

# Report and Financial Statements

Year to 31 March 2014



# Board governance, advisors & bankers

## Board

### Non Executive Directors

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Stephen Hallett	Chair ( <i>resigned 7 July 2014</i> )
Fiona Gregory	Vice-Chair, Chair – Operations Board, Member Remuneration Committee
Cllr Shan Hunt	Nominated Local Authority Member, Member Remuneration Committee
Peter Male	Senior Independent Director, Chair – Audit Committee
Neil McGregor-Paterson	Chair – Remuneration Committee, Vice-Chair – Operations Board
Geoff Potton	Chair – Bushmead Homes Limited

## Board

### Executive Directors

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Kevin Bolt	Chief Executive Officer <i>Appointed 4 February 2014 (Interim)</i> <i>Appointed 1 May 2014 (Permanent)</i>
Kevin Turmore	<i>Appointed 6 January 2014</i> <i>Resigned 23 January 2014</i>
John Cross	<i>Resigned 6 January 2014</i>
Paul Gray	Chief Financial Officer and Secretary
David Keeling	Chief Operating Officer <i>Resigned 23 May 2014</i>

### Audit Committee

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Peter Male	Chair
Peter Bateson	Independent
Tim Ludlow	Independent

### Operations Board

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Fiona Gregory	Chair
Neil McGregor-Paterson	Vice-Chair
Geri McLeary	Independent
Jaz Saggu	Independent
David Bartley	Resident
Melusi Jubane	Resident

### Remuneration Committee

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Neil McGregor-Paterson	Chair
Fiona Gregory	Board Member
Cllr Shan Hunt	Board Member

### Auditor

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Grant Thornton UK LLP  
Grant Thornton House  
202 Silbury Boulevard  
Central Milton Keynes  
MK9 1LW

### Principal solicitors

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Trowers & Hamlins LLP  
Perrins Solicitors LLP  
Devonshires

### Principal bank funders

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Barclays Bank plc  
Clydesdale Bank plc  
Lloyds Banking Group plc  
Nationwide Building Society  
Royal Bank of Scotland plc  
Santander UK plc

### Bankers

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HSBC Bank plc

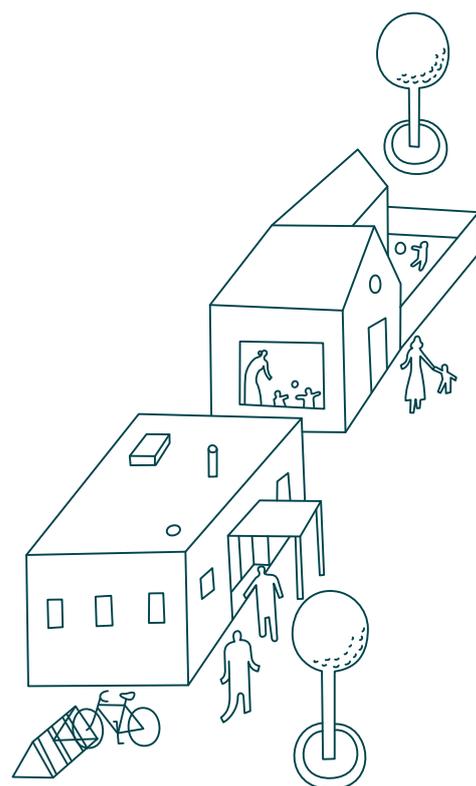
### Valuers

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Savills (UK) Limited

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## Chairman's statement

We invested £24.3m in repairing and improving homes and have also invested heavily in obtaining accurate stock condition data for all of our properties

In my statement last year I wrote that I was confident **bpha** would continue to deliver strong operational performance that would enhance the organisation's financial strength and capacity, and enable us to provide vitally needed new homes. We have achieved all of that and more.

Last year I knew that our then Chief Executive, John Cross, was considering taking early retirement in order to pursue other opportunities. Although I had already served two successive three year terms of office, I agreed to stay on for a seventh year in order to oversee the recruitment of a new CEO. Having appointed Kevin Bolt on a permanent basis at the beginning of May 2014 I informed the Board that I did not wish to be considered for further reappointment and would step down when my term of office comes to an end at the AGM in July 2014.

The year to 31 March 2014 has seen **bpha** make progress in many areas, placing it in a strong position for the future. I would like to focus upon just a few of these:

- We are proud of our Bedfordshire heart, but recognise that our core area of operations spans across an arc from Oxford to Cambridge and that nearly half of our homes and much of our development is outside Bedfordshire. Whilst we were among the first stock transfer associations in the country we do not have the venerable and religious roots that the name "Pilgrims" might suggest. Accordingly, having already traded as **bpha** for some years, we have now formally changed the name of the association from Bedfordshire Pilgrims Housing Association Limited to **bpha** Limited
- In December 2013 we moved the **bpha** head office a short distance within Bedford to a larger more modern building. This was necessary to give capacity for expansion but, more importantly, it also gave us an opportunity to redesign how we work – open plan, better layout incorporating newer and more efficient IT and ways of working. Our employees are our most important asset and giving them an improved environment in which they are proud to work is key to retaining and recruiting the best people
- Investment in improving the quality of our customers' homes has continued and further details are set out in the Operating and Financial Review. We invested £24.3m in repairing and improving homes and have also invested heavily in obtaining accurate stock condition data for all of our properties. This has helped inform investment decisions, which now take account of medium and long term impacts rather than just short term results. In the coming year there will be even greater emphasis on investment in improving homes for existing tenants
- Investment requires finance and in anticipation of future fund-raising, **bpha** went through a credit rating process with Standard & Poor's. The result in September 2013 was an AA- stable rating, amongst the strongest in the sector. In their analysis Standard & Poor's reported: "Enterprise Profile: Very Strong Operational Performance, Low Industry Risk; And Excellent Economic Fundamentals" and "Market Position: Very Strong, With A Strong Management Team And Excellent Operational Performance". I concur with this analysis and congratulate the whole team on this outcome
- Supported by this excellent credit rating we undertook our debut debt capital markets bond issue in March 2014. This was well received across a wide range of investors, with a £200m

bond issue completing on 28 March 2014. The £140m proceeds of the bond were received on 11 April 2014 and were partly used to refinance a more expensive bank loan with the remainder of the proceeds used to pay down revolving credit facilities. Further details are shown on page 45

- The results for the year are discussed in detail within the Operating and Financial Review on pages 4-12. The operating surplus of £37.0m is the highest in **bpha's** history and shows that we have continued to maintain a sector leading operating margin. The surplus before non-recurring refinancing costs of £11.9m was £5.7m. This was achieved whilst we continued to invest in new and existing homes
- As part of the exercise to reduce financial risk, measures were put in place to mitigate **bpha's** exposure both to shared ownership sales and to adverse movements in Market to Market valuations of derivatives, both of which helped demonstrate improved financial viability. The Homes and Communities Agency (HCA) recognised this reduction in risk by upgrading **bpha's** financial viability status to V1 in February 2014
- During the year **bpha** has prepared for the various potential impacts of welfare reform. Through analysing and understanding our customer base and their needs and recruiting more customer facing staff in areas such as housing management, money advice and rent collection, **bpha** is less exposed to welfare reform than many Housing Associations. However, the full impact will only be felt across the sector when Universal Credit is implemented.

As this is my final report as Chairman of **bpha** I want to reflect not only upon the year just ended but also upon the last seven years. Those years have seen significant change within the wider economy, the Housing Association sector in general and within **bpha** in particular.

Driving change and achieving progress, sometimes in challenging circumstances, has been a recurring theme at **bpha** during my time in office. In 2007 the world was just at the start of the economic crisis triggered by the banking collapse. Looking back:

- The Board and Committees have been restructured, appointing individuals with the skills and experience necessary to improve the management oversight of **bpha**, strengthen internal controls, improve customer services and improve risk management. All of the non-executives and co-opted committee members now serving **bpha** have been appointed during the last seven years. Equally, many members of the Executive and Senior Management have been appointed including the Chief Executive Officer and Chief Financial Officer
- There have been significant improvements to processes, controls and risk management
- **bpha's** housing development programme has delivered on average over 700 much needed new homes in each of the last seven years. In 2007 **bpha** led the partnership which won the Cambridge Challenge to provide over 3,300 affordable homes over a 10 year period – these are now being delivered in significant numbers to address the chronic under-supply of affordable housing around Cambridge
- There has been significant investment in improving **bpha's** existing stock, all of which meet or exceed the Decent Homes standard
- **bpha's** 'OneCall' customer call centre has been set up and has won national awards for the service it delivers
- **bpha** has achieved a sector leading operating margin % for each of the last seven years.

**bpha** has made significant progress but perhaps with hindsight I recognise that our position of being a 'socially motivated property development and management business' has occasionally been

misunderstood by some stakeholders, who did not understand what we meant by being 'commercial'. What we mean by this is delivering excellent value for money and using well informed commercial criteria to make decisions about how to improve the delivery and quality of the services we offer and the homes of our tenants.

In September 2013 the Homes & Communities Agency published the Sector Risk Profile which, according to the HCA website "*highlights that boards and providers must not only fully understand the risks they face, but be appropriately skilled to manage them – providers need to ensure that they have an appropriate strategy in place to ensure they have access to the expertise to constructively challenge and make sound business decisions*". In the last seven years the **bpha** Board, Committees and Executive have all been reshaped and now bring an appropriate mix of skills and expertise to manage the business effectively. As the HCA notes, Boards need to continue to "*ensure they are fit for purpose by refreshing and renewing skills regularly*". This we have done and continue to do.

I would like to thank everyone that I have worked with over the last seven years including our customers, employees, management, committee members and Board for their support. Together we have built a better **bpha**. It is with considerable sadness that I step down, it has been both a challenging and enjoyable time. **bpha** is now in excellent shape both operationally and financially and whoever succeeds me as Chair will have the privilege of leading a great team of people and an organisation extremely well placed for future success.

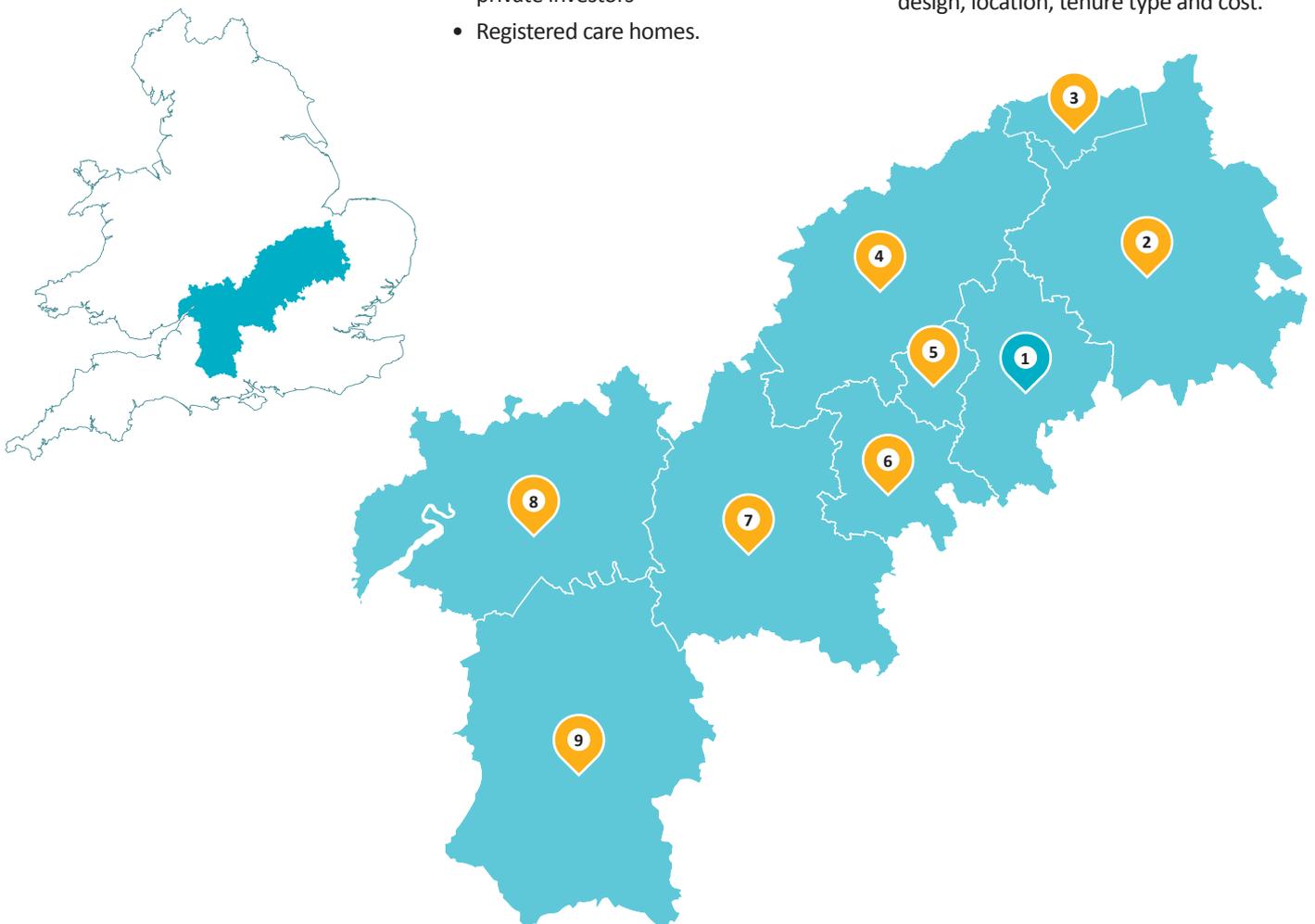


**Stephen Hallett**  
7 July 2014

# Operating review

## Units by area

1	Bedfordshire	10,217
2	Cambridgeshire	2,902
3	Peterborough	1,226
4	Northamptonshire	
5	Milton Keynes	953
6	Buckinghamshire	134
7	Oxfordshire	973
8	Gloucestershire	395
9	Wiltshire	124
	Other	503
	<b>Total units</b>	<b>17,427</b>



Since formation in 1990, **bpha** has more than trebled its property stock and now owns and manages 17,427 homes across the Home Counties to the north and west of London. More than 95% of **bpha's** revenues are derived from social housing activities.

**bpha** offers a diverse range of housing options to its customers, including:

- Provision of affordable homes for people unable to afford to rent or buy in the open market
- A range of housing products for the intermediate, near market rent and shared ownership markets
- Development of new homes for sub market rent
- Housing management contracts for local authorities, other housing associations, developers and private investors
- Registered care homes.

**bpha's** stock is modern. Two thirds of units have been developed or acquired since 1990, 51% is no more than 20 years old.

During the last year **bpha** has invested heavily in obtaining accurate stock compiling condition data on all of its properties, allowing us to take better, more informed decisions.

The concentration of young properties in a tight geographic operating area, combined with accurate condition data enables **bpha** to operate efficiently and make investment decisions that offer the greatest value for money.

**bpha** has been 100% Decent Homes compliant since 2010.

**bpha** has a diverse customer group some of whom have particular housing and community requirements in terms of design, location, tenure type and cost.

A range of dwelling types of varying sizes and tenures is therefore necessary to meet the needs of these different population and demographic groups. We will continue to improve the diversity, affordability and accessibility of our stock. As the charts show on pages 4 and 6, **bpha's** stock is predominantly conventional general needs housing in the Home Counties.

In 2013/14 **bpha** invested £24.3m improving existing stock. (£12.2m charged to Income and Expenditure, £12.1m capitalised to the balance sheet).

The works undertaken in the year included more than:

- 24,000 responsive repairs
- 1,000 refits of void properties
- 1,300 new doors fitted
- 690 boiler replacements
- 600 properties with new roofs or roof line works
- 400 properties with adaptations for disabled living.

In addition many other works such as bathroom, kitchen and window replacements were carried out.

### bpha's customers

The foundation of our service delivery ethos, is to put '*customers at the heart of everything we do*'. **bpha** will respond to changing community profiles and customer expectations. We can do this best through understanding customer demographics and by engaging with customers through various means such as our customer scrutiny group, the Service Improvement Panel.

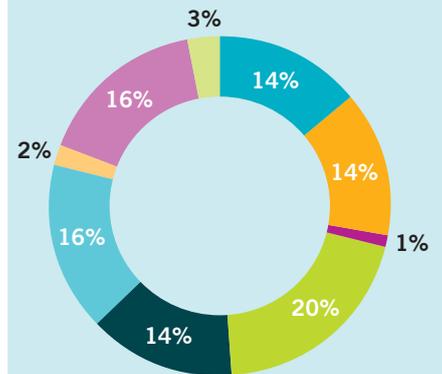
### Growing our business

#### New Homes

We are proud to be one of the key affordable and social housing developers in the Home Counties to the north and west of London.

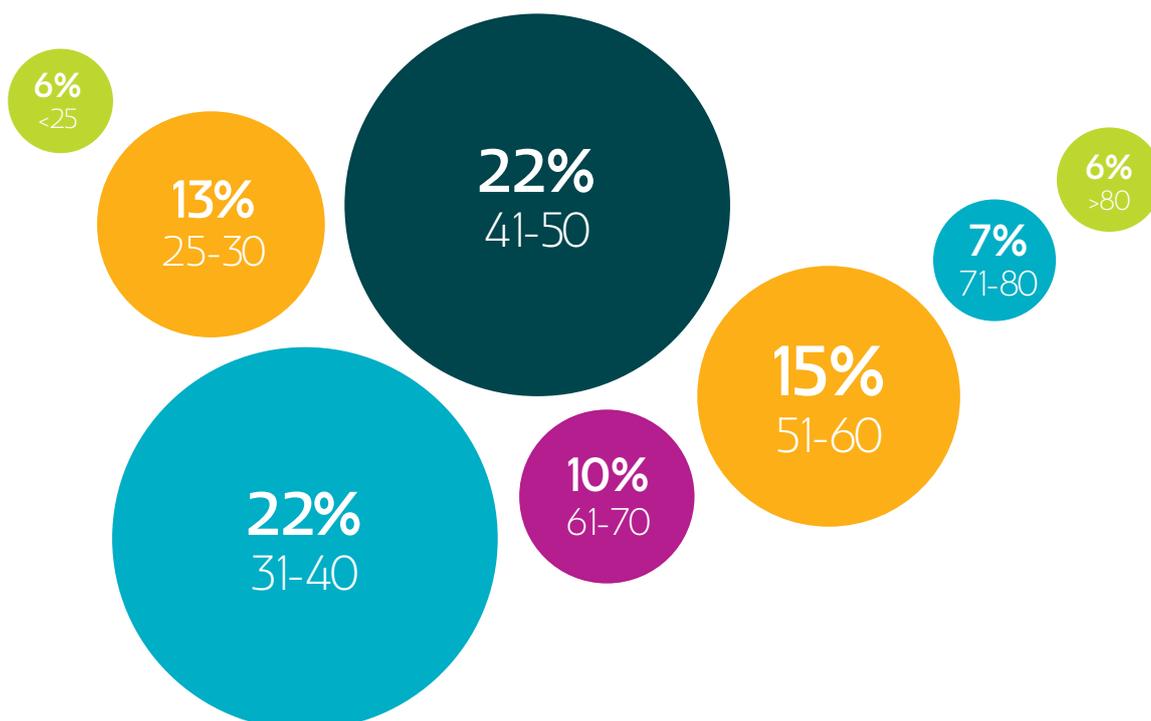
The shortage of affordable housing is particularly acute within our operating region and **bpha** helps meet this need through a sustainable on-going programme of new housing development.

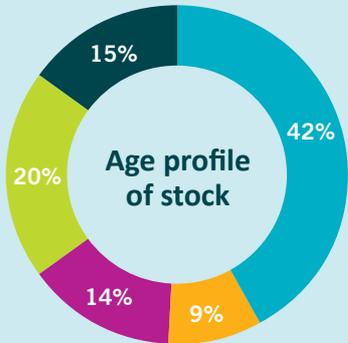
### Tenant profile by economic status



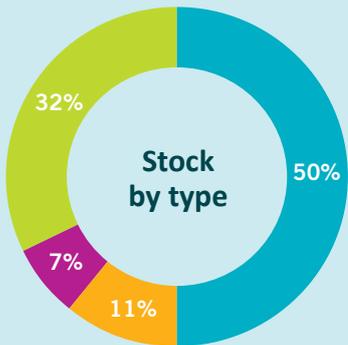
- Employed – full time 14%
- Employed – part time 14%
- Self employed 1%
- Retired (fully) 20%
- Permanently sick/disabled 14%
- Looking after family home 16%
- Full time education 2%
- Unemployed 16%
- Other 3%

### Age profile of tenants

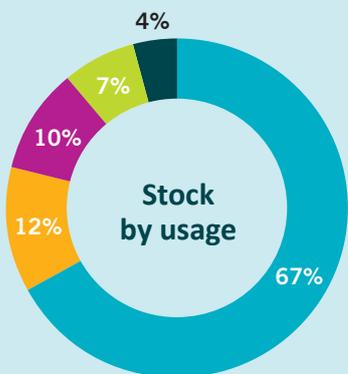




- 0-10
- 11-20
- 21-40
- 41-60
- 61+



- House
- Bedsit
- Bungalow
- Flat



- General needs
- Homebuy
- Shared ownership
- Elderly care homes
- Other

Drawing upon an established network of very strong strategic relationships with developers, house builders, local authorities and others, we have established long term development opportunities that secure our core development programme for at least another 10 years. In the period 2009-2011 **bpha's** build programme was boosted by additional Government grant made available to support the building of new homes in the wake of the banking crisis.

Capital expenditure during 2013/14 on the purchase and development of 455 new homes, net of grant and asset sales, totalled £43.7m (2012/13: £38.1m) and was funded through a combination of loans drawn on existing facilities and utilisation of cash deposits.

Whilst the bulk of funding for development comes from access to long term bank funding and debt capital markets, subsidy remains critical to viable development of social/affordable housing. In **bpha's** operating region it is possible to generate subsidy to build rented stock through development of shared ownership units and this is key to **bpha's** development model. In addition, **bpha** is fortunate to have significant Recycled Capital Grant Funds, totalling £23.1m, which is expected to be utilised in providing essential subsidy over the next few years.

To fund its remaining 2011/15 HCA Affordable Homes Programme commitments, **bpha** has also generated capacity through tenure conversions from Social Rent to Affordable Rent. As part of our on-going commitment to develop new homes, **bpha** has submitted a bid for the 2015/18 HCA Affordable Homes Programme.

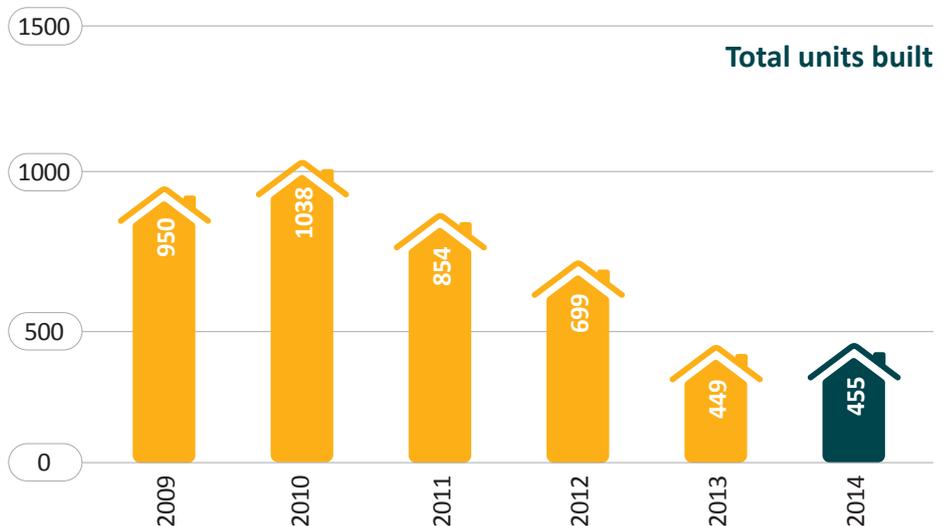
### Creating a dynamic organisation

#### Investment in employees

During December 2013 **bpha** moved to a new head office. **bpha** recognises that workplace design has a significant impact on organisational culture and the efficiency of communications and operations. The new premises are designed to suit modern efficient working and **bpha** has invested in the supporting IT infrastructure. Bringing the majority of employees into a single floor open plan layout, has already transformed working practices and will be a key factor in delivering efficient value for money services to customers in future.

**bpha** has more closely aligned the roles of its Senior Management Team to reflect operational need and has welcomed Kevin Bolt as its new Chief Executive.

Staffing levels have been increased across a range of customer facing roles, including within the Housing Management, One-Call customer service and Money Advice teams.



## Five year summary

	2014	2013	2012	2011	2010
<b>Income and Expenditure account (£'000)</b>					
Turnover: continuing activities	94,285	79,871	77,245	71,483	63,450
Turnover: excluding first tranche shared ownership sales	79,802	74,624	69,296	61,560	55,868
Operating surplus: continuing activities	36,960	36,311	32,595	28,632	26,919
Operating surplus: excluding first tranche shared ownership sales	36,866	35,864	32,338	28,130	26,659
<b>Surplus for year – before refinancing costs</b>	<b>5,670</b>	<b>5,097</b>	<b>5,201</b>	<b>4,923</b>	<b>4,555</b>
Termination of hedging and loan arrangements	(11,904)				
<b>(Deficit)/Surplus for the financial year</b>	<b>(6,234)</b>	<b>5,097</b>	<b>5,201</b>	<b>4,923</b>	<b>4,555</b>
<b>Balance Sheet (£'000)</b>					
Housing fixed assets	894,232	854,740	801,972	753,736	665,942
Other fixed assets	3,394	2,795	3,191	3,532	3,386
Investments	15,644	15,962	16,571	17,013	17,227
<b>Total fixed assets</b>	<b>913,270</b>	<b>873,497</b>	<b>821,734</b>	<b>774,281</b>	<b>686,555</b>
Net current assets	13,822	37,943	38,907	54,472	104,654
<b>Total Assets less Current Liabilities</b>	<b>927,092</b>	<b>911,440</b>	<b>860,641</b>	<b>828,753</b>	<b>791,209</b>
Loans (due over one year)	613,661	592,307	559,262	545,614	538,296
Pensions liability	19,183	19,737	15,726	11,362	19,007
Other long term liabilities	27,142	24,270	20,910	18,468	16,968
<b>Total long term liabilities</b>	<b>659,986</b>	<b>636,314</b>	<b>595,898</b>	<b>575,444</b>	<b>574,271</b>
Reserves: revenue	14,661	18,439	16,155	14,409	(763)
revaluation	252,445	256,687	248,588	238,900	217,701
total	267,106	275,126	264,743	253,309	216,938
<b>Total Long Term Funding and Reserves</b>	<b>927,092</b>	<b>911,440</b>	<b>860,641</b>	<b>828,753</b>	<b>791,209</b>
<b>Accommodation (number of dwellings)</b>					
Total owned	15,391	15,067	14,732	14,077	13,437
Total other properties	2,035	2,151	2,281	2,349	2,345
<b>Total owned and in management</b>	<b>17,426</b>	<b>17,218</b>	<b>17,013</b>	<b>16,426</b>	<b>15,782</b>
<b>Key financial ratios</b>					
Surplus for the year as % of turnover (excluding one-off refinancing costs)	6.0%	6.4%	6.7%	6.9%	7.2%
Operating surplus as % of turnover (excluding first tranche shared ownership sales)	46.2%	48.1%	46.7%	45.7%	47.7%
Rent losses (voids and bad debts as % of rent and service charges receivable)	2.7%	2.2%	2.0%	2.4%	2.7%
Rent arrears (gross arrears as % of rent and service charges receivable)	3.1%	2.6%	2.4%	2.9%	3.4%
Long term loans as multiple of turnover	6.5	7.4	7.2	7.6	8.5

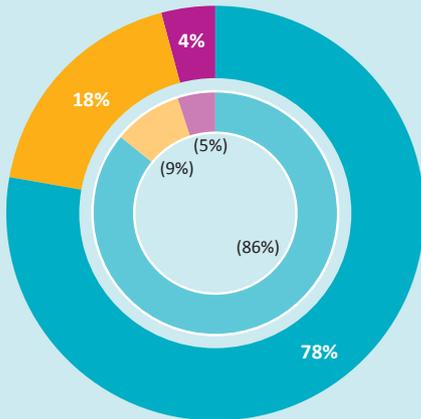
# Financial review

## Analysis of turnover

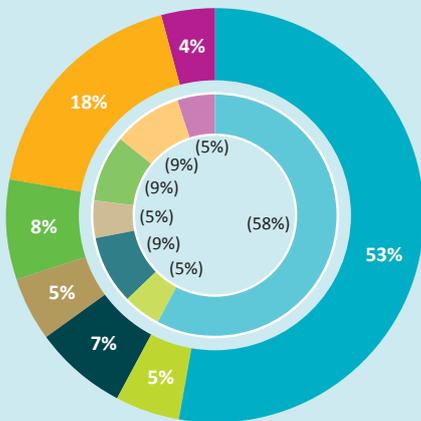
Turnover

**£94.3m**

(2012/13: £79.9m)



- Social housing lettings income
- Other social housing activities
- Non-social housing activities



- General housing
- Low cost home ownership
- Supported Housing
- Residential care homes
- Others
- Other social housing activities
- Non-social housing activities

The 2013/14 year saw **bpha** deliver improved financial results on the back of strong operational performance and take a number of key decisions which will strengthen its future finances.

The operating surplus continued to improve on a like for like basis, rising to £5.7m (2012/13 £5.1m) before the non-recurring items of £11.9m. The five year summary on page 7 shows that **bpha's** operating margin (before the inclusion of first tranche shared ownership sales) has continued to be one of the highest in the sector (46% in 2013/14, 48% in 2012/13). This supports **bpha's** continued ability to borrow funding at competitive rates.

**bpha's** financial strength was demonstrated by both the AA- Standard & Poor's credit rating achieved in September 2013 and through the debut £200m 30-year bond issue. The bond issue raised £140m in April 2014 (with a further £60m retained for future sale) at an all-in rate of 4.816%.

Underlying operating performance remains resilient with turnover increasing by £14.4m to £94.3m (£79.9m in 2012/13) while operating surplus remained stable at £37.0m (£36.3m in 2012/13). Fixed assets and investments increased in value by £39.8m to £913.3m (£873.5m in 2012/13).

## Income and Expenditure

**bpha's** underlying operating margin (before surpluses arising from first tranche shared ownership sales) continues to be amongst the highest in the sector. This impressive performance is due to:

- Having stock concentrated in a tight geographic operating area, facilitating efficient service delivery
- Housing management, maintenance and repairs costs being tightly controlled through a deep knowledge of the asset base
- 51% of **bpha's** stock being no more than 20 years old resulting in considerably less on-going maintenance than older stock

- A commercially driven focus on income maximisation, and clear cost controls
- Tight control over staff costs.

The Housing SORP requires first tranche shared ownership sales to be included in turnover, and the bulk of profit on such sales is treated as cross subsidy and is not included in the Income and Expenditure account. Accordingly, variations in levels of first tranche shared ownership sales can distort operating margins from year to year and for this reason the graph opposite shows margin exclusive of first tranche sales. **bpha's** margins are very strong. The fall in the operating margin in 2013/14 is primarily due to a one-off impairment charge relating to the former head office.

Social housing activities remain the core component of **bpha's** business, with over 95% of turnover coming from social housing lettings or other social housing activities. Less than 5% is derived from non-social activities.

Details of income and expenditure from lettings are detailed in Note 3 to the financial statements, but key points to note are as follows:

- Turnover increased by £14.4m to £94.3m. Income from social housing lettings increased by £4.1m due to additional properties and rent increases. Turnover from first tranche shared ownership sales increased by £9.2m to £14.5m
- Operating costs (excluding costs relating to first tranche shared ownership sales) were £42.9m (2012/13: £38.8m)
- Management costs increased by £0.7m in the year. This reflects additional housing staff to support tenants with welfare reform and an increase in customer facing staff to further improve service to tenants
- The decrease in expenditure on services from £6.2m to £5.2m reflects changed arrangements for a number of supported housing schemes where **bpha** no longer directly manages the services to residents. Consequently overall costs have fallen

- Routine and planned maintenance costs of £12.2m showed an increase of £1.3m from the previous year. In particular the number of properties becoming void in the year and required refitting, was higher than in the prior year
- An impairment charge of £1.4m was recognised in respect of the former head office.

**Balance sheet**

The balance sheet value of total assets less current liabilities is £927m (2012/13: £911m). The asset base has been funded through a combination of retained reserves of £267m (2012/13: £275m) and long term liabilities of £660m (2012/13: £636m).

Tangible fixed assets increased by £40.1m. The stock of housing properties has been independently valued by Savills (UK) Limited on an existing use value for social housing basis at £794.1m (31 March 2013: £756.4m), an increase of £27.7m. In addition, Savills have valued the residential care homes at £64.2m (2012/13: £66.8m) bringing the total property valuation up to £858.3m. During the year **bpha's** property portfolio (owned and managed) increased by 209 units to 17,427. This was the net impact of 455 completions from the development programme less asset sales.

**Operating performance 2009-2014  
excluding first tranche shared ownership sales**



**Long term loans as multiple of turnover**



During the year £513k was invested in two wholly owned subsidiaries (see Note 27), Bushmead Homes Limited (£500k) and **bpha** Finance plc (£13k).

The balance sheet includes a pension liability of £19.2m (2012/13: £19.7m), which represents the organisation's share of a long term liability under the Local Government Pension Scheme of which it has been a member for many years. The scheme is closed to new members. A plan to fund the deficit is in place.

A key feature of **bpha's** financial affairs is its debt structure which is primarily attributable to the funding of property development and acquisitions since 1990. Total borrowings, are in the form of long term bank loans from six leading UK financial institutions and stood at £614m at 31 March 2014.

Leverage levels have continued to improve as shown by the declining debt to turnover ratio in the chart on page 9.

### Treasury

Historically, debt funding came into the sector by way of our key relationship with banks. Going forward long-term funding will be primarily provided by debt capital markets investors. In recognition of this new funding environment and to help deliver the long-term objectives of the business, **bpha** undertook a credit rating process and in September 2013 it was announced that Standard & Poor's had awarded **bpha** a rating of AA-.

On 27 February 2014, the Homes and Communities Agency (HCA) upgraded **bpha's** financial viability status to the highest level of 'V1' in recognition of effective measures being in place to mitigate against exposure to sales and to margin call risk of its financial derivatives.

Following both the rating process and the HCA viability upgrade, **bpha** entered the debt capital markets for the first time and secured investment commitments on 28 March 2014. **bpha** issued a £200m bond (of which £60m was retained by **bpha** for future sale) at a coupon of 4.816% for 30 years, through a newly formed, wholly owned subsidiary, **bpha** Finance plc. The bond settled on 11 April 2014 and the proceeds were used to refinance part of a more expensive bank loan. The remainder of the proceeds was used to pay down revolving credit facilities. Although £11.9m of break costs and other refinancing costs were incurred, by breaking interest swaps **bpha** were able to lock into lower interest rates over the life of the bond, the savings from which exceed the £11.9m cost incurred. In addition **bpha** have saved interest costs for the next 30 years through reduced margin paid to lenders.

Prior to the current year **bpha** had entered into a number of interest hedging arrangements to fix part of its interest costs. Under the terms of the International Swaps and Derivatives Association (ISDA) contracts, **bpha** continues to provide security collateral to its counterparties. These cash and property security deposit requirements fluctuate, either increasing or being refunded as and when the market anticipates interest rate changes.

Over the course of the year, partly through undertaking a number of derivative restructures and partly due to the increase in long-term interest rates, **bpha** cash collateral deposited to meet margin calls has fallen from £41.3m (31 March 2013) to £19.3m (31 March 2014). Following the reduction in exposure to volatility in derivative contracts **bpha** has been able to release funds previously deposited as security with derivative counterparties.

The process for charging properties as security was streamlined, which enabled over 1,600 units to be charged in a short period in support of the bond issue.

**bpha** had undrawn borrowing facilities of £85m at 31 March 2014, which increased to £153m following settlement of the bond on 11 April 2014. Undrawn borrowing facilities are more than sufficient to meet planned net operational and development expenditure for the year ahead.

### Conclusion

The year to 31 March 2014 has been financially successful. The surplus achieved before refinancing costs was ahead of business plan. There has been continued growth through development. **bpha** has continued to maintain a sector leading operating margin. The financial viability rating awarded by the HCA has increased to V1 and Standard & Poor's awarded **bpha** an AA- credit rating. **bpha** took the first steps to restructure and improve its long-term funding through its successful debut issue on the debt capital markets.

**bpha** can look forward to the year ahead with confidence in its finances.



Paul Gray FCA  
Chief Financial Officer  
7 July 2014

## Value for money

**bpha** has a Value for Money (VFM) strategy which sets out the framework by which efficiencies and savings are generated and how the delivery of 'Value' will be measured. When measuring value we look at quality as well as cost. Other factors considered by **bpha** in assessing value, include:

- Offering more cost effective, improved services
- Generating a positive impact on residents and communities
- Ensuring decisions take a long term view rather than just considering short term costs
- Whether or not activities are environmentally sustainable.

**bpha** uses various sources of benchmarking data, including the HCA Global Accounts, Housemark, and the published financial statements of other similar providers in our geographic area. Measurement of performance is used to drive further improvement in delivery of VFM, with efficiency gains actively recorded and progress reported to stakeholders.

The Board is responsible for **bpha's** compliance with the Homes and Communities Agency regulatory framework including the requirement to evaluate and communicate VFM performance.

**A full self-assessment report has been prepared and has been reviewed by bpha's Board and the customer Service Improvement Panel and is published on the bpha website [www.bpha.org.uk](http://www.bpha.org.uk)**

**The following summary has been extracted from the full self-assessment report and stakeholders are advised to refer to that document.**

This summary self-assessment sets out how **bpha** has delivered VFM across the business during the year to 31 March 2014:

### a) Return on Assets

- **bpha** built 455 new homes and reinvested over £24.3m in existing homes. Details of the improvements

to homes resulting from this investment are set out in the operating review on page 5

- **bpha** continued to have a sector leading operating margin reflecting efficiency of cost control and maximisation of income
- Debt was refinanced which will lead to future annual interest savings for 30 years, which initially are in excess of £800k per year
- **bpha's** stock portfolio was surveyed and stock condition recorded, with complete data now held on 97% of all homes. This makes future maintenance liabilities visible and enables **bpha** to plan work to deliver greatest VFM. Increased capital expenditure on existing homes has been planned for the coming year, using the data gained from the stock condition survey. This will help drive future improvement in customer satisfaction levels
- Asset modelling software is used to efficiently evaluate **bpha's** stock and identify the performance of different assets. Data is used to inform reinvestment, retention and disposal decisions
- In 2013/14 **bpha** improved processes and invested in new systems which deliver an immediate, as well as long term, improvement in operational efficiency and effectiveness. For example, the introduction of tablets and other handheld devices has enabled Housing Officers to become more productive and spend greater time with residents. In addition, a new housing management system was selected and implementation commenced. Improvements to financial reporting were also delivered with further improvements currently underway

### b) Social and Environmental Returns

- 85% of **bpha** residents are satisfied with their neighbourhood as a place to live (2012/13: 84%). **bpha** listens to customers and what they tell us and uses this information to improve services. For example, based on

feedback we are working to improve our customer communications and provide greater clarity around responsibility for repairs

- £447k was invested in aids and adaptations to support disabled and elderly residents were fitted, which contributed to the continued independence, autonomy and well-being of our residents. According to an analysis prepared for the Scottish Government every £1 invested in aids and adaptations delivers £5.50 in social benefit and so, by this measure, **bpha's** investment delivered around £2.5m worth of benefits to our residents
- A five year programme of replacing over 3,500 inefficient older boilers was completed which improved the thermal comfort of 20% of **bpha's** homes. **bpha** measures the success of energy efficiency programmes using SAP (Standard Assessment Procedure) data. The SAP rating of **bpha** homes has continued to improve, increasing from 67 to 72.4 in the last three years
- **bpha** plans on increasing its SAP rating to 74 in the next five years by retrofitting all solid fuel heating systems with modern ground and air source systems and where possible, replacing electric heating with an alternative heating method
- **bpha** volunteers worked 2,623 hours, worth almost £34,000, on community projects in 2013/14. These projects range from individual help for residents who struggle with their gardens through to 'Silver Surfer' and 'Fit at Sixty' programmes.



### Efficiency gains and future improvements to VFM

In addition to the matters summarised on page 11, **bpha** delivered over £950k in VFM efficiency gains during the year to 31 March 2014. **bpha** has budgeted to deliver a further c.£1.6m operating efficiency gains in 2014/15.

All of the VFM efficiency gains realised in 2014/15 will be reinvested by increasing the amount of capital expenditure on existing properties, particularly through replacing kitchens, bathrooms and windows.

**bpha** are committed to improving the quality of services offered and to improving customer satisfaction as a result.

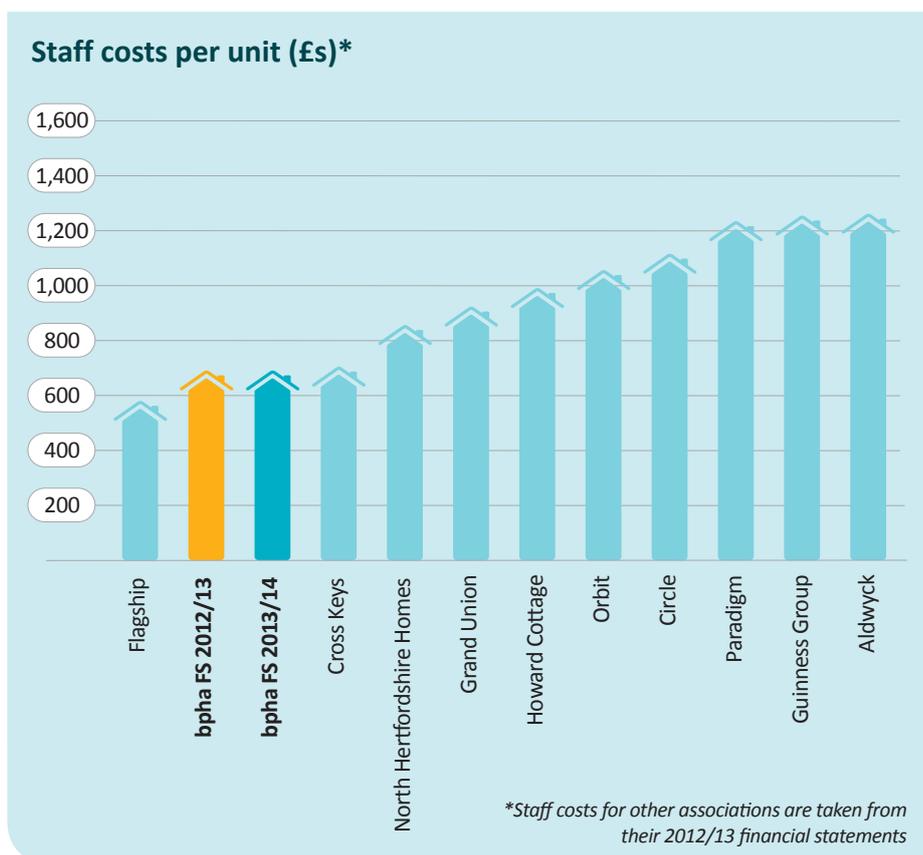
The new business system, which will go live during 2014/15, will deliver further integration of our value for money and performance reporting, and will continue to ensure value for money is at the heart of everything we do.

### VFM Benchmark

**bpha's** performance on the key value for money indicators which it uses to benchmark itself with its peer group, together with targets for 2014/15, are set out in the following tables:

VFM benchmarks	2014/15 Target	2013/14 Actual	2012/13 Actual	Benchmark*
Staff cost per unit	£729	£683	£683	£952
Planned and routine maintenance cost per home	£555	£703	£632	£992
Capital expenditure on existing properties per home	£807	£695	£609	£989
Total expenditure on properties per home	£1,362	£1,398	£1,241	£1,981
Rent void loss per home	£71	£79	£61	£79
Operating cost per home excluding first tranche shared ownership sales	£2,412	£2,464	£2,251	£3,883
Operating margin – social housing excluding first tranche shared ownership sales	48.2%	46.3%	47.3%	26.9%
Operating margin – all activities	39.5%	39.2%	45.5%	26.0%
Rent arrears %	4.0%	4.2%	3.7%	4.8%
Bad debts per home	£39	£36	£30	£37
Customer satisfaction with:				
quality of homes	80%	77%	83%	81%
neighbourhood as a place to live	85%	85%	84%	84%
overall service	78%	77%	73%	84%
Homes built or acquired	506	455	449	N/A
Total number of homes	17,712	17,427	17,218	N/A
Net debt per home	£35,651	£33,079	£31,614	£19,913

\* Benchmark data taken from HCA Global Accounts 2013



## Report of the Board

The Board presents its report and audited financial statements for the year ended 31 March 2014.

### Principal activities

**bpha** is a registered social housing provider, regulated by the HCA and is registered as a charitable Industrial and Provident Society under the Industrial and Provident Societies Act 1965.

**bpha** is now a mature association that has grown and changed significantly from its stock transfer roots, continuing to expand and diversify its services for a wide range of customers, including key public sector workers and others in need of low cost homes. **bpha** now operates across the Home Counties to the north and west of London, broadly on an arc between Oxford and Cambridge. In recognition of this diverse geographic spread and of the strength of the **bpha** name, on 12 November 2013 the company

changed its name from Bedfordshire Pilgrim’s Housing Association Limited to **bpha** Limited.

### Performance for the year

Details of **bpha’s** financial performance are set out within the Operating and Financial Review on pages 4-12.

### Housing property assets

Details of changes to **bpha’s** fixed assets are shown in Note 10 to the financial statements. Housing property values are considered in the Operating and Financial Review.

### Board members, officers and executive directors

The Board members of **bpha** are set out on the inside front cover.

The Board of **bpha** is comprised of three executive directors and six non-executive directors.

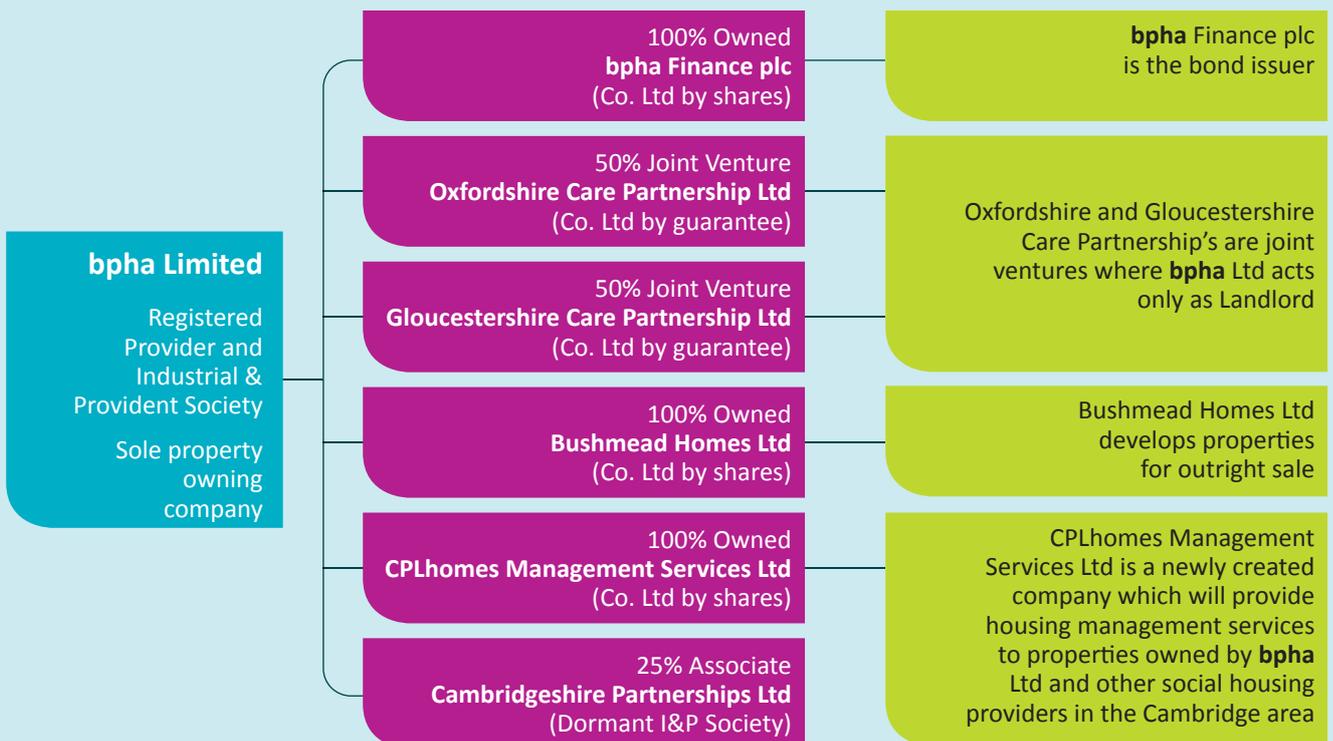
The non-executive directors comprise five independent members and one member nominated by the local authority, Bedford Borough Council. The independent members and Bedford Borough Council each hold one share in **bpha**. The independent Board members are drawn from a wide background bringing together professional, commercial and local experience. They possess specific qualifications and competencies necessary for effective governance and determination of overall corporate strategic objectives.

The Executive Directors of **bpha** are the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer.

The Executive Directors, each of whom are full Board members, hold no interest in **bpha’s** shares and act as full time salaried executives within the authority delegated by the Board.

### A simple corporate structure

**bpha** Limited operates within a simple corporate structure, including strategic partnerships, which is designed to manage financial resources effectively and efficiently.



**bpha** has insurance policies, which indemnify its Board and Committee members and Executive Directors against liability when acting for **bpha**.

### Corporate governance

During the year the **bpha** complied in all respects with the National Housing Federation Code of Governance (2010).

The Board recognises its responsibility for all aspects of the business and has in place a comprehensive and effective governance framework. This framework is dynamic – evolving as the risk, regulatory and operating environments change.



**bpha** has adopted a system of specialist committees (shown below) so that specific issues are scrutinised in more depth and breadth than would be possible within full Board meetings. The Board normally meets formally at least eight times a year and the Committees normally meet between two and six times a year.

In accordance with Board Terms of Reference, in addition to preparation and attendance at Board meetings and to overall governance and strategy, the members provide significant on-going input to the leadership framework. The Board also has oversight of **bpha** financial integrity, performance monitoring, appointment of senior management, consideration of delegated authority and stakeholder management and communication.

The Board and each of the specialist Committees are responsible for the implementation, monitoring and review of key strategies and policies across **bpha**. The respective responsibilities of the Board and specialist Committees are set out in their Terms of Reference. The paragraphs which follow detail the Governance Structure as it existed during the year to 31 March 2014.

### Board

The Board is responsible for the overall strategy and policy of **bpha**. The day-to-day running of **bpha** is delegated to the Executive Directors and the wider Senior Management Team.

The Board of **bpha** are currently reviewing all aspects of Corporate Governance including Committee Structures and responsibilities. **bpha** are consulting with key stakeholders, including the HCA and are taking external professional advice to ensure best practice is followed. Although this process remains on-going, on 19 May 2014 the Board decided to appoint a Senior Independent Director to oversee, amongst other responsibilities, the recruitment of the new Chair of **bpha**. Peter Male, the Audit Committee Chair, was elected as Senior Independent Director.

### Service Improvement Panel

The Service Improvement Panel, run by **bpha**'s residents independently of the Board, ensures that residents are engaged and involved in setting **bpha**'s strategic direction and decisions.

The Service Improvement Panel was previously known as the Resident Scrutiny and Improvement Group but the name was changed to more accurately reflect their role. The Panel is independent of the Board and is resident led. It makes direct recommendations to Heads of Service and holds the Board to account for how changes arising from its recommendations are implemented.

The role of the Service Improvement Panel is to:

- Monitor, scrutinise and challenge **bpha**'s performance to ensure continual improvement and development of best practice in service delivery for current residents and future residents, subject to appropriate regulatory and financial constraints
- Ensure that residents are involved at the highest level of decision making and that **bpha**'s strategic direction in service delivery reflects the needs and aspirations of its customers and residents
- Strengthen the links between current resident involvement activities and governance structures to ensure that residents are able to influence **bpha**'s decision-making process and to improve the variety of resident involvement activities offered
- Hold the Board of **bpha** to account in relation to service delivery.

The Service Improvement Panel undertook a number of scrutiny reviews in 2013/14, identifying areas in which **bpha** could improve. Keen to engage in how **bpha** demonstrates Value for Money (VFM), Panel members participated in the annual Residents' Network conference in London and in a best practice VFM workshop.

## Operations Board

The Operations Board comprises two Non-Executive directors of the **bpha** Board including the Vice-Chair, two independent members, two resident members and the Chief Operating Officer of **bpha**. The Operations Board is chaired by the Vice-Chair of the Board. The Operations Board is attended in observer status by the Chair of the Service Improvement Panel.

The purpose of the Operations Board is to champion and drive an engaged customer focused service which provides assurance to the Board and customers that **bpha's** operational delivery is efficient, effective and compliant with the customer service regulatory framework.

To do this, the Operations Board sets the customer service principles and parameters of **bpha's** operational strategy and oversees strategic outcomes, including operational performance, significant customer impacts and resident engagement.

## Audit Committee

The Audit Committee, comprising one Board member and two independent members, has the following terms of reference:

- **Risk Management** – To advise the Board on the effectiveness of **bpha's** internal control and risk management systems, including controls for assessing risk.
- **Finance** – To advise the Board on the adequacy of the organisation's financial reporting controls. To review the annual audited financial statements before submission to the Board.

## Board Performance

For 2013/14 the majority of Board/Committee members attended all meetings. The following table outlines their attendance for 2013/14:

- **Internal Audit** – To advise the Board on the provision of the internal audit service, to monitor the effectiveness of the internal audit service; to consider, approve and monitor progress against the annual internal audit plan and to consider and advise on internal audit reports.
- **External Audit** – To advise the Board on the appointment of external auditors, to review and monitor the effectiveness of the external audit work and to consider the independence of the external auditor and the external auditor's Audit Findings Report.

## Remuneration Committee

The Board has established a Remuneration Committee which comprises three Non-Executive Directors of the Board. The terms of reference of the Committee include determining the remuneration and terms and conditions of employment of the Chief Executive Officer; setting and evaluating all elements of the remuneration package for the Senior Management Team and assessing the skills, experience and other attributes required to effectively govern the organisation. Details of Director's remuneration are set out in Note 4 to the financial statements.

## Board and Committee attendance record

	Board	Operations Board	Audit Committee	Remuneration Committee	Development Projects Board	Bushmead Homes Limited
Dave Bartley	–	6/6	–	–	–	–
Peter Bateson	–	–	3/3	–	–	–
Kevin Bolt (4 February 2014 – 31 March 2014)	2/2	–	–	–	–	–
John Cross (Resigned 6 January 2014)	6/6	–	–	–	2/2	–
Paul Gray	9/9	–	–	–	2/2	7/11
Fiona Gregory	9/9	6/6	–	4/4	–	–
Stephen Hallett (Resigned 7 July 2014)	9/9	–	–	–	–	–
Shan Hunt	8/9	–	–	4/4	–	–
Melusi Jubane	–	6/6	–	–	–	–
David Keeling (Resigned 23 May 2014)	9/9	6/6	–	–	2/2	11/11
Tim Ludlow	–	–	3/3	–	–	–
Peter Male	9/9	–	3/3	–	–	–
Gerri McLeary	–	5/6	–	–	–	–
Neil McGregor-Paterson	9/9	6/6	–	4/4	–	–
Geoff Potton	9/9	–	–	–	2/2	11/11
Jaz Saggiu	–	5/6	–	–	–	–
Kevin Turmore (6 January 2014 - 23 January 2014)	–	–	–	–	–	–

### Bushmead Homes Limited and Development Projects Board

The Development Projects Board was originally established to scrutinise and recommend relevant development projects to the Board. It was also set up to establish Bushmead Homes Limited as a for profit residential development subsidiary. The scrutiny function over development projects is now undertaken by a meeting of the Board Executive Directors which draws upon Corporate Finance and Development expertise and which makes recommendations to Board.

Bushmead Homes Limited is chaired by a Non-Executive Board member, to provide appropriate oversight of any profit development activity.

The Development Projects Board having fulfilled its purpose was wound up in 2013.

### Internal control assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all of **bpha** and all of its subsidiaries.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. This provides reasonable and not absolute assurance against material misstatement or loss.

The Board cannot delegate ultimate responsibility for the system of internal control, but has delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control. The Board receives minutes of Audit Committee meetings, which normally meets four times a year. Lessons learned are discussed formally by the Senior Management Team, with systems and processes strengthened accordingly.

The Board has determined that the system of internal control of the organisation is effective. The Board has also received the annual report of the internal auditor which did not identify any matters that would undermine the overall integrity of the system of internal control.

The process for identifying, evaluating and managing the significant risks faced by **bpha** is on-going and has been in place throughout the period commencing 1 April 2013 up to the date of approval of the annual report and financial statements.

The key elements of the control framework include:

#### Board and Committees

- Formal terms of reference for Board and Committees
- Delegated authorities
- Established reporting to Board and Committees
- Committee structure (with independent members) providing depth and breadth of scrutiny and challenge

#### Risk management

- Clearly defined management responsibilities for the identification, evaluation and control of risks
- Established fraud policies
- Strategic business planning process with detailed financial budgets and forecasts
- Established authorisation and appraisal procedures for all new initiatives and commitments
- In-house corporate finance expertise
- Regular monitoring of loan covenants

#### People

- Formal recruitment, retention and staff development policies
- Whistleblowing, anti-theft, bribery & corruption policies
- Health & Safety ethos embedded across **bpha**; policies and procedures are reinforced via mandatory training and practical seminars

### External assurance/regulatory scrutiny

- Internal Audit programmes designed to evaluate effectiveness of controls for all areas of the business in a rolling programme – bespoke audits for new risks when appropriate
- Specialist support commissioned when appropriate
- Reports to the HCA through a range of regulatory returns
- ISO9001 assurance

The control framework is underpinned by monthly performance reports which are used to monitor performance against annual targets. These reports include monitoring of customer satisfaction, housing management, financial results and repairs and maintenance performance and is benchmarked both with HouseMark peer group results and other sources.

### Risks and uncertainty

**bpha's** Board and Senior Management Team have responded proactively and effectively to the threats and opportunities faced in 2013/14, thereby directly and positively affecting **bpha's** operating results, financial headroom and operating capacity. Risk maps are updated continually, informing discussion and decision-making.

### Key risks facing bpha

#### Financial markets risks

Changes in the external financial markets impact directly on business performance, primarily on **bpha's** operating surplus and debt portfolio.

An experienced in-house corporate finance team is in place – enabling a more flexible and responsive approach to changing financial circumstances. **bpha's** treasury strategy and policy, approved by the Board annually, outlines its risk strategy for, amongst others, financial market risk, liquidity risk and counterparty risk. These risks are monitored quarterly, ensuring **bpha** performs within the parameters of the strategy and that it remains loan covenant compliant.

**Financial performance risks**

A strong financial performance increases the resilience of **bpha** to cope with unexpected events or costs. The Board intend to grow the bottom line surplus over the medium term through cost control, economies of scale and prudent investment development decisions.

**bpha** also recognises that effective cost control will help to ensure that Value for Money is delivered.

**Welfare reform risks**

The potential impact of welfare reform has been widely debated in the sector. Teams across **bpha** have plans in place to ensure risks to both **bpha** and the communities **bpha** serve are tightly managed and controlled.

Within its financial plans, **bpha** has prudently amended assumptions to reflect this risk. Additional housing staff have been employed – increasing emphasis upon income collection, dedicating resource to improve social financial inclusion and supporting employment opportunities for residents.

Due to relatively high levels of economic activity and employment in **bpha's** operating region, **bpha** is less exposed to welfare reform risk than some associations. 56% of **bpha's** tenants pay their own rent and are not in receipt of housing benefit and only 20% have their rent paid in full by housing benefit. Separately, some 96% of tenants have bank accounts.

**Health & Safety risks**

There are many potential risks that could arise to tenants and staff from failure to fully comply with health & safety requirements.

A dedicated health & safety team supports all of **bpha's** activities. This work is reinforced by regular independent reviews. Health & safety compliance is reported to Board at every meeting.

**Business continuity risks**

The move to a new head office in December 2013, together with on-going investment in software systems and IT infrastructure are designed to reduce the risk of disruption to **bpha's** core services.

There are effective IT and logistical back up arrangements in place to ensure the business can continue to operate in the event of a major event. Detailed project plans for the introduction of new IT systems are in place and progress is reported regularly to Board.

**Regulatory Framework**

In May 2013 the HCA published a regulatory judgement setting out its view that **bpha** had not fully complied with the provisions of its code of governance in relation to payments to non-executive directors. Accordingly the HCA downgraded **bpha's** governance grading to G2 which means that **bpha** is “Properly Governed: G2 The provider meets the requirements on governance set out in the Governance and Financial Viability Standard, but needs to improve some aspects of its governance arrangements to support continued compliance.”

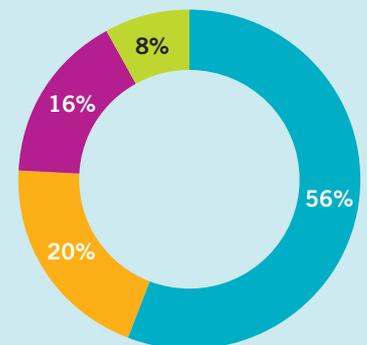
In the period since May 2013, **bpha** has worked closely with the HCA to address this issue. Whilst the G2 grading has not changed, in May 2014 the HCA published a revised judgement noting that “The disclosure of board pay on a named basis in the 2012-13 financial statements has now satisfied the requirements of **bpha's** chosen code of governance... **bpha** is currently reviewing its board pay and performance policies in line with a board refreshment programme. The regulator is satisfied that plans are in place to resolve these outstanding matters in a timely way.”

**Employees**

The Board recognises that **bpha's** strength and ability to meet its objectives and commitment to residents lies in the quality and commitment of its people. The Board wish to thank all employees for their contribution to this year's achievements.

**bpha's** policy is that training, career development and promotion opportunities should be available to all employees. The Board is committed to equal opportunities and in particular, to supporting the employment of disabled people, both in recruitment and in retention of employees who become disabled whilst employed by **bpha**.

**Welfare reform risks**



- Tenants not in receipt of Housing Benefit
- Tenants of working age in receipt of Full Housing Benefit
- Tenants of working age in receipt of Partial Housing Benefit
- Tenants not of working age in receipt of Housing Benefit

**bpha's** appraisal system is linked to its corporate values and objectives – with progress reviews throughout the year.

**bpha** is committed to fulfilling and exceeding, statutory and regulatory requirements to eliminate discrimination, promote equality of opportunity and good relations between different groups and to maintaining an organisational culture which values people from all sections of the community.

### Health & Safety

The Board acknowledges its duty of care on all matters relating to health and safety and receives status reports at every meeting. Regular reviews are undertaken and formal action plans are put in place.

**bpha** provides training and education on health and safety matters for Board members, senior management and staff.

### Post balance sheet events

On 28 March 2014, **bpha** committed to the issue of a £200m bond (of which £60m was retained by **bpha** for future sale) at a coupon of 4.816% for 30 years, through a newly formed, fully owned subsidiary, **bpha** Finance plc.

The bond settled on 11 April 2014 at which point the proceeds were used to refinance part of a more expensive bank loan, with the remainder of the proceeds being used to pay down revolving credit facilities. As part of the refinancing, £11.9m of break costs and other refinancing costs were incurred leading to a deficit of £6.2m (2012/13: £5.1m surplus). These break costs will be fully recovered through guaranteed savings in future funding costs.

### Donations

During the year, **bpha** made no political or charitable donations. Following the move to the new head office, surplus furniture was made available to various charitable organisations (The Samaritans, Bedford Credit Union, Groundwork Hertfordshire and Relate).

### Funding for community projects

**bpha** acknowledges the support and generosity of the following organisations that have made grants.

During 2013/14 grant income was received from the following organisations:

- European Social Fund Co-Finance  
£93,390 for the Community Employment Support program
- Big Lottery Fund  
£12,741 working with Bedford Advice Network which provides pre-tenancy support and budgeting advice in managing your first home
- National Careers Service  
£4,660 to provide individually tailored information, careers and skills advice
- Bedford Borough Council Ward Fund  
£4,000 for the refurbishment of a play area
- Panacea Society  
£2,500 for tenant welfare activities.

### Going concern

After making enquiries, which includes a review of the monthly cashflow forecasts and noting significant undrawn facilities available, the Board has a reasonable expectation that **bpha** has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

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

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

Industrial and Provident Society legislation requires the Board to prepare financial statements for each financial year. Under the law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Industrial and Provident Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of **bpha** for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: "Accounting by Registered Housing Providers ("SORP") Update 2010", have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that **bpha** will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of **bpha** and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002. It is also responsible for safeguarding the assets of **bpha** and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each member of the Board is aware:

- there is no relevant audit information of which **bpha's** auditors are unaware
- the Board have taken steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

### Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors of **bpha** will be submitted to the 2014 Annual General Meeting.

### Statement of compliance

In preparing this Operating and Financial Review and Board report, the Board has followed the principles set out in the SORP 2010.

The report of the Board was approved by the Board on 7 July 2014 and signed on its behalf by:



**Paul Gray FCA**  
**Chief Financial Officer and Secretary**  
 7 July 2014



## Independent auditors' report to the members of bpha Limited

We have audited the financial statements of **bpha** Limited for the year ended 31 March 2014 which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the note of historical cost surpluses and deficits, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing association's members, as a body, in accordance with regulations made under Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the housing association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the housing association and the housing association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Board and the auditor

As explained more fully in the Statement of the responsibilities of the Board set out on page 19, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2014 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2012.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 requires us to report to you if, in our opinion:

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

*Grant Thornton UK LLP*

#### Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants  
Milton Keynes  
8 July 2014

## Income and Expenditure account for the year to 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Turnover: continuing activities</b>	3	<b>94,285</b>	<b>79,871</b>
Operating costs	3	(57,325)	(43,560)
<b>Operating surplus: continuing activities</b>	3	<b>36,960</b>	<b>36,311</b>
Surplus on sale of fixed assets	9	2,325	2,235
Interest receivable and other income	6	163	309
Interest payable and similar charges	7		
On bank loans		(33,004)	(32,970)
Termination of hedging and loan arrangements (non-recurring)		(11,904)	–
		(44,908)	(32,970)
Other finance costs	17	(774)	(788)
<b>(Deficit)/surplus for the financial year</b>	8	<b>(6,234)</b>	<b>5,097</b>

## Statement of total recognised surpluses and deficits for the year to 31 March 2014

	Note	2014 £'000	2013 £'000
(Deficit)/surplus for the financial year		(6,234)	5,097
Unrealised (deficit)/surpluses on revaluation of properties	19	(2,864)	8,813
Actuarial gains/(losses) relating to pension scheme	17	1,078	(3,527)
<b>Total recognised (deficits)/ surpluses since last annual report</b>		<b>(8,020)</b>	<b>10,383</b>

## Note of historical cost surpluses and deficits for the year to 31 March 2014

	Note	2014 £'000	2013 £'000
Reported (deficit)/surplus on ordinary activities	19	(6,234)	5,097
Realisation of property revaluation surplus	19	1,378	714
<b>Historical cost retained (deficit)/ surplus</b>		<b>(4,856)</b>	<b>5,811</b>

The Notes on pages 25 to 49 form part of these financial statements.

The financial statements were approved by the Board on 7 July 2014 and were signed on its behalf:



**S Hallett**  
Chairman



**P Male**  
Chair, Audit Committee



**P Gray FCA**  
Chief Financial Officer and Secretary

## Balance sheet as at 31 March 2014

	Note	2014 (£'000)	2013 (£'000)
<b>Fixed assets</b>			
Tangible assets	10(i)	897,626	857,535
Investments			
Homebuy loan		59,735	63,843
Homebuy grant		(44,604)	(47,881)
		15,131	15,962
Investments in subsidiaries	27	513	–
		<b>913,270</b>	<b>873,497</b>
<b>Current assets</b>			
Properties for sale		6,816	5,012
Debtors	11	10,573	6,299
Investments	12	19,343	41,347
Cash		17,886	6,627
		<b>54,618</b>	<b>59,285</b>
<b>Less: creditors</b>			
Amounts falling due within one year	13	<b>(40,796)</b>	<b>(21,342)</b>
<b>Net current assets</b>		<b>13,822</b>	<b>37,943</b>
<b>Total assets less current liabilities</b>		<b>927,092</b>	<b>911,440</b>
<b>Creditors</b>			
Amounts falling due after more than one year	14	640,803	616,577
Net pension liability	17	19,183	19,737
		<b>659,986</b>	<b>636,314</b>
<b>Capital and reserves</b>			
Called-up share capital	18	–	–
Revenue reserve	19	14,661	18,439
Revaluation reserve	19	252,445	256,687
		<b>267,106</b>	<b>275,126</b>
		<b>927,092</b>	<b>911,440</b>

The Notes on pages 25 to 49 form part of these financial statements.

The financial statements were approved by the Board on 7 July 2014 and were signed on its behalf:



**S Hallett**  
Chairman



**P Male**  
Chair, Audit Committee



**P Gray FCA**  
Chief Financial Officer and Secretary

## Cashflow statement for the year to 31 March 2014

	Note	2014 (£'000)	2013 (£'000)
<b>Net cash inflow from operating activities</b>	23	<b>50,617</b>	<b>41,781</b>
<b>Return on investments and servicing of finance</b>			
Investment in subsidiaries		(513)	–
Net Interest paid		(36,290)	(33,378)
<b>Net cash outflow from return on investments and servicing of finance</b>		<b>(36,803)</b>	<b>(33,378)</b>
<b>Capital expenditure</b>			
Purchase and development of housing properties		(59,235)	(52,493)
Social housing grant received		8,584	7,667
Other sales of housing properties		7,026	6,731
Purchase of other fixed assets		(2,326)	(30)
<b>Net cash outflow from capital expenditure</b>		<b>(45,951)</b>	<b>(38,125)</b>
<b>Management of liquid resources</b>			
Net cash withdrawal of short term deposits and investments		22,004	2,076
<b>Financing</b>			
Loans received		44,016	45,250
Loans repaid		(22,624)	(15,097)
<b>Net cash inflow from financing</b>		<b>21,392</b>	<b>30,153</b>
<b>Increase in cash</b>	24	<b>11,259</b>	<b>2,507</b>

The notes on pages 25 to 49 form part of these financial statements.

# Notes to the financial statements for the year to 31 March 2014

## 1. Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency as a social landlord.

## 2. Principal accounting policies

### Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

The financial statements are prepared on the historical cost basis of accounting subject to the annual revaluation of certain fixed assets.

A summary of the more important accounting policies is set out below and remain unchanged from the prior year.

### Consolidation

Consolidated accounts have not been prepared as the transactions within the subsidiaries which would be included in the accounts of the Association are not considered to be material.

### Going concern

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

### Turnover

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales and other services, fees and revenue grants receivable from local authorities and the Homes and Communities Agency.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from property sales is recognised at the point of legal completion of the sale. Revenue grants are recognised when the conditions for receipt of agreed grant funding have been met.

### Supporting People

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

### Taxation

The Association has charitable status and is not subject to Corporation Tax on surpluses arising as a result of, or earned in furtherance of, its charitable objectives.

### Value Added Tax

The Association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that this is suffered by the Association and not recoverable from HM Revenue and Customs.

### Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest payable on borrowings specifically financing the development programme after deduction of interest receivable on Social Housing Grant (SHG) in advance; or
- b) interest payable on borrowings of the Association as a whole after deduction of interest receivable on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the Income and Expenditure account in the year.

### Loan issue costs

Costs incurred in raising loan finance are recorded as a deduction from gross proceeds of the loan and subsequently amortised in the Income and Expenditure account over the term of the loan. Other loan costs and facility fees are charged to the Income and Expenditure account as incurred.

Where there is an early repayment clause within the debt instrument, costs incurred are written off to the Income and Expenditure account at the point when a commitment is made to repay the debt.

## 2. Principal accounting policies (continued)

### Derivatives

The Association uses interest rate swaps to reduce its exposure to future increases in interest rates on floating rate loans. The notional principal is not reflected in the Association's balance sheet. Payments made under swaps are accrued over the payment period on a straight-line basis.

Any fees or penalties incurred due to early settlement of interest rate swaps are charged to the Income and Expenditure account when the Association has entered into a commitment to settle them.

### Pension costs

The Association operated a defined benefit pension scheme which closed to new members from 31 March 2010.

The assets of the closed scheme are invested and managed independently of the finances of the group. Pension costs are assessed in accordance with the advice of an independent qualified actuary. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

Since 1 April 2010 a defined contribution scheme has been available to employees. The Income and Expenditure charges represent the employers' contribution payable to the scheme for the accounting period.

### Housing properties

Housing properties are principally properties available for rent and properties subject to shared ownership leases. Completed housing properties are revalued annually. The aggregate surplus or deficit (net of grant) on revaluation is transferred to a revaluation reserve.

Housing properties under construction are stated at cost less related social housing grant and other capital grants. They are transferred into housing properties when completed.

Costs include the costs of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements. Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Shared ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, less any provisions needed for depreciation or impairment, is classed as a fixed asset and included in housing properties.

### Social Housing Grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency (HCA) and is utilised to reduce the capital costs of housing properties, including land costs. It is allocated to the land and structure components of the associated asset in proportion to their cost. Grant

receivable in respect of identifiable components is allocated to those components.

SHG due from the HCA is included as a current asset, whereas sums received in advance are recorded as a liability.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

### Donated land

Land donated by local authorities and others is added to cost at the market value of the land at the time of donation.

### Other grants

These include grants from local authorities and other organisations. The capital cost of housing properties are stated net of grants receivable on these properties. Grants in respect of revenue expenditure are credited to the Income and Expenditure account in the same period as the expenditure to which they relate.

### Homebuy and other similar schemes

The Association retains a stake in the form of a loan to the homeowner, in properties whereby the homeowner was assisted in their home acquisition through the Homebuy and Open Market Homebuy schemes. Investment in Homebuy is funded through Social Housing Grant and held in the balance sheet at historical cost. Upon crystallisation of a stake, the HCA grant is released and is normally available to be recycled. It is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

## 2. Principal accounting policies (continued)

### Depreciation of housing properties

The Association separately identifies the major components which comprise its housing properties and charges depreciation, so as to write down the cost of each component to its estimated residual value on a straight line basis over its estimated useful life.

The depreciable amount is arrived at on the basis of the revalued amount, less the residual value (being the estimated value of the land at existing use – social housing) and less the proportion of SHG and other grants attributable to housing properties.

Care Home properties are depreciated over the length of the related Lease Agreements.

Major components are treated as separable assets and depreciated over their expected useful economic lives as detailed opposite.

Assets	Years
Structure	100
Roofs	60
Lifts	60
Bathrooms	30
Heating Systems – Radiators	30
Electrics	30
Windows and Doors	30
Lift – Refurbishment	20
Kitchens	20
Heating Systems – Boilers	12

Freehold land and assets under construction are not depreciated.

### Impairment

Properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus, in which case it would be taken to the statement of total recognised gains and losses.

### Other tangible fixed assets

Tangible fixed assets, except housing properties, are stated at cost less accumulated depreciation. Furniture and equipment are depreciated on a straight line basis over the expected economic useful lives of the assets, which range between two and ten years. Long leasehold offices are stated at the lower of cost and net realisable value. Short leasehold offices are depreciated on a straight line basis over the life of the lease.

### Leased assets

Rentals payable under operating leases are charged to the Income and Expenditure account on a straight line basis over the lease term.

### Properties for sale

Shared ownership first tranche sales and property under construction are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour, direct development overheads and capitalised interest. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

### Current asset investments

Current asset investments are stated at fair value and include marked to market collateral deposits and investments.

### Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

### Major repairs

The Association is committed to carrying out a comprehensive major repairs and improvements programme on all housing stock. Works to existing properties which replace a component that has been treated separately for depreciation purposes are capitalised as improvements. Any other major repairs are charged to the income and expenditure account. The Association funds major repairs on the residential care homes for Oxfordshire Care Partnership (OCP) with funds received from OCP to cover expected repairs over the life of the homes. This income is included in turnover on a basis that matches repair expenditure incurred. Any excess income is included in creditors falling due after more than one year.

### Revaluation Reserve

The difference between the valuation of housing properties and their historical cost carrying value is transferred to the revaluation reserve.

### 3. Turnover, operating costs and operating surplus for the year to 31 March 2014

	2014 Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
<b>Social housing lettings</b>	73,373	(38,242)	35,131
<b>Other social housing activities</b>			
Supporting People contract income	365	(365)	–
Management fees	776	(194)	582
First tranche shared ownership sales	14,482	(14,388)	94
Other (including Homebuy Agent)	1,081	(1,803)	(722)
	16,704	(16,750)	(46)
<b>Total social housing activities</b>	<b>90,077</b>	<b>(54,992)</b>	<b>35,085</b>
<b>Non social housing activities</b>	4,208	(2,333)	1,875
<b>Total housing activities</b>	<b>94,285</b>	<b>(57,325)</b>	<b>36,960</b>

	2013 Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
<b>Social housing lettings</b>	69,227	(35,479)	33,748
<b>Other social housing activities</b>			
Supporting People contract income	517	(517)	–
Management fees	701	(192)	509
First tranche shared ownership sales	5,247	(4,800)	447
Other (including Homebuy Agent)	426	(1,172)	(746)
	6,891	(6,681)	210
<b>Total social housing activities</b>	<b>76,118</b>	<b>(42,160)</b>	<b>33,958</b>
<b>Non social housing activities</b>	3,753	(1,400)	2,353
<b>Total housing activities</b>	<b>79,871</b>	<b>(43,560)</b>	<b>36,311</b>

### 3. Turnover, operating costs and operating surplus (continued) for the year to 31 March 2014

#### Income and expenditure from social housing lettings

	General Housing	Low Cost Home ownership	Supported Housing	Residential Care Homes	Others	2014	2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income from social housing lettings</b>							
Rent receivable net of identifiable service charges	47,638	4,472	3,971	4,377	7,030	67,488	63,689
Charges for support services	–	–	322	–	–	322	438
Service charge income	2,343	228	2,004	572	323	5,470	5,014
<b>Net rents receivable</b>	<b>49,981</b>	<b>4,700</b>	<b>6,297</b>	<b>4,949</b>	<b>7,353</b>	<b>73,280</b>	<b>69,141</b>
Revenue grants from local authorities and other agencies	93	–	–	–	–	93	86
<b>Total income from social housing lettings</b>	<b>50,074</b>	<b>4,700</b>	<b>6,297</b>	<b>4,949</b>	<b>7,353</b>	<b>73,373</b>	<b>69,227</b>
<b>Expenditure on letting activities</b>							
Management	(7,550)	(1,427)	(737)	–	(741)	(10,455)	(9,784)
Services charge cost	(1,907)	(360)	(2,765)	–	(187)	(5,219)	(6,197)
Routine maintenance	(6,442)	–	(629)	–	(632)	(7,703)	(6,917)
Planned maintenance	(3,407)	–	(284)	(572)	(285)	(4,548)	(3,961)
Rent losses from bad debts	(457)	(43)	(57)	–	(67)	(624)	(511)
Depreciation	(5,163)	–	(584)	(2,124)	(403)	(8,274)	(8,109)
Former head office write down	(1,025)	(194)	(100)	–	(100)	(1,419)	–
<b>Total expenditure on social housing lettings</b>	<b>(25,951)</b>	<b>(2,024)</b>	<b>(5,156)</b>	<b>(2,696)</b>	<b>(2,415)</b>	<b>(38,242)</b>	<b>(35,479)</b>
<b>Operating surplus on social housing lettings</b>	<b>24,123</b>	<b>2,676</b>	<b>1,141</b>	<b>2,253</b>	<b>4,938</b>	<b>35,131</b>	<b>33,748</b>
<b>Void Losses</b>	<b>(876)</b>	<b>(12)</b>	<b>(314)</b>	<b>–</b>	<b>(176)</b>	<b>(1,378)</b>	<b>(1,042)</b>

#### 4. Non-executive directors' and directors' emoluments

The Board of directors of the Association comprise six Non-Executive Directors and three Executive Directors. All members of the Board other than Cllr Shan Hunt have been paid. Total emoluments in the period to 31 March 2014 for the Non-Executive Directors amounted to **£147k** (2013: £143k).

	£'000 Salaries	£'000 Expenses	2014 £'000 Total	2013 £'000 Total
<b>Stephen Hallett</b> Chair	50	3	53	52
<b>Fiona Gregory</b> Vice Chair, Chair – Operations Board	30	–	30	30
<b>Peter Male</b> Chair – Audit Committee	20	1	21	20
<b>Neil McGregor-Paterson</b> Chair – Remuneration Committee	20	–	20	20
<b>Geoff Potton</b> Chair – Bushmead Homes Ltd	20	3	23	21
<b>Cllr Shan Hunt</b>	–	–	–	–
	<b>140</b>	<b>7</b>	<b>147</b>	<b>143</b>

In addition to the above, a total of £23k (2013: £27k) was paid to the independent members of the Audit Committee and Operations Board who are not members of the **bpha** Board. These positions are paid annual remuneration of up to £4k per member.

#### Executive Directors

The aggregate amount of emoluments (including pension contributions and benefits in kind) paid or receivable by the Executive Directors of the Association during the year was £584k (2013: £620k).

Bonuses were only awarded where the Remuneration Committee is satisfied that the individual concerned and the business have achieved specific stretched targets, which include financial targets. Bonuses are paid in the year following the year to which they relate.

The bonus shown is in respect of the year ended 31 March 2014. No bonus was payable in respect of the year ended 31 March 2013. The disclosure of the bonus has changed; in previous years bonuses were disclosed in the year in which they were paid rather than the year to which the bonus related. Accordingly the 2013 comparative figures have been restated.

The retiring Chief Executive Officer was an ordinary member of the Local Government Pension Scheme and no special or enhanced terms applied.

#### 4. Non-executive directors' and directors' emoluments (continued)

	Basic Salary £'000	Bonus £'000	Benefits in kind £'000	Pension cont. £'000	2014 Total £'000	Restated 2013 Total £'000
<b>Board Directors</b>						
<b>John Cross</b> Chief Executive Officer (retired 16/3/2014)	130	–	7	22	159	164
<b>Kevin Turmore</b> Chief Executive Officer (appointed 6/1/2014; resigned 21/1/2014)	11	–	1	–	12	–
<b>Kevin Bolt<sup>1</sup></b> Interim Chief Executive Officer (appointed 4/2/2014)	34	–	–	–	34	–
<b>Paul Gray</b> Chief Financial Officer	115	23	6	14	158	125
<b>David Keeling</b> Chief Operating Officer (resigned 23/5/2014)	115	–	7	19	141	120
	<b>405</b>	<b>23</b>	<b>21</b>	<b>55</b>	<b>504</b>	<b>409</b>
<b>Other Executive Directors</b>						
<b>Kate Nelson<sup>2</sup></b> Transformation Director (resigned 31/5/2013)	13	–	–	2	15	92
<b>Heidi Stewart</b> Business Development Director (appointed 17/6/2013; resigned 15/6/2014)	83	–	5	–	88	–
<b>Judith Pokora</b> Executive Director Customer Services (resigned 14/2/2013)	–	–	–	–	–	119
	<b>96</b>	<b>–</b>	<b>5</b>	<b>2</b>	<b>103</b>	<b>211</b>
	<b>501</b>	<b>–</b>	<b>26</b>	<b>57</b>	<b>584</b>	<b>620</b>

<sup>1</sup> As interim Chief Executive Officer, Kevin Bolt's remuneration was paid under a consultancy agreement to a limited company.

<sup>2</sup> Kate Nelson was also paid £40k as compensation for loss of office in 2013/2014.

The Chief Executive Officer is the highest paid director.

## 5. Employee information

The average weekly number of persons expressed in full time equivalents employed during the year was:

	2014	2013
Customer Relations	137	129
Property Services	60	61
Development	32	32
Finance	28	32
Corporate Services	31	36
	<b>288</b>	<b>290</b>

<b>Staff costs</b> (for the above persons)	2014 £'000	2013 £'000
Wages and salaries	9,328	9,442
Social security costs	855	874
Pension – defined benefit current service cost (Note 17)	1,466	1,332
Pension – defined contribution cost	255	107
	<b>11,904</b>	<b>11,755</b>

The number of staff (excluding directors) who receive remuneration on a full time equivalent basis in excess of £60k are as follows:

<b>The full-time equivalent number of staff who receive remuneration</b>	2014 No.	2013 No.
£60,001 to £70,000	7	6
£70,001 to £80,000	2	1
£80,001 to £90,000	3	2

Full time equivalents are calculated based on a standard working week of 37 hours.

## 6. Interest receivable and other income

	2014 £'000	2013 £'000
Interest receivable from unlisted investments	163	309

## 7. Interest payable and similar charges

	2014 £'000	2013 £'000
On bank loans, overdrafts and other loans	34,863	34,405
Less: interest payable capitalised on housing properties under construction	(1,859)	(1,435)
	<b>33,004</b>	<b>32,970</b>
Termination of hedging and loan arrangements	11,904	–
	<b>44,908</b>	<b>32,970</b>
Capitalisation rate used to determine finance costs capitalised during the period	5.77%	5.29%

## 8. (Deficit)/Surplus for the financial year

	2014 £'000	2013 £'000
(Deficit)/Surplus on ordinary activities is stated after charging:		
Depreciation of housing properties	9,967	9,355
Depreciation of other tangible fixed assets	316	426
Impairment of long leasehold offices	1,411	–
<b>Auditors' remuneration (including VAT)</b>		
for audit services	45	41
for non-audit services		
– refinancing	48	–
– tax advisory	11	2
– other	12	15
<b>Operating lease payments</b>		
Vehicles, computers and equipment	62	78
Land and buildings	100	–

Further fees of £22k (2013: £16k) were paid to the auditors for advice on tax in respect of various development projects which have been capitalised.

## 9. Surplus on sale of fixed assets – housing properties

	2014 £'000	2013 £'000
Disposal proceeds	7,026	6,731
Carrying value of fixed assets	(4,701)	(4,496)
	<b>2,325</b>	<b>2,235</b>

## 10(i). Tangible fixed assets

	Housing properties £'000	Housing properties in the course of construction £'000	Long leasehold offices £'000	Short leasehold offices £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2013	1,092,145	39,506	3,258	2,736	1,137,645
Schemes completed in the year	45,788	(45,788)	–	–	–
Additions	–	49,511	–	2,326	51,837
Improvements	12,106	–	–	–	12,106
Interest capitalised	–	1,859	–	–	1,859
Disposals	(4,630)	–	–	–	(4,630)
Impairment	–	–	(1,411)	–	(1,411)
Deficit on revaluation	(12,831)	–	–	–	(12,831)
<b>At 31 March 2014</b>	<b>1,132,578</b>	<b>45,088</b>	<b>1,847</b>	<b>5,062</b>	<b>1,184,575</b>
<b>Depreciation</b>					
At 1 April 2013	–	–	901	2,298	3,199
Charge for year	9,967	–	9	307	10,283
Transfer to revaluation reserve	(9,967)	–	–	–	(9,967)
<b>At 31 March 2014</b>	<b>–</b>	<b>–</b>	<b>910</b>	<b>2,605</b>	<b>3,515</b>
<b>Social Housing Grant</b>					
At 1 April 2013	231,355	7,449	–	–	238,804
Additions	–	5,469	–	–	5,469
Transfer to RCGF and DPF	(924)	–	–	–	(924)
Transfers	4,941	(4,941)	–	–	–
<b>At 31 March 2014</b>	<b>235,372</b>	<b>7,977</b>	<b>–</b>	<b>–</b>	<b>243,349</b>
<b>Community Fund grants</b>					
At 1 April 2013	58	–	–	–	58
<b>At 31 March 2014</b>	<b>58</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>58</b>
<b>Other grants</b>					
At 1 April 2013	37,522	527	–	–	38,049
Additions	–	1,480	–	–	1,480
Improvements	498	–	–	–	498
Transfers	858	(858)	–	–	–
<b>At 31 March 2014</b>	<b>38,878</b>	<b>1,149</b>	<b>–</b>	<b>–</b>	<b>40,027</b>
<b>Net book value at At 31 March 2014</b>	<b>858,270</b>	<b>35,962</b>	<b>937</b>	<b>2,457</b>	<b>897,626</b>
<b>Cost or valuation at 31 March is represented by:</b>					
Valuation in the year	858,270	–	–	–	858,270
Cost	–	35,962	937	2,457	39,3563
Net book value at 31 March 2014	<b>858,270</b>	<b>35,962</b>	<b>937</b>	<b>2,457</b>	<b>897,626</b>
Net book value at 31 March 2013	823,210	31,530	2,357	438	857,535

## 10(i). Tangible fixed assets (continued)

The Association's housing properties have been valued by professional valuers, Savills (UK) Limited. The valuation of the properties was undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards, ("the RICS Red Book"). Completed housing properties were revalued at Existing Use Value for Social Housing as at 31 March 2014. In valuing the housing properties, a discounted cash flow methodology was adopted and key assumptions included for both years:

Discount rate	4.75%
Long term inflation rate	2.0% pa
Rent increase	up to CPI + 1% pa

The cost, net of Social Housing Grant and sales receipts, in respect of Low Cost Home Ownership properties included in housing properties is £71,942,000 (2013: £70,291,000) and housing properties in the course of construction is £15,449,952 (2013: £11,686,500).

	Housing properties comprise:		Housing properties in the course of construction comprise:	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Freeholds	737,893	705,000	30,882	30,541
Long leaseholds	120,377	118,210	5,080	989
	<b>858,270</b>	<b>823,210</b>	<b>35,962</b>	<b>31,530</b>

If the housing properties had not been revalued, they would have been shown in the balance sheet at the following amounts:

	2014 £'000	2013 £'000
Cost of properties	880,133	835,458
Social housing and other grants from the HCA and local authorities	(274,308)	(268,935)
Net cost	605,825	566,523

## 10(ii). Expenditure on works to existing properties

	2014 £'000	2013 £'000
Amounts capitalised	12,106	10,484

## 11. Debtors

	2014 £'000	2013 £'000
<b>Accounts falling due within one year:</b>		
Rental and service charges debtors	2,310	1,803
Less: provision for bad and doubtful debts	(1,219)	(1,026)
	1,091	777
Other debtors, prepayments and accrued income	7,729	4,227
Less: provision for bad and doubtful debts	(1,125)	(797)
	6,604	3,430
Social Housing Grants receivable	1,742	972
Housing Benefit from Local Authorities	787	778
<b>Accounts falling due after more than one year:</b>		
Loan to Gloucestershire Care Partnership Limited	250	250
Rolled up interest on loan made to Gloucestershire Care Partnership Limited	99	92
	<b>10,573</b>	<b>6,299</b>

## 12. Current asset investments

	2014 £'000	2013 £'000
Marked to market deposits	19,343	41,347

Marked to market deposits represent security given to counterparties of derivatives arrangements.

## 13. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank and Building Society loans (see Note 16)	–	250
Rent and service charges received in advance	662	702
Contracts for capital works and retentions	8,955	10,188
Taxation and social security	246	266
Other creditors	16,026	6,623
Accruals and deferred income	14,907	3,313
	<b>40,796</b>	<b>21,342</b>

Other creditors includes £361k in respect of grants received in advance for specific purposes.

### Payments to creditors

The Association's policy is to pay purchase invoices when due.

## 14. Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Debt (see Note 16)	613,661	592,307
Recycled Capital Grant Fund (see Note 15)	23,087	20,205
Disposal Proceeds Fund (see Note 15)	1,235	1,229
Major Repairs Fund – OCP (see Note 26)	2,820	2,836
	<b>640,803</b>	<b>616,577</b>

## 15. Recycled Capital Grant Fund (RCGF) and Disposal Proceeds Fund (DPF)

	RCGF £'000	DPF £'000	2014 Total £'000	RCGF £'000	DPF £'000	2013 Total £'000
At 1 April	20,205	1,229	21,434	17,513	879	18,392
Grants recycled – housing properties	924	–	924	797	346	1,143
Grants recycled – Homebuy	3,049	–	3,049	2,173	–	2,173
Interest accrued	55	6	61	47	4	51
Purchase/development of properties	(1,146)	–	(1,146)	(325)	–	(325)
<b>Balance at 31 March</b>	<b>23,087</b>	<b>1,235</b>	<b>24,322</b>	<b>20,205</b>	<b>1,229</b>	<b>21,434</b>

Included within the RCGF and DPF figures above are amounts that at 31 March 2014 were over three years old. bpha have submitted a bid for funding to the HCA for the 2015/18 period which will utilise the grant which is over three years old. In the event that the bid is not successful then potentially £12.8m could become repayable within one year.

## 16. Debt analysis

	2014 £'000	2013 £'000
<b>Due within one year:</b>		
Bank and Building Society loans	–	250
<b>Due after more than one year:</b>		
Bank and Building Society loans	611,794	590,023
Other loans	6,370	6,499
Deferred costs	(4,503)	(4,215)
	<b>613,661</b>	<b>592,307</b>
<b>Debt is repayable as follows:</b>		
Due within one year	–	250
Due after one year and within five years	38,633	16,395
Due after more than five years	575,028	575,912
	<b>613,661</b>	<b>592,557</b>

Included within Bank and Building Society loans due after more than one year is a loan of £60m which was repaid on 11 April 2014. On the same date this long term debt was replaced by the 30 year bond issue as outlined in Note 26.

## 16. Debt analysis (continued)

### Bank and Building Society loans

Housing loans from banks and building societies are secured by specific charges on the Association's housing properties and are repayable at fixed rates of interest (excluding margin on the loan) ranging from 5.25% to 10.64% and at variable rates linked to LIBOR.

### Interest Rate Hedges

The Association has stand-alone International Swaps & Derivatives Association (ISDA) arrangements in order to hedge against the long-term risk of an increase in variable interest rates under its principal loan facility. As an Industrial and Provident Society with charitable objectives and a social landlord registered with the Homes and Communities Agency, the Association does not trade for profit and is regulated by the Homes and Communities Agency which has issued extensive guidelines on the use of derivative instruments by registered social landlords.

The Association has applied this guidance in entering into 14 swap transactions which following bifurcation of three cancellable swaps in 2013/14 include three swaptions in which the bank counterparties have the right to enter an equal and opposite swap at various dates in the future. The swaps comprise six held with Barclays Bank plc totalling £130m (against which £35m swaptions are held by Barclays), two with HSBC Bank plc totalling £50m, two with Lloyds Banking Group plc totalling £35.9m (against which £15.9m swaptions are held by Lloyds) and one with Royal Bank of Scotland plc for £25m. All of the amounts are quoted at notional values.

The rates of interest range from 1.40% to 5.08% and maturity dates range from 31 March 2021 to 1 September 2051. The commencement dates of these swaps range from 27 February 2004 to 28 March 2014.

### Borrowing facilities

The Association has undrawn committed borrowing facilities from lenders. The facilities available at 31 March, in respect of which all conditions precedent had been met, were as follows:

	2014 £'000	2013 £'000
Expiring in more than five years	–	57,015
Expiring in two years or more but less than five years	85,000	49,750
	<b>85,000</b>	<b>106,765</b>

On 11 April 2014, following completion of the bond issue, the undrawn net committed facilities increased by £68m after taking account of loans and termination of hedging arrangements settled at that date.

## 17. Pensions

The Association is an admitted member of the Bedfordshire Pension Fund ("the fund"). This is a multi-employer scheme with more than one participating employer, which is administered by Bedford Borough Council under the Regulations governing the Local Government Pension Scheme (LGPS), and is a defined benefit scheme.

The employers' contributions to the Fund by the Association for the year ended 31 March 2014 totalled £1.7m (2013: £1.6m) and the employers' contribution rate from 1st April 2011 to 31st March 2014 was 16.9%. From 1st April 2014 the employer's contribution rate is 19.6% together with a lump sum cash contribution of £793k (as part of the deficit funding plan) in the next year (estimated contributions for 2014/15: £2.0m).

Triennial actuarial valuations of the fund are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2013.

The market value of the fund assets at 31 March 2013 was £1.5bn and the level of funding was 70%. The main actuarial assumptions used in the valuation were:

	% per annum
Salary increases	3.3%
Future pension increases	2.5%

## 17. Pensions (continued)

### Financial assumptions

The main financial assumptions used by the actuary in assessing liabilities on a basis consistent with Financial Reporting Standard 17 were:

	2014 % per annum	2013 % per annum	2012 % per annum
Future salary increases *	3.6%	5.1%	4.8%
Future pension increases	2.8%	2.8%	2.5%
Discount rate	4.3%	4.5%	4.8%
Inflation assumption	2.8%	2.8%	2.5%

\* In 2013 future salary increase were assumed to be 1% nominal until 31 March 2015 reverting to the long term assumption shown thereafter. In 2012 future salary increases were assumed to be 2.5% p.a. nominal until 31 March 2015 reverting to the long term assumption shown thereafter.

### Mortality assumptions

The post retirement mortality assumptions used to value the benefit and obligation at March 2012 and March 2013 are based on the fund's VitaCurves with improvements from 2010 in line with the medium cohort and a 1% p.a. underpin. For March 2014 the assumptions are based on the fund's VitaCurves (year of birth, medium cohort and 1% p.a. improvement).

Based on these assumptions, the average future life expectancies at age 65 are:

	Males 2014	Males 2013	Females 2014	Females 2013
Current pensioners	22.4 years	21.6 years	24.3 years	23.2 years
Future pensioners	24.4 years	23.6 years	26.8 years	25.6 years

### Major categories of plan assets as a percentage of total plan assets:

	31 Mar 2014 %	31 Mar 2013 %
Equities	66%	70%
Bonds	19%	19%
Property	8%	8%
Cash	7%	3%

### Actual return on plan assets:

	2014 £'000	2013 £'000
Actual return on plan assets	1,585	2,664

## 17. Pensions (continued)

### Estimated value and expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the year (i.e. as at 1 April 2013 for the year to 31 March 2014). The return on bonds are the yields applicable at the relevant date. The return on equities and property is then assumed to be a margin above bond yields.

The value of assets in the Fund and the expected rates of return were:

	31 March 2014		31 March 2013		31 March 2012	
	Assets	Expected Return	Assets	Expected Return	Assets	Expected Return
	£'000	%	£'000	%	£'000	%
Equities	20,888	6.6	20,077	5.7	12,197	6.3
Bonds	6,013	3.9	5,449	3.2	5,974	3.3
Property	2,532	4.8	2,294	3.9	2,240	4.4
Cash	2,215	3.7	860	3.0	4,481	3.5
<b>Total</b>	<b>31,648</b>		<b>28,680</b>		<b>24,892</b>	

### Amounts for the current and previous four years are as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of defined benefit obligation	(50,831)	(48,417)	(40,618)	(35,588)	(40,304)
Fair value of scheme assets	31,648	28,680	24,892	24,226	21,297
<b>Deficit on scheme at end of year</b>	<b>(19,183)</b>	<b>(19,737)</b>	<b>(15,726)</b>	<b>(11,362)</b>	<b>(19,007)</b>
Experience (losses)/gains on plan liabilities	(348)	43	(354)	(1,649)	(3)
Experience gains/(losses) on plan assets	796	1,417	(1,584)	486	3,666

### Analysis of the amount charged to the Income and Expenditure account:

	2014 £'000	2013 £'000
Current service cost	1,466	1,332
Total operating charge	1,466	1,332

### Analysis of the amount charged to other finance costs:

	2014 £'000	2013 £'000
Expected return on pension scheme assets	1,451	1,247
Interest on pension scheme liabilities	(2,189)	(1,971)
Losses on curtailments	(36)	(64)
<b>Net loss on assets</b>	<b>(774)</b>	<b>(788)</b>

## 17. Pensions (continued)

### Analysis of the amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	796	1,417
Changes in financial and demographic assumptions underlying the present value of scheme liabilities	282	(4,944)
<b>Actuarial gains/(losses) recognised in STRSD</b>	<b>1,078</b>	<b>(3,527)</b>

The cumulative actuarial loss at 31 March 2014 is £13.0m (2013: £14.1m loss).

### Movement in deficit during the year

	2014 £'000	2013 £'000
Association's share of scheme deficit at beginning of year	(19,737)	(15,726)
<b>Movement in year:</b>		
Current service cost	(1,466)	(1,332)
Employer contributions	1,712	1,632
Contributions in respect of unfunded benefits	4	4
Other finance costs	(774)	(788)
Actuarial gains/(losses)	1,078	(3,527)
<b>Association's share of scheme deficit at end of year</b>	<b>(19,183)</b>	<b>(19,737)</b>

### Changes in present value of defined benefit obligation are as follows:

	2014 £'000	2013 £'000
Opening defined benefit obligation	48,417	40,618
Current service cost	1,466	1,332
Interest cost	2,189	1,971
Contributions by members	428	479
Actuarial (gains)/losses	(282)	4,944
Losses on curtailments	36	64
Estimated unfunded benefits paid	(4)	(4)
Estimated benefits paid	(1,419)	(987)
<b>Closing defined benefit obligation</b>	<b>50,831</b>	<b>48,417</b>

## 17. Pensions (continued)

Changes in the fair value of plan assets are as follows:

	2014 £'000	2013 £'000
Opening fair value of plan assets	28,680	24,892
Expected return on assets	1,451	1,247
Contributions by members	428	479
Contributions by employer	1,712	1,632
Contributions in respect of unfunded benefits	4	4
Actuarial gains	796	1,417
Unfunded benefits paid	(4)	(4)
Benefits paid	(1,419)	(987)
<b>Closing fair value of plan assets</b>	<b>31,648</b>	<b>28,680</b>

### History of experience gains and losses

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between expected and actual return on scheme assets:	796	1,417	(1,584)	(1,649)	(3)
Experience (losses) and gains on share of scheme liabilities:	(348)	43	(354)	486	3,666
<b>Total amount recognised in statement of total recognised surpluses and deficits:</b>	<b>1,078</b>	<b>(3,527)</b>	<b>(4,064)</b>	<b>8,437</b>	<b>(11,586)</b>

## 18. Called up share capital

Each non-executive member of the Board other than the Local Authority nominated member, together with Bedford Borough Council hold one share of £1 in the Association.

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distribution on winding up. Shares are cancelled when the holder ceases to be a qualifying member of the Board.

	2014 £	2013 £
Allotted, issued and fully paid	6	6

## 19. Reserves

	Revaluation Reserve £'000	Revenue Reserve £'000	Total £'000
<b>At 1 April 2013</b>	<b>256,687</b>	<b>18,439</b>	<b>275,126</b>
Deficit for year	–	(6,234)	(6,234)
Deficit on revaluation on properties	(2,864)	–	(2,864)
Actuarial gain relating to pension scheme	–	1,078	1,078
Transfer in respect of realised gains on disposal of revalued properties	(1,378)	1,378	–
<b>At 31 March 2014</b>	<b>252,445</b>	<b>14,661</b>	<b>267,106</b>

At 31 March 2014, the revenue reserve was stated after taking charges totalling £19,183,000 in respect of the defined benefit pension liability (2013: £19,737,000).

### Revaluation reserve

	2014 £'000	2013 £'000
Net book value of housing properties	858,270	823,210
Net cost of housing properties (Note 10)	(605,825)	(566,523)
Revaluation reserve	<b>252,445</b>	<b>256,687</b>

## 20. Financial commitments

### Capital commitments

	2014 £'000	2013 £'000
Capital expenditure that has been contracted for, but has not been provided for in the financial statements	39,068	24,454
Capital expenditure that has been authorised by the Board but has not yet been contracted for	171,187	83,450

Uncontracted capital expenditure includes two strategic sites in Cambridge that will be contracted for in phases over the next six years.

The above commitments will be financed primarily through borrowings, under existing loan arrangements or from access to debt capital markets, together with social housing grant.

### Operating leases

At 31 March 2014 the Association had minimum annual commitments in respect of operating leases expiring:

	Land and buildings		Furniture, equipment and motor vehicles	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Between one and two years	–	–	54	35
Between two and five years	–	–	92	26
More than five years	201	–	–	–
	<b>201</b>	<b>–</b>	<b>146</b>	<b>61</b>

## 21. Number of units owned and in management

<b>At the end of the year:</b>	<b>2014</b>	<b>2013</b>
Owned – General and Supported	9,524	9,728
Owned – Affordable	650	316
Owned – Students/Nurses	498	498
Owned – Elderly Care Homes	1,287	1,249
Shared Ownership	1,532	1,436
Key Worker – Shared Ownership	238	246
Owned – Managed by Others	587	523
Near Market Rents	452	446
Rent to Homebuy	624	625
<b>Total Owned</b>	<b>15,392</b>	<b>15,067</b>
Open Market Homebuy	767	834
My Choice Homebuy/Shared Equity	644	686
Leaseholders	516	519
Managed for Others	108	112
<b>Total Other Properties</b>	<b>2,035</b>	<b>2,151</b>
<b>Total Owned and in Management</b>	<b>17,427</b>	<b>17,218</b>

## 22. Contingent liabilities

There are no contingent liabilities at 31 March 2014 (2013: nil).

## 23. Reconciliation of operating surplus to net cash inflow from operating activities

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Operating surplus for the year excluding interest and tax payable	36,960	36,311
Depreciation	11,694	9,781
Capitalised internal development costs	(2,857)	(3,069)
Pensions operating charge	1,466	1,332
Pensions contributions paid	(1,716)	(1,636)
Increase in properties for sale	(1,804)	(674)
Increase in debtors	(3,497)	(217)
Increase/(decrease) in creditors	10,371	(47)
<b>Net cash inflow from operating activities</b>	<b>50,617</b>	<b>41,781</b>

## 24. Reconciliation of net cashflow to movement in net debt

	2014 £'000	2013 £'000
Increase in cash	11,259	2,507
Cashflow from decrease in liquid resources	(22,004)	(2,076)
Cash inflow from increase in debt and lease finance and set up fees	(21,392)	(30,153)
Increase in net debt from cashflows	(32,137)	(29,722)
Non-cashflow items	288	(432)
Total changes in net debt for the period	(31,849)	(30,154)
Net debt brought forward at 1 April	(544,583)	(514,429)
<b>Net debt at 31 March</b>	<b>(576,432)</b>	<b>(544,583)</b>

## 25. Analysis of net debt

	1 April 2013 £'000	Cashflow £'000	Non-cashflow items £'000	31 March 2014 £'000
Bank loans	(590,273)	(21,521)	–	(611,794)
Other loans	(6,499)	129	–	(6,370)
Loans set up fees	4,215	–	288	4,503
Changes in debt	(592,557)	(21,392)	288	(613,661)
Cash at bank and in hand	6,627	11,259	–	17,886
Current asset investments	41,347	(22,004)	–	19,343
Changes in net debt	(544,583)	(32,137)	288	(576,432)

## 26. Post balance sheet event

In March 2014 a newly formed, fully owned subsidiary, **bpha Finance plc** issued a £200m bond (of which £60m was retained for future sale) at a coupon of 4.816% for 30 years. The proceeds were lent to **bpha**.

The bond settled on 11 April 2014 at which point the proceeds were used to refinance part of a more expensive bank loan with the remainder of the proceeds used to pay down revolving credit facilities. As part of the refinancing, £11.9m of break costs and other refinancing costs were incurred and these have been recognised in the year.

## 27. Related party transactions

### Board Members

One of the members of the Board (Cllr Shan Hunt) is the appointee of Bedford Borough Council, a local authority having nomination rights over initial tenancies to new build Association properties in their area. All transactions with the Council are on normal commercial terms and the Councillor Board member is not able to use their position for their personal advantage or that of Bedford Borough Council.

## 27. Related party transactions (continued)

### Oxfordshire Care Partnership Limited (OCP) (see Note 28)

The Income and Expenditure account includes the following transactions between the Association and OCP:

	2014 £'000	2013 £'000
Income from lease rentals	4,244	4,071
Management Fee receivable	93	90
	<b>4,337</b>	<b>4,161</b>
Major Repairs contribution	773	900
Major Repairs expenditure	(804)	(560)
<b>Balance taken (from)/to Major Repairs Fund</b>	<b>(31)</b>	<b>340</b>

	2014 £'000	2013 £'000
<b>The amounts due from OCP at the year end are:</b>		
Income from lease rentals	923	351
Management fee receivable	28	–
Major repairs contribution	193	–
Extra Care Scheme Grant	850	–
	<b>1,994</b>	<b>351</b>

<b>The amounts due to OCP at the year end are:</b>		
Development expenditure	–	268
Fund for future Major Repairs expenditure	2,820	2,836
	<b>2,820</b>	<b>3,104</b>

### Gloucestershire Care Partnership Limited (GCP) (see Note 28)

The Income and Expenditure account includes the following transactions between the Association and GCP:

	2014 £'000	2013 £'000
Income from lease rentals	2,103	1,395
Interest receivable	7	7
	<b>2,110</b>	<b>1,402</b>

<b>The amounts due from GCP at the year end are:</b>		
	2014 £'000	2013 £'000
Interest receivable on loan	99	92
Loan from <b>bpha</b>	250	250
	<b>349</b>	<b>342</b>

## 27. Related party transactions (continued)

### Investment in subsidiaries

	2014 £'000	2013 £'000
Bushmead Homes Limited	500	–
<b>bpha</b> Finance plc	13	–
	513	–

### Bushmead Homes Limited

Bushmead Homes Limited was a subsidiary of the Association at the year end and is limited by shares. **bpha** Limited has the right to appoint members to the Board of the subsidiary and thereby exercise control over it. **bpha** Limited owns all £500k of the issued share capital.

Bushmead Homes Limited's principal activity is property development for open market sale.

This is not deemed material and the results have therefore not been consolidated.

The Income and Expenditure account includes the following transactions between the Association and Bushmead Homes Limited:

	2014 £'000	2013 £'000
Income from central services	9	–

### The amounts due from Bushmead Homes Limited at the year end are:

	2014 £'000	2013 £'000
Income from central services	9	–
Recharges for invoices paid by <b>bpha</b> Ltd on Bushmead Homes Ltd's behalf	189	–
	198	–

### **bpha** Finance plc

**bpha** Finance plc is a public limited company which was incorporated on 6 March 2014. The company is a special purpose vehicle for the purpose of issuing asset backed securities and on-lending the proceeds to **bpha** Limited. As disclosed in Notes 16 and 26, **bpha** Finance plc entered into commitments during the year to issue a bond which completed after the year end. **bpha** Finance plc has raised 50,000 ordinary shares of £1 each, all of which are paid up to 25 pence. **bpha** Limited owns all of the issued share capital. Other than the issue of shares, **bpha** Finance plc had no transactions at the year end.

### CPLhomes Management Services Limited

CPLhomes Management Services Limited is a wholly owned subsidiary that will provide housing management services to properties in the Cambridge area. It had not commenced operations at the year end.

### Cambridgeshire Partnerships Limited

During the financial year 2007/08 the HCA selected a bid from Cambridgeshire Partnerships Limited, led by **bpha** and incorporating four other Housing Association partners, to deliver the vision of the Cambridge Challenge.

Cambridgeshire Partnerships Limited which is an associated company in which **bpha** has a 25% stake, has incurred legal and audit costs of £6k during the year. These costs represent the only transactions of this entity for the financial year and are not deemed material and have therefore not been consolidated.

## 28. Joint ventures

The Association holds 50% of the shares in each of two joint venture companies, The Oxfordshire Care Partnership Limited (OCP) and The Gloucestershire Care Partnership Limited (GCP). The joint ventures are managed through a Board of Trustees on which the Association and its partner are equally represented.

OCP's and GCP's principal activities are the provision of care to elderly people through care homes. OCP and GCP provide housing, accommodation and assistance to help house people who are elderly or disabled and the provision of associated facilities and amenities for such people.

As the Association is not required to prepare consolidated financial statements, under FRS 9 'Associates and Joint Ventures', the Association is required to prepare additional information including, on an equity accounting basis, its share of the joint venture's results for the period to 31 March 2014 and the net assets as at 31 March 2014.

Any surplus from the joint venture companies shall be applied solely towards the promotion of charitable objects as determined by the trustees. No profits by way of dividends will be distributed to the members of the companies.

### Income and expenditure account for the year 31 March 2014

	2014 Association £'000	2014 OCP £'000	2014 GCP £'000	2014 Total £'000	2013 Total £'000
<b>Turnover: Continuing activities</b>	94,285				
Operating costs	(57,325)				
<b>Operating surplus/(deficit): Continuing activities</b>	36,960	(77)	22	36,905	35,848
Surplus on sale of fixed assets	2,325	–	–	2,325	2,235
Interest receivable and similar income	163	12	1	176	329
Interest payable and similar charges	(33,004)	–	(8)	(33,012)	(32,979)
Termination of hedging and loan arrangements	(11,904)			(11,904)	
Other finance costs	(774)	–	–	(774)	(788)
<b>(Deficit/(surplus) on ordinary activities before and after tax</b>	<b>(6,234)</b>	<b>(65)</b>	<b>15</b>	<b>(6,284)</b>	<b>4,645</b>

## 28. Joint ventures (continued)

### Balance Sheet as at 31 March 2014

	2014 Association	2014 Joint Ventures OCP	2014 Joint Ventures GCP	2014 Association including Joint Ventures	2013 Association including Joint Ventures
	£'000	£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible assets	897,626			897,626	857,535
Investments	15,131			15,131	15,962
In subsidiaries	513			513	
<b>Joint Ventures:</b>					
Share of gross assets		4,050	665		
Share of gross liabilities		(2,451)	(860)		
				1,404	1,453
	913,270			914,674	874,950
<b>Current Assets</b>					
Properties for sale	6,816			6,816	5,012
Debtors	10,573			10,573	6,299
Investments	19,343			19,343	41,347
Cash	17,886			17,886	6,627
	54,618			54,618	59,285
<b>Less: Creditors</b>					
Amounts falling due within one year	(40,796)			(40,796)	(21,342)
	13,822			13,822	37,943
<b>Net Current Assets</b>					
	927,092	1,599	(195)	928,496	912,893
<b>Creditors</b>					
Amounts falling due after more than one year	640,803			640,803	616,577
Net pension liability	19,183			19,183	19,737
<b>Capital and Reserves</b>					
Called-up share capital	–				
Revenue reserve	14,661	1,599	(195)	16,065	19,892
Revaluation reserve	252,445			252,445	256,687
	927,092	1,599	(195)	928,496	912,893



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