homes website • Enhanced sales team • Schemes subject to housing market analysis before purchased
<p>6. Making the business effective and future-fit</p> <p>Slow speed of change leads to missed opportunities in business effectiveness</p>	<ul style="list-style-type: none"> • Shaping Our Future strategy and action plan in place • Digitalisation of services has commenced with further roll-out planned
<p>7. Controlling Operating Costs</p> <p>Austerity has seen the withdrawal of many publicly funded services and together with welfare reforms is increasing the call on our services.</p>	<ul style="list-style-type: none"> • Cost reductions strategy in place • Restructuring and redefining of support services • Procurement savings programme
<p>8. Cybercrime</p> <p>The real threat of business interruption and fraud has escalated with the ability to cause major business harm.</p>	<ul style="list-style-type: none"> • ICT review of counter-measures and new actions in place • All staff and board members have attended a cyber security training session provided by an external expert • Further technical actions planned
<p>9. Pensions</p> <p>The increase in costs and increased regulatory burden</p>	<ul style="list-style-type: none"> • External health-check review • 6-monthly Governance Report covering key risks.

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Value for Money

Role of the Board

The Board is fully committed to delivering Value for Money (VFM) in support of delivering the organisation's approved objectives. The Board appraises VFM performance throughout the year and quarterly performance reports are scrutinised by the Compliance Committee. The year-end position for 2018/19 was scrutinised by the Compliance Committee at its meeting on 12th June 2019 and approved by Board at its meeting on 15th July 2019. The Board is compliant with the Regulator's VFM Standard.

Regulator's VFM Metrics

The Regulator of Social Housing requires registered providers to report their performance against a suite of metrics with the intention of facilitating sector-wide comparisons. The table below sets out the position, together with some comparators and followed by a brief commentary.

VFM Metric	bdht 2018/19	bdht 2017/18	Sector Scorecard Median 2017/18*	Global Accounts Median 2017/18**
Reinvestment %	12.3%	7.3%	5.8%	6.0%
New Supply Delivered %:				
• Social Housing Units	3.2%	1.9%	1.0%	1.2%
• Non-social Housing Units	-	1.1%	-	-
Gearing %	50.1%	52.1%	35.1%	42.9%
EBITDA MRI Interest Cover %	320.6%	289.0%	213.6%	206.0%
Headline Social Housing Cost per unit (excludes leaseholder units)	£3,047	£3,131	£3,450	£3,400
Operating margin %:				
• Overall	34.8%	32.6%	30.3%	28.9%
• Social Housing Lettings only	32.3%	30.4%	31.6%	32.1%
Return on Capital Employed (ROCE)	6.0%	6.4%	3.7%	4.1%

* Housemark Sector Scorecard

** RSH Global Accounts Report

Reinvestment – Reflects £13m invested in the development of 127 new properties and £2.5m expended on major improvements of existing properties.

New supply delivered – Reflects 127 new social housing units delivered which is above the internal target of 100 per annum. There were no non-social housing units developed or acquired during the year.

Gearing – Reflects the higher gearing position of being both a LSVT and developer. This gearing ratio is deemed appropriate in the context of bdht's other financial indicators, priorities and future commitments.

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EBITDA MRI Interest Cover – Reflects robust financial position and good capacity to secure future additional loan funding for development and to cope with uncertainties such as rising interest rates.

Headline Social Housing Cost per Unit – Reflects continued position of being placed just outside the lowest cost quartile for the sector. Nevertheless for 2018/19 there were cost pressures in respect of pensions and ICT investment, with both areas being the subject of review during the year.

Operating Margin % - Reflects a robust financial position for bdht.

Return on Capital Employed - Reflects the utilisation by bdht of capital and debt to generate healthy financial returns.

Bespoke bdht VFM Metrics

To enhance our approach to VFM, the Board have set a suite of bespoke VFM metrics linked to the delivery of the approved corporate objectives in the Corporate Plan. The table below sets out the position, followed by a brief commentary.

Strategic Objective	Measures of Success	Target	Actual
Excellence in Governance	Governance and Viability ratings from regulator	G1/V1	G1/V1 (as at date of these accounts)
	90% Attendance at meetings	90%	81%
Importance of culture and values in promoting staff engagement, driving business performance and customer satisfaction	% of staff members responding to the annual staff culture audit	=>98%	95%
	% of staff members responding positively to “bdht is a great place to work”	=> 96%	95%
Delivering VFM, compliance with the regulator’s VFM Standard and transparency to tenants and other stakeholders	Current rent arrears as a % of rent debit	1.82%	1.76%
	Income collection as a % of debit raised	99.86%	100.22%
	Void rent loss as a % of debit raised	0.65%	0.66%
	Cost savings annual target	£175,000	£181,000
Mitigate the impact of Universal Credit and supporting customers into employment	Rent arrears of those in receipt of Universal Credit after 12 months	=<8% increase	20% decrease
	Number of people helped into paid employment	9	13
Supporting the elderly and vulnerable	% of households engaging with the Sheltered Living Service	>=76%	78%

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	Number of homelessness preventions	70	109
	Number of New Affordable Homes	100	127
Customer satisfaction with overall services provided by bdht	The % of tenants “very satisfied” with the overall service provided by bdht	65%	96%
	bdht’s Net Promoter Score	+40	+93
The health and safety of our tenants	% of homes meeting the Decent Homes Standard	100%	100%
	% of homes with a valid Gas Safety Certificate	100%	100%
	% of homes with a valid Electrical Inspection Condition Report	100%	77%

Overall, the table above demonstrates excellent performance against bdht’s bespoke VFM metrics however there are areas with room for improvement and these will be addressed during 2019/20.

Following an internal review, a full action plan has been approved by Board which sets out how we will achieve 100% compliance in respect of Electrical Inspection Condition Reports during 2019/20.

Non-Social Housing

As part of a “landlord of choice” approach approved by the Board in 2016, two market rent schemes have been purchased with a total of 87 homes. These properties are not subject to the minus 1% rent reduction regime, creating the potential for rental growth though also exposed to market risk. For 2018/19 the operating margin generated for non-social housing was 53% compared to 32% for social housing respectively.

Looking forward to 2019/20

The Board recognises the challenges it faces in delivering cost reductions in 2019/20 together with providing excellent services to tenants and delivering a good supply of new affordable homes. For 2019/20 bdht will focus on VFM deliverables in the following key areas:

- Cost savings target of £150,000;
- Further develop the measurement of performance against the Regulator’s VFM metrics;
- Maximising the number of repairs delivered “Right First Visit” to increase efficiencies and improve customer satisfaction;
- Capture additional business efficiencies from the QL Housing Management System.
- Continue to assist tenants into paid employment and support the elderly and vulnerable in line with bespoke bdht VFM metrics;
- Focus on transforming the customer relationship towards digital delivery with stretching targets for reducing telephone calls and increasing online self-service;
- Investment of £3m and £12m in the Home Improvements and Affordable Homes Programmes respectively in 2019/20, with a planned delivery of 126 new homes; and

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- Maintain additional daily checks and automated exception reporting to ensure all Health and Safety Landlord responsibilities are carried out effectively and on time and follow-up repairs are completed in a timely manner.

Further VFM Information

A more in-depth explanation of the VFM story at bdht is available on request from the Company Secretary.

RSH Governance and Financial Viability Standard

The Compliance Committee in June 2019 considered a detailed compliance self-assessment in respect of the Governance and Financial Viability Standard. The Committee reported its findings to Board at its July 2019 meeting and at which Board approved a compliance position statement.

The Board's oversight and control of the business is enhanced by the monthly Strategic Balanced Scorecard which contains a number of financial and other trigger points which have been designed to act as an early warning system for the Board. The Board has approved a Trigger Point process which would determine the route of response if a trigger point is reached.

NHF Code of Governance and NHF Code of Conduct

bdht complies with the recommendations of the NHF Code of Governance (2015) and a self-assessment was scrutinised by the Compliance Committee in April 2019 and reported to the Board in May 2019 as fully compliant. bdht has adopted the NHF Code of Conduct (2012) and a self-assessment confirming compliance was presented to the Compliance Committee in November 2018.

During 2018/19 the Board considered succession planning and made decisions to ensure the future health of the governance arrangements for bdht.

Future Priorities

The Board has developed a number of key priorities as part of the review of the Corporate Plan. These include:

- New ambition for Equality, Diversity and Inclusion;
- Review of resident Involvement Structures;
- Delivering and demonstrating continued Value for Money;
- Mitigating the impact of Universal Credit to the business and customers;
- Increased resource into frontline services such as neighbourhood management and ASB;
- Supporting the achievement of the 95% customer satisfaction target;
- Ensuring the homes we provide are safe;
- Making services easier to access and process improvements as part of the Shaping Our Future Strategy;
- Delivering 500 new homes by 2024;
- Continued investment in our community activities.

These key priorities have been broken down into action plans and their performance will be tracked through the year by the Board.

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Finally the Board has approved plans to spend more than £12 million during the next financial year to complete much needed homes in Bromsgrove and Redditch and the surrounding areas.

Statement of Compliance

In preparing this Strategic Report (incorporating Operating and Financial Review) and Board Report, the Board has followed the principles set out in the Housing SORP 2014.

The Strategic Report (incorporating the Operating and Financial Review) was approved by the Board on 15 July 2019 and signed on its behalf by:

Barry Thompson
Chair of the Board

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BOARD REPORT TO THE MEMBERS OF BROMSGROVE DISTRICT HOUSING TRUST LIMITED

REPORT OF THE BOARD

The Board is pleased to present its report together with the audited financial statements for the year ended 31 March 2019.

Principal Activities, Business Review and Future Developments

Details of the Association's principal activities, its performance during the year and future development are contained within the Strategic Report, which precedes this report.

Board Members

The Board of bdht consists of 9 members appointed on a skills and experience basis. Additionally the Chair of the Tenant Panel has an open invitation to attend. The Board has overall responsibility for the control and direction of the Association. The Board relies upon the Compliance Committee to scrutinise audit, risk and internal controls assurance and report thereon.

The following Board Members have served office during the year:-

Barry Thompson (Chair)
Kathryn Coulson (to July 2018)
Alison Fisher (from December 2018)
Vikki Holloway
Barrie Payne (to July 2018)
Mohan Sandhar (from December 2018)
Mary Miller
Adam Wagner
Rachel Ward
Emma Windsor
Peter Worthington

The following Board Members received payment from the Association during the year:-

Kathryn Coulson (£1,012), Alison Fisher (£1,000), Vikki Holloway (£3,000), Mary Miller (£4,580), Barrie Payne (£1,012), Mohan Sandhar (£662), Barry Thompson (£10,089), Adam Wagner (£4,495), Rachel Ward (£4,580), Emma Windsor (£3,000) and Peter Worthington (£4,580).

In addition the Chair of the Tenant Panel, Edwina Evans received a payment of £1,604 during the year.

Total payments made to Board Members from the Association during the year were £39,614.

Board Members (and officers) are indemnified through insurance against liability when acting for the Association.

Going Concern

The Association's business activities, its current financial position and future development are set out within the Operating and Financial Review. The Association has adequate resources to finance committed development schemes, along with day to day operations. The Association also has a long-term business plan which shows that it is able to service its debt facility.

On this basis, the Board has a reasonable expectation that the Association 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.

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BOARD REPORT TO THE MEMBERS OF BROMSGROVE DISTRICT HOUSING TRUST LIMITED

Internal Controls Assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This is set out in the Internal Control Framework adopted by the Board and overseen by the Compliance Committee.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved.

It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls that are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

➤ *Identification and evaluation of key risks*

The Board has clearly set out its Risk Appetite position in respect of governance, regulation and operational activities and this is reviewed at least once a year. Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Association's activities. The executive team regularly reports to the Compliance Committee and Board any significant changes affecting key risks.

➤ *Monitoring and corrective action*

Regular management reporting on control issues provides assurance to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

➤ *Control environment and control procedures*

The Board retains responsibility for issues such as strategic, operational, financial and new investment projects. The Board has adopted the NHF's *Code of Governance 2015*. This sets out policies with regard to the quality, integrity and ethics. It is supported by a framework of policies and procedures with which employees must comply covering issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data protection and fraud prevention and detection.

➤ *Sources of Assurance*

The Board has adopted a "5-lines of defence" approach in order to categorise assurances and source. The 5-lines of defence are: Cultural Leadership; People, Policy and Procedures; Internal Quality Checks; External Expert Reviews; and Corporate Oversight and Direction. The Compliance Committee are responsible for assessing the reliability and any limitations to sources of assurance on an annual basis.

➤ *Information and financial reporting systems*

Financial reporting procedures include detailed budgets for the year ahead and 30 year forecasts in the Business Plan. These are reviewed and approved by the Board on an annual basis. Quarterly management accounts are reported to the Board. The Performance and Review Committee and Board also monitors key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The Board has adopted a Stress Testing approach and developed a system of early-warning triggers and a response plan.

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The internal control framework and the risk management process are subject to regular review by Internal Audit who are responsible for providing independent assurance to the Board via the Compliance Committee. The Compliance Committee considers internal control and risk at each meeting.

The Board has received the Executive Management Team's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there has been in place for the year under review, and up to the date of approval of the annual report and accounts, an on-going process for identifying, evaluating and managing the significant risks faced by the Association.

The annual review by the Board at its meeting on 15th July 2019, is conducted following the receipt of reports from the Executive Management Team, Internal Auditor, External Auditor and the Compliance Committee.

Statement of the Board's Responsibilities

The Board is required by legislation to prepare financial statements for each financial year, which give a true and fair view of the state of the Association as at the end of the financial year. In preparing these financial statements, suitable accounting policies have been used to the best of the Board's knowledge and belief, by reference to reasonable judgements and estimates and applied consistently. In doing so, applicable accounting standards have been followed. The Board is also required to indicate where the financial statements are prepared other than on the basis that the Association is a going concern.

The Board is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the transactions and assets and liabilities and for maintaining a satisfactory system of control over the books of account and transactions. The Board is also responsible for ensuring that arrangements are made to safeguard the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board has reviewed the effectiveness of the system of internal control, and in addition, established a three year internal audit plan based on a risk assessment. The Board has established a Risk Strategy and implemented a comprehensive Risk Management approach.

Disclosure of Information to Auditors

In the case of each of the persons who are Board Members of the Association at the date when this report was approved:

- So far as each of the Board Members is aware, there is no relevant audit information of which the Association's auditors are unaware; and
- Each of the Board Members has taken all the steps that they ought to have taken as a Board Member to make them aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

The report of the Board was approved by the Board on 15th July 2019 and signed on its behalf by:

Barry Thompson
Chair

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROMSGROVE DISTRICT HOUSING TRUST LIMITED

Opinion

We have audited the financial statements of Bromsgrove District Housing Trust Limited (the 'trust') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the trust's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROMSGROVE DISTRICT HOUSING TRUST LIMITED

information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Board Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Board Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 10, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROMSGROVE DISTRICT HOUSING TRUST LIMITED

Use of the audit report

This report is made solely to the trust's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the trust'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 trust and the trust's members as a body for our audit work, for this report, or for the opinions we have formed.

David Hoose

(Senior Statutory Auditor)

For and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date:

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2019

	Note	2019 £'000	2018 £'000
Turnover	3	22,939	20,901
Operating expenditure	3	(14,955)	(14,083)
Operating surplus	3	7,984	6,818
Surplus on disposal of property, plant and equipment	5	979	1,442
Finance income	7	31	27
Interest and financing costs	6	(2,837)	(2,787)
Surplus on revaluation of investment properties	15	885	117
Other finance costs	20	(146)	(140)
Surplus for the year	8	6,896	5,477
Actuarial (loss)/gain in respect of pension schemes - LGPS	20	(803)	851
Actuarial (loss) in respect of pension schemes - SHPS	20	(160)	-
Initial recognition of multi-employer defined benefit scheme	20	(444)	-
Total comprehensive income for the year		5,489	6,328

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

STATEMENT OF FINANCIAL POSITION
As at 31st March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	12	595	609
Housing properties	13	126,565	114,911
Other property, plant and equipment	14	1,884	1,931
Investment properties	15	9,542	8,543
		<u>138,586</u>	<u>125,994</u>
Current assets			
Inventories	16	1,214	731
Debtors	17	1,392	727
Cash	23	9,955	3,462
		<u>12,561</u>	<u>4,920</u>
Creditors: Amounts falling due within one year	18	<u>(2,924)</u>	<u>(2,524)</u>
Net current assets		<u>9,637</u>	<u>2,396</u>
Total assets less current liabilities		148,223	128,390
Creditors: Amounts falling due after more than one year	19	(92,803)	(80,328)
Defined benefit pension liability	20	(7,089)	(5,220)
Net assets		<u><u>48,331</u></u>	<u><u>42,842</u></u>
Capital and reserves			
Revenue reserve		<u>48,331</u>	<u>42,842</u>
Total reserves		<u><u>48,331</u></u>	<u><u>42,842</u></u>

The financial statements of Bromsgrove District Housing Trust Limited were approved by the Board on 15th July 2019 and signed on its behalf by:

Mary Miller
Member

Peter Worthington
Member

Mark Robertson
Secretary

Company number: 4603611

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

STATEMENT OF CHANGES IN RESERVES
For the year ended 31st March 2019

	2019	2018
	Revenue	Revenue
	reserve	reserve
	£'000	£'000
At 1st April 2018	42,842	36,514
Surplus for the year	6,896	5,477
Actuarial (loss)/gain in respect of pension schemes - LGPS	(803)	851
Actuarial (loss)/gain in respect of pension schemes - SHPS	(160)	-
Initial recognition of multi-employer defined benefit scheme	(444)	-
At 31st March 2019	<u>48,331</u>	<u>42,842</u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

STATEMENT OF CASH FLOWS

For the year ended 31st March 2019

	Note	2019		2018	
		£'000	£'000	£'000	£'000
Net cash generated from operating activities	23		11,135		10,400
Cash flows from investing activities					
Purchase of property, plant and equipment		(15,821)		(8,686)	
Purchase of investment property		(114)		(3,363)	
Proceeds from sale of property, plant and equipment		1,647		1,972	
Grants received		469		149	
Interest received	7	<u>31</u>		<u>27</u>	
Net cash flows from investing activities			(13,788)		(9,901)
Cash flows from financing activities					
Interest paid	6	(2,785)		(2,731)	
New loans		20,379		-	
Loan issue costs		(448)		(223)	
Repayments of borrowings		<u>(8,000)</u>		<u>-</u>	
Net cash flows from financing activities			9,146		(2,954)
Net decrease in cash and cash equivalents			<u>6,493</u>		<u>(2,455)</u>
Cash and cash equivalents at beginning of year			3,462		5,917
Cash and cash equivalents at end of year			<u>9,955</u>		<u>3,462</u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

1. Accounting policies

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

General information and basis of accounting

Bromsgrove District Housing Trust Limited is a company limited by guarantee (registered number: 4603611) and also a registered charity incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business are as disclosed on page 1 of these financial statements. The financial statements have been prepared under the historical cost convention, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. Bromsgrove District Housing Trust Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

Statement of compliance

The Company has prepared its financial statements in accordance with FRS 102.

Property, plant and equipment - housing properties

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, and development costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

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

New build 100 years

Major components

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

Structure	100 years
Roofs	70 years
Windows	30 years
Doors	25 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years
Heating systems	30 years
Electrical systems	30 years

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any work to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Investment properties

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

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Non-housing property, plant and equipment

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

Freehold office buildings	25 years
Furniture, fixtures & fittings	3 years
Computer equipment	4 years

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	3 years
Housing management system	8 years

Amortisation of intangible assets is charged to operating expenditure within the Statement of Comprehensive Income.

Impairment of social housing properties

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

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made.

After assessing for indicators of impairment, it is considered that no impairment provision is required.

Social Housing Grant and other Government grants

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

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

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

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

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

Recycling of grants

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

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

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

Leased assets

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

Operating leased assets

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

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

Interest payable

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

Taxation

The Trust has charitable status therefore its charitable activities are not subject to corporation tax.

Pensions

Defined Benefit Pension Schemes

The Company participates in defined benefit pension schemes which are multi-employer schemes where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension schemes. For these schemes the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liabilities) are recognised immediately in other comprehensive income.

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

Defined contribution scheme - Social Housing Pension Scheme (SHPS)

The Company participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids), grants from local authorities, amounts invoiced in respect of the provision of services, and other income, such as shared ownership first tranche sales. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposal occur and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Service charge sinking funds and service costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Financial instruments

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

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

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

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

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

Financial liabilities carried at amortised cost

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value and consist of raw materials and consumables, held as van stock, and an element of first tranche shared ownership costs, including those under construction, that are initially recognised as current assets. The cost element initially recognised as a current asset is determined by the percentage of the property to be sold under the first tranche disposal.

Cash and cash equivalents

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

2. Significant management judgements and key sources of estimation uncertainty

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

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

Significant management judgements

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

Impairment of social housing properties

The Company has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Reviews for impairment of housing properties are undertaken when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified. After undertaking a review of prevailing conditions, the Company concluded that no conditions existed that would trigger a full impairment review.

Tangible fixed assets.

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The carrying value of the company's tangible fixed assets, and the prior year comparatives, can be found in notes 13 and 14 of the financial statements.

Impairment of rent arrears and other short-term debtors

Rent arrears and other debtors, with no stated interest rate and receivable within one year, are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses. An estimate of the collectible amount of debtors is made when collection of the full amount is no longer probable. For amounts which are individually significant, this estimate is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a general provision applied according to the length of time past due, based on historical recovery rates. A 100% provision rate is applied to former tenant arrears and general provision rates of between 0% and 75% are applied to current tenant rent arrears. General provision rates of between 60% and 100% are applied to current tenant other lettings arrears. The carrying value of the company's rent arrears and other short-term debtors and the prior year comparatives, can be found in note 17 of the financial statements.

Estimation uncertainty

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

Defined benefit pension scheme

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. The carrying value of the company's defined benefit pension schemes, and the prior year comparatives, can be found in note 20 of the financial statements.

Investment properties

The company carries its investment properties at fair value and engages independent valuers to determine fair value using a valuation technique based on a discounted cash flow model. The calculated fair value of the investment property uses assumptions which are subject to judgement, such as the estimated yield and the long term vacancy rate. The carrying value of the company's investment properties, and the prior year comparatives, can be found in note 15 of the financial statements.

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

3. Particulars of turnover, cost of sales, operating costs and operating surplus

	2019			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings (note 4)				
- General needs	11,427	-	(7,657)	3,770
- Supported housing	4,901	-	(3,725)	1,176
- Affordable rent	1,583	-	(834)	749
- Shared ownership	502	-	(246)	256
	18,413	-	(12,462)	5,951
Other social housing activities				
- 1 st tranche property sales	3,034	(1,814)	(36)	1,184
- Other social housing activities	531	-	(319)	212
	21,978	(1,814)	(12,817)	7,347
Activities other than social housing activities				
- Market rent	576	-	(268)	308
- Other activities	130	-	(51)	79
- Lettings (garages)	255	-	(5)	250
Total	22,939	(1,814)	(13,141)	7,984

	2018			
	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings (note 4)				
- General needs	11,163	-	(7,628)	3,535
- Supported housing	4,878	-	(3,865)	1,013
- Affordable rent	1,574	-	(852)	722
- Shared ownership	434	-	(212)	222
	18,049	-	(12,557)	5,492
Other social housing activities				
- 1 st tranche property sales	1,583	(999)	(23)	561
- Other social housing activities	556	-	(331)	225
	20,188	(999)	(12,911)	6,278
Activities other than social housing activities				
- Market rent	317	-	(132)	185
- Other activities	130	-	(39)	91
- Lettings (garages)	266	-	(2)	264
Total	20,901	(999)	(13,084)	6,818

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

4. Particulars of income and expenditure from social housing lettings

	General needs housing	Supported housing and housing for older people	Affordable rent	Shared ownership	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rents receivable	10,912	3,870	1,569	386	16,737	16,469
Service charge income	389	984	0	106	1,479	1,383
Amortised government grant	126	47	14	10	197	197
Other grants	0	0	0	0	0	-
Compensation - loss of rent	0	0	0	0	0	-
Turnover from social housing lettings	11,427	4,901	1,583	502	18,413	18,049
Expenditure						
Service charge costs	397	857	33	30	(1,317)	(1,347)
Management	2,441	1,539	441	128	(4,549)	(4,699)
Routine maintenance	1,764	277	71	0	(2,112)	(2,310)
Planned maintenance	670	161	28	2	(861)	(796)
Development	22	6	2	2	(32)	(17)
Bad debts	86	32	9	0	(127)	(108)
Depreciation of housing properties	2,277	853	250	84	(3,464)	(3,280)
Operating costs	7,657	3,725	834	246	(12,462)	(12,557)
Operating surplus social housing lettings	3,770	1,176	749	256	5,951	5,492
Void losses	50	41	5	0	96	135

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

5. Surplus on disposal of property, plant and equipment

	2019	2018
	£'000	£'000
Sale of subsequent tranche shared ownership properties	609	179
RTB sales proceeds	702	1,011
Voluntary property/land sale proceeds	336	784
Insurance proceeds	-	80
Costs of sale (administration – legal and valuation)	(72)	(82)
Net book value of disposals	(596)	(530)
Surplus on disposal	<u>979</u>	<u>1,442</u>

6. Interest and financing costs

	2019	2018
	£'000	£'000
Bank loans and overdrafts	2,764	2,731
Amortisation of borrowing costs	73	56
	<u>2,837</u>	<u>2,787</u>

7. Finance income

	2019	2018
	£'000	£'000
Bank interest receivable	31	27
	<u>31</u>	<u>27</u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

8. Surplus on ordinary activities

	2019	2018
	£'000	£'000
Surplus on ordinary activities is stated after charging/(crediting):		
Depreciation of housing properties	3,464	3,281
Depreciation of plant and equipment	191	174
Amortisation of intangible assets	125	125
Government grants	(197)	(197)
(Gain) on disposal of fixed assets	(979)	(1,442)
Audit fees:		
- for audit services	20	19
- other services	-	4
Operating lease rentals	106	108
	<u> </u>	<u> </u>

9 Staff costs

	2019	2018
	£'000	£'000
Wages and salaries	3,891	3,864
Social security costs	382	389
Pension costs	524	499
	<u> </u>	<u> </u>
	<u>4,797</u>	<u>4,752</u>

Pension costs represent total payments made during the year, including SHPS deficit payments of £39,000 (2018: £38,000), SHPS closed scheme surcharges of £8,000 (2018: £10,000), SHPS expense charge of £3,000 (2018: £3,000) and LGPS service deficit contributions of £135,000 (2018: £130,000).

In addition FRS 102 non-cash pension adjustments of £93,000 (2018: £164,000) were charged to the Statement of Comprehensive Income.

	2019	2018
	Number	Number
Administration	23	23
Operational services - Office based	63	64
- Sheltered Living team	12	12
- Community repairs team	16	16
- Voids repairs team	9	8
- Gas servicing team	6	6
	<u> </u>	<u> </u>
Total	129	129
	<u> </u>	<u> </u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

10. Directors' remuneration and transactions

The Directors are defined as the Executive Management Team which includes the Chief Executive. The new Chief Executive commenced in post on the 1st August 2018. At this point the Executive Management Team was also restructured from 5 posts down to 4 posts. The aggregate amount of emoluments (including pension contributions with respect to service as a Director) paid to or receivable by the Directors of the Company during the year was £430,000 (2018: £495,000). The aggregate amount of emoluments (excluding pension contributions) was £414,000 (2018: £466,000). In addition to the aggregate amount of emoluments (excluding pension contributions) cash payments in lieu of pension contributions were made of £27,000 (2018: £18,000).

Key management personnel remuneration

	2019	2018
	£'000	£'000
Directors who are executive staff members		
Wages and salaries	414	466
Social security costs	56	56
Pension costs	16	29
Cash payment in lieu of pension contributions	27	18
Board members		
Wages and salaries	40	44
Social security costs	-	-
Other pension costs	-	-
	<u>553</u>	<u>613</u>

As at 31st March 2019, there is 1 director (2018: 2) for whom benefits are accruing under a defined benefit scheme and 2 directors (2018:1) s for whom benefits are accruing under a defined contribution pension scheme.

	2019	2018
	£'000	£'000
Remuneration of the highest paid director, excluding pension contributions:		
The emoluments paid during the year to the Chief Executive who was the highest paid Director were:		
Emoluments	<u>121</u>	<u>127</u>
	<u>121</u>	<u>127</u>

The emolument figure above of £121,000 is represented by payments to the current Chief Executive during the year and includes the period to 31st July 2018 at which point he was the Managing Director at bdht. The full year effect of emoluments to the current Chief Executive would be £127,000 for the year to 31st March 2019.

The Employer and the Chief Executive made no contributions to the pension scheme from the 1st August 2018 and instead he received a cash payment in lieu of pension contributions of £12,560 (2018: £17,619 for a full year for the previous Chief Executive). The number of full time equivalent staff (based on 37 hours per week and including the Chief Executive) whose remuneration falls within each band of £10,000 from £60,000 upwards (excluding pension contributions and cash payment in lieu of pension contributions) is as follows:

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

10. Directors' remuneration and transactions (continued)

	2019	2018
	Number	Number
£60,000-£69,999	-	2
£70,000-£79,999	-	-
£80,000-£89,999	2	-
£90,000-£99,999	1	-
£100,000-£109,999	-	2
£110,000-£119,999	-	-
£120,000-£129,999	1	1
£130,000-£139,999	-	-

The Company has paid no bonuses and no compensation payments for loss of office during the year (2018: £39,000 was paid to 1 director, as compensation for loss office, which was included in the bandings above).

11. Tax on surplus on ordinary activities

On 6th September 2005 the Company was accepted by the Charities Commission and HMRC as a charity for tax purposes. The Company is therefore not liable to tax charges on its charitable activities.

12. Intangible fixed assets

	Computer software
	£'000
Cost	
At 1st April 2018	1,019
Additions	111
Disposals	-
As at 31st March 2019	<u>1,130</u>
Amortisation	
At 1st April 2018	410
Charge for the year	125
Eliminated on disposals	-
As at 31st March 2019	<u>535</u>
Net book value	
As at 31st March 2019	<u>595</u>
As at 31st March 2018	<u>609</u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

13. Tangible fixed assets – housing properties

	Completed properties £'000	Under construction £'000	Completed Shared ownership £'000	Shared ownership under construction £'000	Total £'000
Cost or valuation					
At 1st April 2018	131,217	1,390	8,721	348	141,676
Additions	-	11,066	-	1,995	13,061
Works to existing properties	2,503	-	-	-	2,503
Disposals	(233)	-	(327)	-	(560)
Transfers	10,452	(10,452)	2124	(2,124)	0
At 31st March 2019	<u>143,939</u>	<u>2,004</u>	<u>10,518</u>	<u>219</u>	<u>156,680</u>
Depreciation					
At 1st April 2018	26,361	-	404	-	26,765
Charge for the year	3,380	-	84	-	3,464
Eliminated on disposals	(102)	-	(12)	-	(114)
At 31st March 2019	<u>29,639</u>	<u>-</u>	<u>476</u>	<u>-</u>	<u>30,115</u>
Net book value					
At 31st March 2019	<u>114,300</u>	<u>2,004</u>	<u>10,042</u>	<u>219</u>	<u>126,565</u>
At 31st March 2018	<u>104,856</u>	<u>1,390</u>	<u>8,317</u>	<u>348</u>	<u>114,911</u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

14. Property, plant and equipment - other

	Freehold office building £'000	Computer hardware £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost				
At 1st April 2018	2,975	599	184	3,758
Additions	26	115	4	146
Disposals	-	-	(1)	(1)
	<u>3,001</u>	<u>714</u>	<u>187</u>	<u>3,902</u>
At 31st March 2019	<u>3,001</u>	<u>714</u>	<u>187</u>	<u>3,902</u>
Depreciation				
At 1st April 2018	1,225	422	180	1,827
Charge for the year	104	84	2	191
Disposals	-	-	-	0
	<u>1,329</u>	<u>506</u>	<u>182</u>	<u>2,018</u>
At 31st March 2019	<u>1,329</u>	<u>506</u>	<u>182</u>	<u>2,018</u>
Net book value	<u>1,672</u>	<u>208</u>	<u>5</u>	<u>1,884</u>
At 31st March 2019	<u>1,672</u>	<u>208</u>	<u>5</u>	<u>1,884</u>
At 31st March 2018	<u>1,750</u>	<u>177</u>	<u>4</u>	<u>1,931</u>

Freehold land and buildings with a carrying amount of £86.6 million (2018: £66.5 million) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

15. Investment Properties

	Investment properties £'000	Total £'000
Cost		
At 1st April 2018	8,426	8,426
Additions	114	114
Disposals	-	-
Adjustments	-	-
	<hr/>	<hr/>
At 31st March 2019	8,540	8,540
	<hr/> <hr/>	<hr/> <hr/>
Revaluation		
At 1st April 2018	117	117
Revaluation for the year	885	885
	<hr/>	<hr/>
At 31st March 2019	1,002	1,002
	<hr/> <hr/>	<hr/> <hr/>
Net book value		
At 31st March 2019	9,542	9,542
	<hr/> <hr/>	<hr/> <hr/>
At 31st March 2018	8,543	8,543
	<hr/> <hr/>	<hr/> <hr/>

Investment properties with a carrying amount of £8.543 million at 1st April 2018 were revalued in May 2019 to a fair value of £9.542 million. The directors are of the opinion that the valuation conducted does not produce a materially different result to the fair value of the investment properties as at 31st March 2019. The valuation was carried out by Jones Lang LaSalle Limited using the Market Value Subject to Tenancies (MV-ST) methodology. The additions of £0.114 million relate to major improvement works undertaken during the financial year.

16. Inventories

	2019 £'000	2018 £'000
First tranche shared ownership – completed	943	335
First tranche shared ownership – under construction	219	348
Raw materials and consumables	52	48
	<hr/>	<hr/>
	1,214	731
	<hr/> <hr/>	<hr/> <hr/>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

17. Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Rent arrears	457	396
Provision for bad debts	(290)	(224)
VAT	5	2
Other debtors	234	127
Prepayments and accrued income	466	426
	<u>872</u>	<u>727</u>
Amounts falling due after more than one year:		
THFC Interest Service Reserve Fund	520	-
	<u>1,392</u>	<u>727</u>
Total Debtors	<u><u>1,392</u></u>	<u><u>727</u></u>

18. Creditors – amounts falling due within one year

	2019	2018
	£'000	£'000
Rents received in advance	460	288
Other lettings prepayments	53	41
THFC Loan Premium on Issuance	116	-
Trade creditors	108	202
SHPS pension deficit funding liability (note 20)	-	39
Government grants (note 19)	197	197
Other taxation and social security	105	100
Other creditors	391	392
Accruals and deferred income	1,494	1,265
	<u>2,924</u>	<u>2,524</u>
	<u><u>2,924</u></u>	<u><u>2,524</u></u>

19. Creditors – amounts falling due after more than one year

	2019	2018
	£'000	£'000
Other creditors		
Loans	73,300	63,300
Capitalised refinancing costs	(1,273)	(898)
THFC loan premium on issuance	2,762	-
Government grants (note 19)	18,014	17,742
SHPS pension deficit funding liability (note 20)	-	184
	<u>92,803</u>	<u>80,328</u>
	<u><u>92,803</u></u>	<u><u>80,328</u></u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

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

The loans are secured on freehold housing properties. The loan portfolio comprises:

Value	Fix Period	All-in Rate
£5.0 million	10 years	5.68%
£5.0 million	10 years	5.00%
£5.0 million	15 years	5.80%
£5.0 million	3 years	1.88%
£3.3 million	2 years	1.81%
£5.0 million	20 years	5.07%
£5.0 million	8 years	3.10%
£30.0 million	30 years	3.60%
£10.0 million	25 years	5.20%
<u>£73.3 million</u>		

A further loan facility of £25 million is in place but has not yet been drawn down.

	2019	2018
	£'000	£'000
Deferred income - Government grants		
At 1st April 2018	17,939	17,979
Grants receivable	469	149
Amortisation to Statement of Comprehensive Income	(197)	(197)
Amortisation eliminated on disposal of fixed assets	-	8
	<u>18,211</u>	<u>17,939</u>
At 31st March 2019		
Due within one year	<u>197</u>	<u>197</u>
Due after one year	<u>18,014</u>	<u>17,742</u>

The total accumulated gross, unamortised amount of capital grant received or receivable at the balance sheet date is £19.7m (2018: £19.3m)

	2019	2018
	£'000	£'000
Recycled Capital Grant Fund		
At 1st April 2018	165	19
Inputs to RCGF	91	165
Recycling of grant	(58)	(19)
Interest accrued	1	-
	<u>199</u>	<u>165</u>
At 31st March 2019		

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

The Recycled Capital Grant Fund is included within 'deferred income – government grants due after one year' above.

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

Borrowings are repayable as follows:

	2019	2018
	£'000	£'000
Bank loans		
Between one and two years	-	-
Between two and five years	-	8,115
After five years	73,300	55,185
	<u>73,300</u>	<u>63,300</u>
Less: transaction costs on issue	(1,273)	(898)
THFC loan premium on issuance	2,762	-
	<u>74,789</u>	<u>62,402</u>

20. Retirement benefit schemes

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to Statement of Comprehensive Income in the period ended 31st March 2019 was £67,000 (2018: £28,000).

Defined benefit schemes

The Company operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to retirement benefits based on number of pensionable years' service and an accrual rate of 1/49th (LGPS) and 1/60th (SHPS) of final salary on attainment of a retirement age of 65 (LGPS) or 67 (SHPS). The most recent actuarial valuations of scheme assets and the present value of the LGPS defined benefit obligation were carried out at 31st March 2016 by Fellows of the Institute and Faculty of Actuaries who are employed by Mercer. The present value of the LGPS defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	Valuation at	
	2019	2018
Key assumptions used for LGPS scheme:		
Increase in salaries	3.7%	3.6%
Discount rate	2.4%	2.6%
Future pension increases	2.3%	2.2%
CPI Inflation	2.2%	2.1%

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Company's LGPS defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

20. Retirement benefit schemes (continued)

	Valuation at	
	2019	2018
	years	years
Retiring today:		
Males	22.8	22.7
Females	25.8	25.7
Retiring in 20 years:		
Males	25.1	24.9
Females	28.2	28.0

Amounts recognised in the Statement of Comprehensive Income in respect of the LGPS defined benefit scheme are as follows:

	2019	2018
	£'000	£'000
Current service cost	484	573
Net interest cost	129	137
Administration costs	6	6
Plan introductions, changes, curtailments and settlements	-	-
	<u>619</u>	<u>716</u>
Recognised in other comprehensive income	-	-
Total cost relating to defined benefit scheme	<u>619</u>	<u>716</u>

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

	2019	2018
	£'000	£'000
Present value of defined benefit obligations	(18,570)	(17,039)
Fair value of scheme assets	12,300	11,819
Deficit	<u>(6,270)</u>	<u>(5,220)</u>
Net liability recognised in the Statement of Financial Position	<u>(6,270)</u>	<u>(5,220)</u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

20. Retirement benefit schemes (continued)

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

	2019	2018
	£'000	£'000
At 1st April	17,039	17,025
Service cost	484	573
Interest cost	438	422
Actuarial (gain) / loss	997	(711)
Member contributions	99	108
Benefits/transfers paid	(487)	(378)
	<hr/>	<hr/>
At 31st March	<u>18,570</u>	<u>17,039</u>

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

	2019	2018
	£'000	£'000
At 1st April	11,819	11,296
Actuarial gain	194	140
Return on plan assets (excluding amounts included in net interest cost)	309	285
Contributions from the employer	372	374
Contributions from scheme participants	99	108
Benefits paid	(487)	(378)
Administration expenses	(6)	(6)
	<hr/>	<hr/>
At 31st March	<u>12,300</u>	<u>11,819</u>

The analysis of the LGPS scheme assets at the Statement of Financial Position date was as follows:

	Fair value of assets	
	2019	2018
	£'000	£'000
Equity instruments	8,843	10,212
Government Bonds	996	-
Other bonds	603	567
Property	775	496
Cash/liquidity	283	142
Other	800	402
	<hr/>	<hr/>
	<u>12,300</u>	<u>11,819</u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

20. Retirement benefit schemes (continued)

The Pensions Trust – Social Housing Pension Scheme

The Company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

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

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

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

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

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

Initial recognition of multi-employer defined benefit scheme

	2018
	£'000
SHPS pension deficit funding liability	(233)
SHPS pension defined benefit liability	(667)
	<hr/>
Initial recognition of multi-employer defined benefit scheme	(444)
	<hr/> <hr/>

	Valuation at	
	2019	2018
Key assumptions used:		
Increase in salaries	3.21%	3.11%
Discount rate	2.39%	2.60%
RPI Inflation	3.21%	3.11%
CPI Inflation	2.21%	2.11%

Mortality assumptions:

The mortality assumptions adopted as at 31st March 2019 imply the following life expectancies:

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

20. Retirement benefit schemes (continued)

	<u>Valuation at</u> 2019 years
Retiring today:	
Males	21.8
Females	23.5
Retiring in 20 years:	
Males	23.2
Females	24.7

Amounts recognised in the Statement of Comprehensive Income in respect of the SHPS defined benefit scheme are as follows:

	2019 £'000
Current service cost	59
Net interest cost	17
Administration costs	3
Plan introductions, changes, curtailments and settlements	-
	<u>79</u>
Recognised in other comprehensive income	-
Total cost relating to defined benefit scheme	<u>79</u>

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

	2019 £'000	2018 £'000
Present value of defined benefit obligations	(2,889)	(2,544)
Fair value of scheme assets	2,070	1,877
Deficit	<u>(819)</u>	<u>(667)</u>
Net liability recognised in the Statement of Financial Position	<u>(819)</u>	<u>(667)</u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

20. Retirement benefit schemes (continued)

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

	2019
	£'000
At 1st April	2,544
Service cost	59
Expenses	3
Interest cost	67
Actuarial losses	214
Member contributions	28
Benefits paid and expenses	(26)
	<hr/>
At 31st March	2,889
	<hr/> <hr/>

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

	2019
	£'000
At 1st April	1,877
Actuarial gain	54
Return on plan assets (excluding amounts included in net interest cost)	50
Contributions from the employer	87
Contributions from scheme participants	28
Benefits paid and expenses	(26)
Administration expenses	-
	<hr/>
At 31st March	2,070
	<hr/> <hr/>

The analysis of the SHPS scheme assets at the Statement of Financial Position date was as follows:

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

	Fair value of assets	
	2019	2018
	£'000	£'000
Absolute return	179	229
Alternative risk premia	119	71
Corporate bond fund	97	77
Credit relative value	38	-
Distressed opportunities	38	18
Emerging market debts	71	76
Fund of hedge funds	9	62
Global equity	348	371
Infrastructure	109	48
Insurance-linked securities	59	49
Liability driven investment	757	684
Long lease property	30	-
Net current assets	4	2
Private debt	28	17
Property	47	86
Risk sharing	63	17
Secured income	74	70
	<u>2,070</u>	<u>1,877</u>

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

20. Retirement benefit schemes (continued)

SHPS deficit funding liability

	2018
	£'000
Present value of provision	<u>223</u>

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

Reconciliation of opening and closing provisions

	2018 £'000
Provision at start of year	261
Unwinding of the discount factor (interest expense)	3
Deficit contribution paid	(38)
Re-measurements - impact of any change in assumptions	(3)
	-
	<hr/>
Provision at end of year for deficit funding liability	223 <hr/>

Income and expenditure impact

	2018 £'000
--	-----------------------------

Interest expense	3
Re-measurements - impact of any change in assumptions	(3)
Re-measurements - amendments to the contribution schedule	-
	<hr/>
Costs recognised in income and expenditure account	<hr/>

Assumptions	2018 % per annum
Rate of discount	1.72
	<hr/>

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.

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

21. Financial Instruments

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

	2019	2018
	£'000	£'000
Financial Assets		
Measured at undiscounted amount receivable		
• Rent arrears and other debtors (see note 17)	457	396
• VAT (see note 17)	5	2
• Cash at bank	9,955	3,462
	<u>10,417</u>	<u>3,860</u>
Financial Liabilities		
Measured at amortised cost		
• Loans payable (see note 19)	74,789	62,402
• SHPS pension liability (notes 18,19,20)	819	223
Measured at undiscounted amount payable		
• Trade creditors (see note 18)	108	202
• VAT (see note 18)	-	-
• Other taxation and social security (see note 18)	90	100
• Other creditors (see note 18)	406	392
	<u>76,212</u>	<u>63,319</u>

22. Share capital

The Company is limited by Guarantee and therefore does not have any share capital.

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

23. Statement of Cash Flows

	2019	2018
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	6,896	5,477
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	3,655	3,455
Amortisation of intangible assets	125	125
Decrease / (increase) in inventories	(483)	302
Decrease / (increase) in debtors	(145)	140
(Decrease) in creditors	324	(407)
Pension costs less contributions payable	239	304
Revaluation of investment properties	(885)	(117)
Carrying amount of property, plant & equipment disposals	447	530
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	(1,647)	(1,972)
Government grants utilised in the year	(197)	(197)
Interest payable	2,764	2,731
Interest received	(31)	(27)
Loan Breakage Costs	-	-
Amortisation of refinancing costs	73	56
Cash generated by operations	<u>11,135</u>	<u>10,400</u>
Cash and cash equivalents		
Cash at bank and in hand	9,955	3,462
Cash equivalents included in current asset investments	-	-
Cash and cash equivalents	<u>9,955</u>	<u>3,462</u>

24. Financial commitments

	2019	2018
	£'000	£'000
Capital commitments are as follows:		
Contracted for but not provided for:		
New dwellings	17,647	27,789
Approved by the directors but not contracted for:		
New dwellings	27,932	34,600
Housing improvements	3,284	3,344
	<u>48,863</u>	<u>65,733</u>

The above commitments will be financed from existing undrawn loan facilities that are already in place of £25.0m, sales receipts of £15.8m, grant of £1.6m and working capital.

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

24. Financial commitments (continued)

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

	2019	2018
	£'000	£'000
Payments due:-		
- within one year	78	105
- between one and five years	4	47
- after five years	-	-
	<u>82</u>	<u>152</u>

25. Housing stock

	2019	2018
	Units	Units
Owned:		
General needs housing	2,398	2,321
Supported housing	908	908
Shared ownership	182	146
Leaseholder	170	165
Affordable rent	266	266
Intermediate rent	8	8
Market rent	87	87
	<u>4,019</u>	<u>3,901</u>

Managed:

General needs housing	41	40
Supported housing	8	8
Shared ownership	30	30
Leaseholder	35	35
Affordable rent	5	5
Intermediate rent	3	4
	<u>122</u>	<u>122</u>

Total owned and managed

4,141 4,023

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

26. Related party transactions

The names of Board Members who are also tenants or shared owners are shown in the Board report and are listed below. All tenant and shared owner board members rent properties from the Trust under the same terms and conditions as all tenants in similar properties.

Peter Worthington – Catshill, Bromsgrove

Rachel Ward – Hopwood, Bromsgrove

The aggregate amount of rent received during the year, from these related parties was £10,533 (2018: £13,079). There were no rent arrears outstanding in relation to these related parties as at 31st March 2019 (2018: £nil).