Report and financial statements

Year ended 31 March 2017

We build communities where people can live happily in a home they can afford.

Growth, innovation and efficiency
bpha continues to build and maintain quality homes and thriving communities by being increasingly efficient and always considering those we house.

Centred in Bedford, we own or manage over 18,000 homes across the Oxford to Cambridge geographic arc and employ around 350 people. We provide homes for people at all life stages from starter homes, family homes through to a range of housing options for older people.

We are committed to building at least 500 new homes a year and are one of the top 25 developing housing associations.

Highlights

At a glance
see page 4 and 5

Building capability
see page 10

A year in development
see page 14

Contents

bpha

£29.0m
surplus before tax

£59.9m
EBITDA MRI (Earnings before interest, tax, depreciation and amortisation, major repairs included)

18,186
homes owned or managed

508
homes built or acquired

100%
of homes have met Decent Homes Standard since 2010

V1
HCA viability rating

45%
operating margin on social housing lettings

174%
EBITDA MRI (% of interest payable and similar charges)

£22.8m
invested in maintaining and improving our existing homes

169
shared ownership sales

A+
credit rating from Standard & Poor's

G1
HCA governance rating

bpha's success has helped attract good people and good people are key to continued success.

I am writing this statement in the immediate aftermath of the tragic event of the Grenfell Tower fire in which so many people have sadly lost their lives. Everyone here at bpha extends their sympathy to all involved. There will be a need to review the information that emerges from the Inquiry as that unfolds; in the meantime working with fire service representatives we have looked again at bpha tenants' safety and the fire precaution measures that are in place in the tower blocks that bpha owns. Tenants' safety continues to be our number one priority.

The year to 31 March 2017 has seen continued progress in many areas, details of which are set out in the pages which follow. In this statement, I wish to focus upon governance, people and strategy.

Governance

Following my appointment as Chair in February 2015, the Board concluded that bpha's governance would benefit by working to a greater extent through committees; this would facilitate greater scrutiny outside of the formal Board meetings by specialist Non-Executive and Independent Members who could bring both constructive challenge and support to the Executive whilst providing greater assurance to the Board.

Accordingly the Finance & Treasury Committee was established in 2015 under the Chairmanship of Dr Martin Hurst, a then recently appointed non-executive member of the Board. In the two years since, I believe that this committee has proved very effective.

Development of new housing has been at the heart of bpha's activities for many years. Post-Brexit referendum, there are numerous economic and political uncertainties and whilst bpha is committed to building new homes, this needs to be done prudently so as to protect the organisation's long term viability. In 2017, the Board established a Development Committee to provide greater assurance and scrutiny over all development activity. Paul High, a co-opted independent Board member with extensive sector house building experience, has been appointed to Chair this committee.

I should also like to take this opportunity to thank the members of the Service Improvement Panel, The Resident Inspector Team and the Complaints Review Panel for their hard work and vital contribution throughout the year to governance, scrutiny, engagement and to driving further improvements.

People

The ongoing process of Board succession sadly means that we also had to say goodbye to three colleagues and I should like to take this opportunity to express my thanks to Neil McGregor-Patterson and Geoff Potton for their service to bpha, both of whom stepped down in 2016 after serving their full-term of six years, and to Sarah Ireland who, as the executive lead for development, played a significant role in the success of that department over the last decade.

Robert Burgin, Chairman.

In addition to the appointment of Paul High, I was delighted to welcome Jill Ainscough to the Board as Chair of the Remuneration and Nominations Committee, replacing Neil. Ian Ailles has agreed to serve as Chair of the Audit and Risk Committee. Ian will succeed Peter Male and Peter will remain as Senior Independent Director. Profiles of all the non-executive members of the Board appointed since I took over as Chair are set out on page 13.

Over the last three years bpha has made a lot of new appointments at executive and head of service level which helped drive improvements as we grew in a carefully controlled manner. I am certain that the widened committee structure and new Board appointments have strengthened the range of skills and experience which complements the management team and provides a firm basis for future success.

Strategy

The Board has held a number of detailed strategic discussions during the last 12 months. We supported the Executive in committing to investment to support new ways of working, including a greater emphasis on remote and flexible working and in investing in IT to drive efficiencies. We take a long-term view and critically examined all aspects of our strategy and operations, including our capacity to deliver both Value for Money and more new homes.

We have set out in these financial statements details of bpha's business model and strategy, how we are investing in people to build capability and our development programme. To continue to be successful bpha needs to have the right people at all levels; bpha's success has helped attract good people and good people are key to continued success. I should like to take this opportunity to thank everyone at bpha for their contribution to this success and in delivering service for the benefit of all our customers.

Robert Burgin
Chairman
18 July 2017

A long term business with a forward-looking vision.

bpha's 2017 Financial Statements highlight that this has been an extremely successful year for the association, in many respects its best ever, which underlines the strength of the current business model. Naturally I am very happy with how things have gone but what excites me even more is the less visible, but in many ways more important, investment that has been made during the year in the association's longer term potential.

At the moment, people seem to be getting quite used to unexpected events in their lives be they political, social, economic, national or global, so that is the world that bpha has to be strong enough, smart enough, resilient enough and committed enough to succeed in as we approach the 2020s. In short, we want the bpha business model to be flexible enough to cope with the unexpected whilst we maintain our commitment to building more homes and looking after the customers and homes that we already have.

In 2016, the Board approved a strategy called 'Fit for the Future' and this year, with the help and commitment of our staff, we have started to deliver this. As detailed on page 7, we have established a new business unit operational model that has been designed to be both scalable and modular. It will bring greater focus and transparency to service delivery, the performance of our assets and the overall operational efficiency of the association. Ongoing investment in this model over the coming 12 to 24 months will enable bpha to continue to perform strongly and ensure we are able to adapt to meet the challenges and opportunities of the 'Housing Market' environment of the 2020s and beyond.

Kevin Bolt addresses the 2017 staff conference.

We have set out in the pages that follow how we are investing in improvements to systems and technology and how we intend to deliver improvements to the customer experience whilst driving greater Value for Money. Fundamental to all of this are the many different people who play key roles within bpha. On pages 6 to 13 we have detailed how we are investing for growth and how we are attracting new talent and growing our own talent.

We are a long term business with a forward looking vision that states we are here:

To build communities where people can live happily in a home they can afford.

Our day to day purpose or mission is that:

We will continue to build and maintain quality homes and thriving communities by being increasingly efficient and always considering those we house.

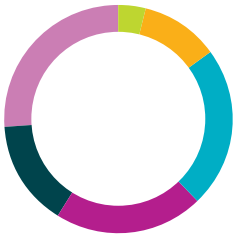
Our vision and mission will only be achieved if we have the ambition, strength and capability to be adaptable and resilient along the way. 2016/17 was a great year for the association and I am confident that the full value of our investment and the level of our achievement will only become apparent over the coming years. I am looking forward to our journey to the 2020s and beyond.

Kevin Bolt
Chief Executive Officer
18 July 2017

As one of the top 25 developing housing associations, we have grown our stock to over 18,000 homes and continue to build at least 500 more each year.

Age profile of tenants

The majority of our tenants are aged between 25 and 50, a younger age profile than is typical across the sector.



<25	4%
25–30	11%
31–40	23%
41–50	21%
51–60	15%
61+	26%

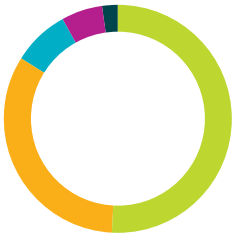
Economic status

The majority of our tenants are not in receipt of housing benefit, leaving us less exposed to welfare reform.

Full Housing Benefit	21%
Partial Housing Benefit	20%
Not in receipt of Housing Benefit	59%

Stock by type

We offer a range of dwelling types, but the majority of our stock is family homes.



House	51%
Apartment	33%
Nursing/care home	8%
Bungalow	6%
Other	2%

Stock by usage

The majority of our stock is conventional and modern general needs housing.

General needs	68%
HomeBuy	6%
Shared ownership	12%
Nursing/care home	8%
Other	6%

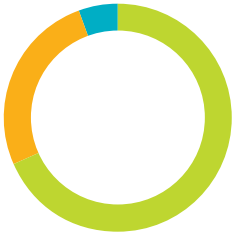
Age profile of stock

Nearly half our stock is under 20 years old, meaning lower maintenance costs.

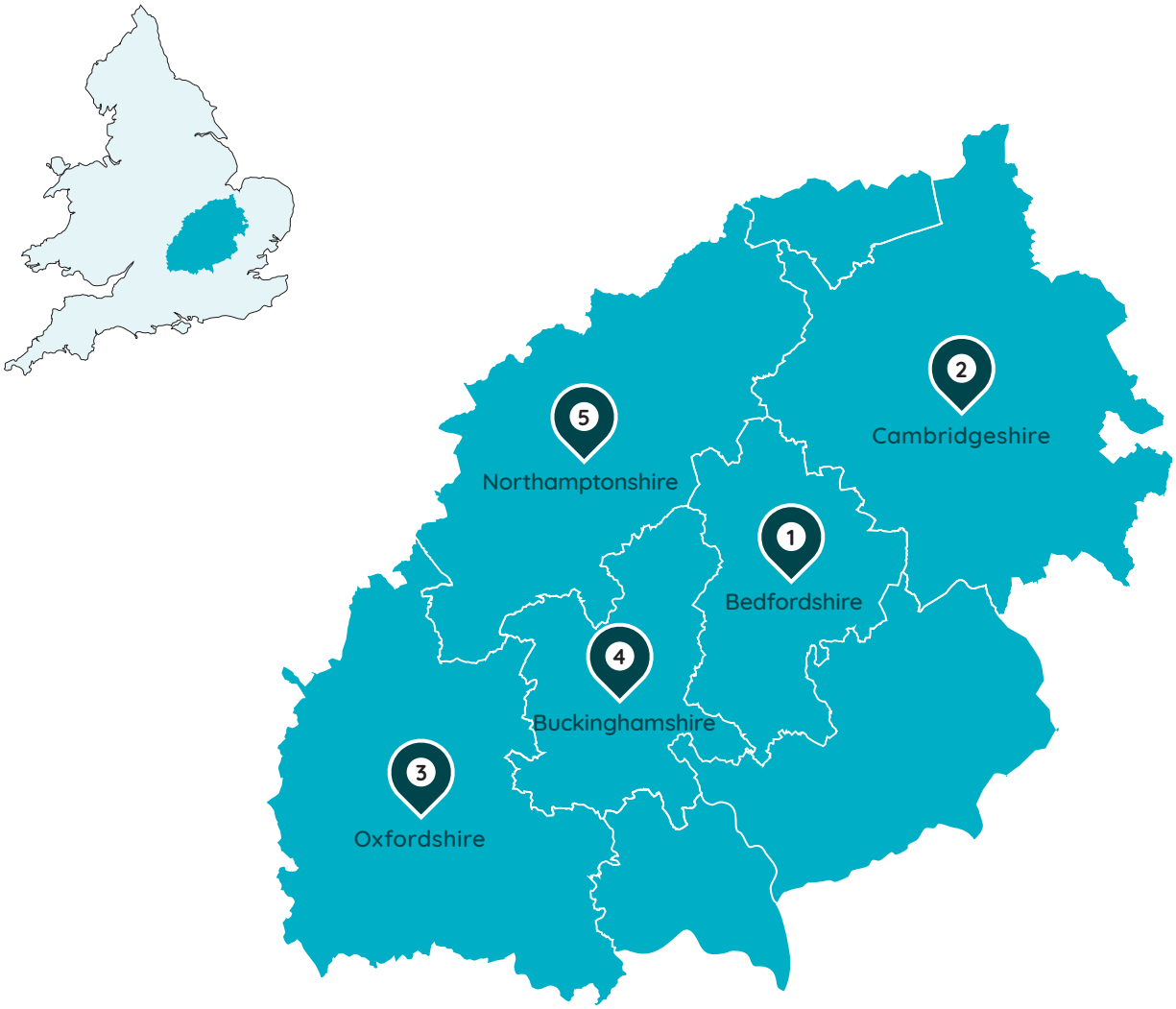
0–10	34%
11–20	13%
21–40	14%
41–60	22%
61+	17%

Analysis of turnover

Our social housing lettings activity is the core component of our business, representing over 68% of our total turnover.



Social housing lettings income	£83.9m
Other social housing activities	£31.7m
Non-social housing activities	£6.8m
Total	**£122.4m**



Units by area

The majority of our housing stock is in the Oxford to Cambridge arc.

1	Bedfordshire	10,187
2	Cambridgeshire & Peterborough	3,568
3	Oxfordshire	1,247
4	Buckinghamshire & Milton Keynes	1,050
5	Northamptonshire	1,201
	Other	933
	Total units	**18,186**

Where we have been building in 2016/17

1	Bedfordshire	59
2	Cambridgeshire	306
3	Oxfordshire	136
	Total social housing units built	**501**
	Other acquisitions	7
	Total social housing units built or acquired	**508**
	Private sale units built (group's 25% share of total)	14
	Total additions	**522**

Over the last five years, bpha has transformed its financial performance. This year, we've unveiled our new business unit structure and corporate strategy to continue on this journey.

Looking to the future

Financial strength enables an organisation to take choices about how it deploys resources and the services it prioritises. In the following sections, we have summarised the choices we have made.

We are a strong, financially viable organisation with an efficient operating model that delivers Value for Money, and we are well placed to continue supplying new homes to meet the strong housing demand in our geographic area.

We exist to help those who cannot currently afford to rent or buy through the private market to access a home. We continue to operate within a tight geographical area between Oxford and Cambridge, centred on Bedford. These areas have some of the most expensive housing in the country where house prices are commonly between 10–12 times the average salary. Whilst this is generally an economically active area with high levels of employment, there are some areas of economic deprivation. Across the region, many people in low paid employment cannot access housing privately – so the need for affordable housing remains acute.

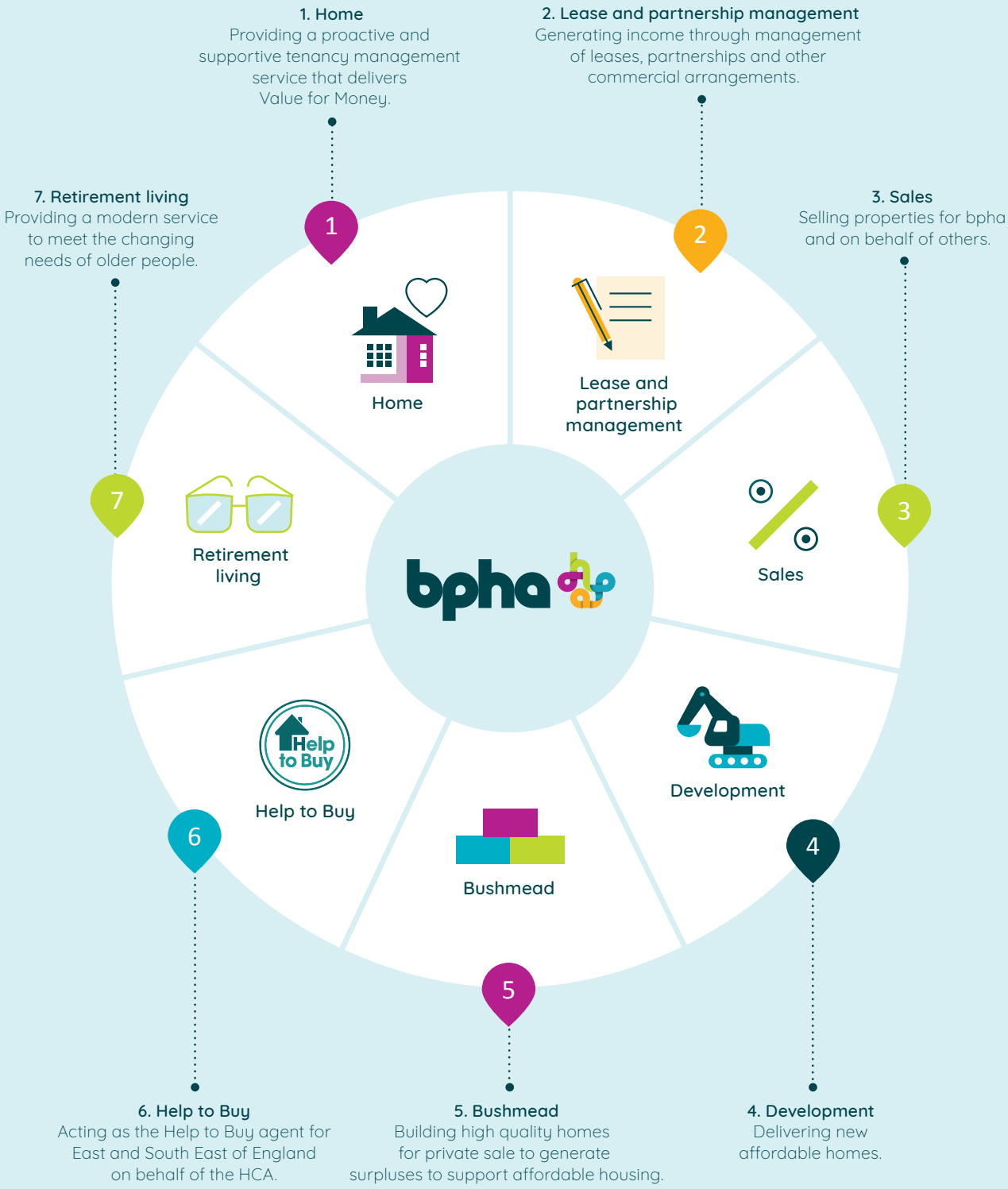
We serve a diverse customer group including tenants, shared owners and Help to Buy customers with a range of ages and economic circumstance who have different service requirements. It is important that we continue to supply a range of dwelling types of different sizes and tenures to meet the varied needs of our demographic groups.

Our ambition has not changed – to build or supply homes to as many people in need as we can, manage our housing assets and tenancies as efficiently as possible, and deliver a service that provides exceptional Value for Money for our customers.

But how we work is changing and this year we have restructured the organisation to work through a new business model. We now have seven business units along with a number of support services.

To grow successfully, we recognise we need to invest in our support infrastructure and to continuously improve our customer offering. Our new business units will help inform decisions through improved metrics, facilitate clearer reporting, and help deliver greater Value for Money during the year ahead and in years to come.

Our business units



Support services

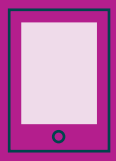
- Finance and Treasury
- HR
- Property Services
- IT
- Governance, Quality and Communications

We will continue to build and maintain quality homes and thriving communities by being increasingly efficient and always considering those we house.

bpha's corporate strategy

To remain a strong and financially viable organisation with an efficient operating model that continues to supply new homes to meet the high demand for housing across our operating area.

Customers
Delivering proactive and modern tenancy and customer services from within the heart of our communities.



Digital
Maximising use of digital services to drive consistency and convenience for customers.

Value for Money
Maintaining our strong cost controls and driving value in everything we do.

Development
Building more homes each year in our core operating area.

How we will deliver our corporate ambition

- Operating through 7 service specific business units.
- Operating in a core area of 11 local authorities across the Oxford to Cambridge arc.
- Building at least 500 homes a year.
- Working through partnerships with commercial organisations and other housing associations.

This year, we have reviewed our corporate values to ensure they fit the future direction of bpha. We strive to keep getting better at everything we do. Our refreshed values are:

- **Customers first –** We listen to customers and put them at the heart of everything we do.
- **Right first time –** We strive to get things right the first time and to keep getting better.
- **As good as our word –** We act with integrity; we do the right things and deliver what we say we will.
- **Open and informative –** We respect our employees and customers by sharing information and communicating in an open and easy to understand manner.
- **Effective relationships –** We take responsibility for our actions and look to achieve more by working effectively with others.
- **Pride and ownership –** We are proud of the work we do and always take ownership.

Treasury
Managing risk and securing the funding needed to support onging development.

Risk
Providing assurance that risk and reward are effectively managed.

People
Attracting and retaining the right people with the right skills, behaviours and motivations.

- Generating surpluses for reinvestment into affordable homes including profits from open market housebuilding.
- Shifting the majority of customer transactions to digital.
- Improving efficiency through a modern and agile working environment.
- Approaching both challenges and opportunities with a commercial mindset.

Investing for growth.

We are embracing changes in technology and in workforce trends to ensure we have the skills we need for the future.

Our people are central to our future ambition and we recognise that the skills that have made us successful to date may not be the skills we need tomorrow. The development of our people strategy sets out how we will attract and retain the right people, embed our values, and use technology to drive efficiency and get us closer to our communities.

To grow successfully, we need good people at all levels across bpha. Our strongly improved finances mean we are in a position to invest in people, systems and process automations that will deliver increased efficiencies in the longer term.

Our Executive Leadership Team is supported by the Senior Management Team, which manages the operational areas across bpha. This team has been reinvigorated over the last two years with a significant number of new appointments bringing fresh insights from both within the housing sector and from the commercial world, thereby increasing our management capability and our capacity for change.

Creating the right culture

We work from modern open-plan offices which enables closer collaborative working across departments. This year, we have further improved the office environment with the addition of a hot-desking zone which complements the bright and modern working environment.

We work hard to involve employees in all aspects of working life and to create more opportunities for close working across teams, regardless of locations. The office design facilitates regular all-staff briefings and we hold an annual employee conference to celebrate success and build momentum. We continue to develop efficient working practices, such as the launch of a new intranet last year and use of online collaboration tools.

We have an Employee Management Forum which provides opportunity for engagement and consultation with representative members of staff. We recognise the importance of health and wellbeing at work and have supported a series of related initiatives. We have also created a number of opportunities for staff to give back to the communities we serve. Every member of staff has the opportunity to spend a day volunteering in our communities and in March 2017, we were a contact centre for Red Nose Day, taking tens of thousands of pounds in donations on the night.

Our approach to change has been to clearly and openly articulate our strategy and to fully engage with staff. This approach helps attract and retain good people and we believe it has been a key factor in delivering significant financial and operating improvements.

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Work: it's **what** we do and **how** we do it, not **where** we are.

With flexible and mobile working becoming increasingly important, we are investing in the systems and technology to enable our staff to work remotely. Our ambition is to work together wherever we are and respond to our customers' ever-changing needs.

During the year, we moved our entire frontline home agent team from being office based to being community-based mobile workers. We have invested in high-powered lightweight laptops that can operate in tablet mode to facilitate frontline staff when meeting customers or working away from the office. This investment in new technologies is bringing our frontline staff closer to our customers. We expect to deliver efficiencies through this way of working and are now rolling out mobile working across other teams within the organisation.

This investment is part of our wider digital strategy to ensure our workforce has a digital DNA to support our drive to shift customer transactions to digital channels. The new technologies and systems are changing how bpha works. Various projects are underway to integrate our internal systems thereby allowing us to automate processes and improve efficiency.

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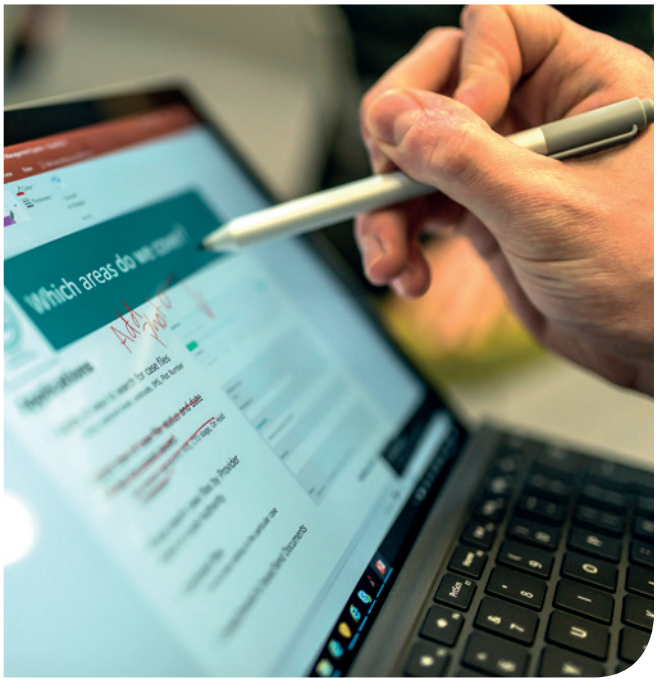
The new technology helps us to work on the move while staying in touch with our colleagues in the office, making us more efficient and helping to deliver better customer service.

Sarah Keena
Home Agent



Growing our own talent – the employee perspective.

We are committed to developing and growing our people. Over the last year, 33 staff have been promoted to more senior roles and we have a management training programme to enable more of our operational staff to grow into leadership positions.

Developing our people and offering opportunities to progress in different roles is key to attracting great people. A number of learning and development initiatives are being rolled out this year to grow our own talent through apprenticeships and graduate intake, as well as enhancing career development for existing employees by supporting professional qualifications.

Annie Lougheed

Annie joined us in 2004 as a Homeless Admin Assistant and has risen through the ranks in various housing roles since then, including Housing/Income Officer, Family Intervention Case Worker, Assistant Housing Manager and Project Manager. During this time, she has completed two housing qualifications paid for by us, and she became a Home Processing Manager in June 2017.

Annie says: "I love working for bpha because of the people, not just my colleagues but our customers as well. I have been able to make a difference to our customers on a daily basis throughout my career and I enjoy working with them. I can now make strategic management decisions based on experience and insight through my customer-facing roles, and currently lead a new team which is working towards improving the experience for customers moving into our homes. I now also have the privileged opportunity to pass on my skills to others and encourage other people to progress and develop their careers at bpha. I find working at bpha a very rewarding experience."

Daniel Walby

Daniel started his career with us in August 2012 as a Junior IT Support Analyst on the IT Help Desk, having previously worked in IT Sales. As the IT department grew in size, Daniel's own career has blossomed. He became a Senior IT Support Analyst, and was then promoted to IT Service Desk Lead in December 2016, with responsibility for Help Desk service and supporting the transition of staff to mobile working through better technology.

Daniel says: "You can definitely build a career at bpha. Two of our current IT Support Analysts started in the Help to Buy team before moving to IT, and both now have good careers in IT ahead of them. The move to mobile working has been a massive transformational change, but it's an exciting project because it will change people's lives and how they work. We embrace change here, which promotes a continuous learning and development cycle, keeps the role interesting and makes every day different."

Humera Ahmed

Humera joined our Finance team in 2010 as a Business Support Officer and worked compiling Management Accounts for the organisation before moving to the Asset Management and Performance Team as a Senior Data Officer in February 2017. Humera's roles in Finance gave her exposure to learn about the business and people, enabling her to work across the organisation. She chairs bpha's Employee Management Forum (EMF), which supports staff and helps boost their wellbeing through various activities and initiatives. Outside of work and family commitments she joined Bedfordshire Police as a Special Constable in November 2016.

Humera said: "I enjoy working with all the people at bpha and the commitment that they have, and the fact that I'm now in a position to be able to help them through the EMF is great. Everybody is approachable here from the top to the bottom, which is quite important. We have got a good reputation in the community and people regularly make positive comments about us, and that's a nice thing for us to hear."

Jordan Taylor

Jordan was promoted to the role of Surveyor in bpha's Property Services team in January 2017 after joining bpha in July 2014 as a Help to Buy Assistant. Having studied Surveying and Construction Management at College, Jordan was interested in a career in that industry, particularly in social housing, so was keen to work for bpha after we were recommended by friends.

Jordan says: "I'm not an academic person, but after getting career advice I was interested in construction so did a course and really enjoyed it. I knew people who worked for bpha had recommended it and said there was opportunity to move around and develop your career, so I kept an eye out for a position and secured a role in the Help to Buy team, and am now a Surveyor. What's good about bpha is having a work environment where people are nice and welcoming, and want to help you progress and are very supportive, whatever you want to achieve."

Attracting new skills – the non-executive perspective.

Effective strategic leadership looks both inside and outside. Having a unitary Board with members bringing a blend of different industry and sector experience gained at Board level brings the outside in, ensuring the organisation learns from best practice and has appropriate skills to meet the organisation's needs.

We believe good Board leadership is all about constructive challenge and strategic thinking, focusing energies on always looking a little further into the future. It's about really ensuring that all angles have been looked at and always pushing to see if our performance could be better.

Jill Ainscough
Non-executive director and Chair of the Remuneration and Nominations Committee

Jill joined the bpha Board in October 2016 as a non-executive director and took over as our new Chair of the Remuneration and Nominations Committee. Jill brings over ten years of Board experience to bpha, following a career in strategic leadership where the last post she held was Chief Operating Officer and Board member at Ofcom. Jill lives in bpha's operating area and this is her first Board post in social housing.

Jill says: "I've been pleased to see the level of commercial awareness and corporate efficiency at bpha. And I've seen first-hand how customers are at the heart of everything bpha does. Because the Board is not involved in the day-to-day operations, we can focus on always looking a little further into the future."

"We're always looking a little further into the future.

Paul High
Co-opted member of the Board and Chair of the Development Committee and Bushmead Homes

Paul brings us over 36 years' experience in residential development and property management, the majority of which has been in the housing association sector. He was responsible for the strategic leadership of the Orbit Homes' housebuilding programme for eight years. As Executive Director Property Investment, Paul was responsible for delivering over 1,700 new homes in the Midlands, East Anglia and the South East in 2015–16.

Paul says: "My role is to help bpha maximise its development programme, delivering high-quality affordable homes, as well as providing a revenue stream to reinvest into the organisation's charitable aims."

"Private residential development will help us to generate surpluses to support delivery of more affordable homes in the future.

Ian Ailles
Non-executive director and Chair designate of the Audit and Risk Committee

Ian trained as an accountant with Ernst & Young. Following qualification, he moved to NatWest Markets as Head of Finance and then to Thomas Cook as Group Financial Controller before rising to Deputy CEO and MD of their Specialist Businesses. From 2007, he worked for Wyndham, a US company before rejoining Thomas Cook in 2011 as the UK CEO and a member of the Global Executive Committee, stepping down in 2014. He is now Director General of the House of Commons.

"Effective governance, challenge and risk management underpins all successful enterprises.

Martin Hurst
Non-executive director and Chair of the Finance and Treasury Committee

Following a PhD in Economics and Econometrics, Martin served as an Economist for HM Treasury for nine years. He was appointed as a civil servant Senior Policy Advisor to Tony Blair for Environment, Planning and Housing in 2002. Since then he has overseen large budgets as both Director of Water and Floods and as Commercial Director at the Department for Environment, Food and Rural Affairs. He has previously been the Vice Chair of Wandle Housing Association and currently holds a number of Non-Executive Director, advisory and consultancy roles in water, housing and the commercial sector.

"Long term strategic and financial modelling is a key bpha strength.

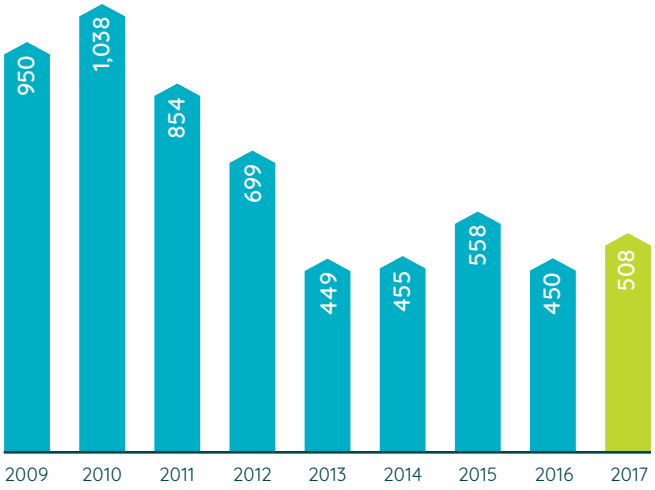
We have a long track record of delivering affordable homes and are committed to building quality affordable homes across our operating area.

Across our core operating area, high property values make it difficult for aspiring home owners to get on the property ladder, ensuring high demand for our shared ownership properties which in turn supports the development of much needed affordable homes.

Our development team has both the critical mass and strength in depth to deliver the planned sustainable development programme of at least 500 homes per year in a cost-effective way.

We have a long track record of developing affordable homes on large strategic sites, but we develop in a number of ways to maximise our scale – these include working through joint ventures and rural exception schemes. We ensure that development choices offer Value for Money.

Total homes built or acquired



Examples of development completions during 2016/17:

Warburton House, Cambridge

Joint venture

Warburton House is our first flexi-care scheme for older people, comprising 74 apartments for shared ownership or social rent. It forms part of the Ninewells development in the attractive and sought after area of southern Cambridge – Warburton House was built by Bushmead Homes in partnership with Hill Residential.

The prestigious scheme opened its doors to residents in February 2017, providing one and two bedroom apartments arranged over four floors, with amenities including a cinema, hair salon and communal gardens.

At the heart of this vision is the 'green fingers' design concept: a series of green spaces that make a connection with the countryside and act as viewing corridors to the Gog Magog Downs.

£11.0m
Total Scheme Cost

74
Number of homes

Hermitage Road,
Earith, Cambridgeshire
Rural exception scheme

Hermitage Road is scheme of 11 new bungalows with private gardens and car parking provision. The scheme was a rural 'planning exception' site and the planning consent protects the identified natural habitats while providing much needed affordable housing for the area.

The scheme was funded through a combination of bpha funding and £415,000 of recycled capital grant. These homes will provide affordable housing to local people in housing need in perpetuity as the homes are exempt from Right to Buy and allow for a maximum of 80% staircasing in the shared ownership homes.

£1.6m
Total Scheme Cost

11
Number of homes

Longford Park,
Banbury, Oxfordshire
Large strategic site

Longford Park is the first large strategic site we have delivered in Cherwell as the preferred registered provider working with a consortium of major house builders. The newbuild scheme of affordable homes is nestled within a larger mixed tenure residential development. Located in the small village of Bodicote, near the market town of Banbury, the scheme provides a wide variety of house types and sizes including two, three and four bedroom houses as well as one and two bedroom apartments.

We completed 55 new homes at Longford Park in the year. This site will be completed over three phases and will deliver a total of 191 new affordable homes.

£26.0m
Total Scheme Cost

191
Number of homes

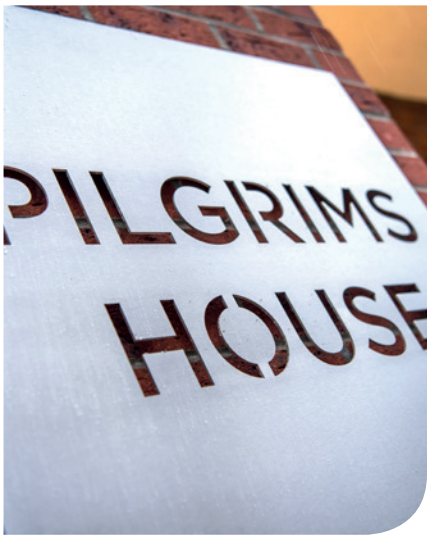
Pilgrims House,
Bedford, Bedfordshire
Value for Money

Pilgrims House is the site of bpha's former head office which has now been converted into 23 one and two bedroom shared ownership apartments. Pilgrims House was built in 1991, and following our move to new head offices, detailed analysis was undertaken of all options for the property. Working closely with Bedford Borough Council, it was recognised that affordable shared ownership properties offered the best Value for Money alternative.

Bedford faces a shortage of affordable housing and, in this town alone, it is estimated that another 5,000 new homes are needed by 2031.

£1.4m
Total Scheme Cost

23
Number of homes



At 31 March 2017, we were building 27 developments across 15 locations.

Because the demand for new housing in our operating area significantly exceeds our capacity to supply it, we have established a process to determine where our development resources should be best invested to deliver the greatest Value for Money.

Our development model enables us to grow both bottom line surplus and balance sheet strength. We drive this by applying strict development criteria to maximise return and minimise risk.

Development criteria
In assessing whether to commit to a development, the following factors are modelled/applied:

- Conservative key development assumptions are used.
- All significant proposed schemes are subject to internal scrutiny and formal reporting from treasury employees who are independent of the development department.
- Internal Rate of Return (IRR) must achieve a minimum hurdle rate set on the basis of:
  IRR hurdle =
  30 year cost of funds +
  interest cover requirements +
  risk buffer uplift
- Developments must normally enhance balance sheet value, i.e. asset value generated for charging as security is greater than net development cost, so that overall balance sheet capacity is enhanced.
- Our business plan is regularly remodelled throughout the year. Impact of potential future schemes is formally reviewed against the updated business plan to ensure continued sufficiency of liquidity and security, and avoidance of over-commitment.

Two development schemes started during 2016/17:

Wixams Parcel J, Bedfordshire

Parcel J is the latest phase of the development of Wixams Village in Bedfordshire. Approximately four miles south of the town centre of Bedford, Wixams will eventually become four new villages centred around lakes, offering new schools, community centres, shops and a railway station. In the next year, we are set to complete 18 homes for shared ownership and 25 for affordable rent. The development of our affordable housing on the site meets the high-priority need for affordable family homes in the area. The Wixam's development plan is inspired by Ebeneezer Howard's Garden City Movement, in which open space and landscape work together with buildings to create distinctive places.

Current development sites

1. Wootton, Bedfordshire
2. Campbell Park, Milton Keynes
3. Clay Farm, Cambridgeshire
4. Trumpington, Cambridgeshire
5. Glebe Farm, Cambridgeshire
6. Longford Park, Oxfordshire
7. Woodford Halse, Northamptonshire
8. Bronnley Gate, Northamptonshire
9. Wixams, Bedfordshire
10 Ninewells, Cambridgeshire
11. Cambourne, Cambridgeshire
12. Marston Moretaine, Bedfordshire
13. Hauxton Meadows, Cambridgeshire
14. Cranfield, Bedfordshire
15. St Albans, Hertfordshire

Mill View, Hauxton, Cambridgeshire

Situated on the A10 leading to Royston, the site will provide 70 extra-care apartments for those aged 55 and over, comprising 25 one bedroom homes for rent and 45 two bedroom homes for shared ownership. The building will form part of a larger scheme of 425 new homes on the plot and will meet the needs of Cambridge's growing older population in an area where median house prices are 11 times higher than median incomes. Estimated completion is spring 2018.

The scheme reflects the needs identified by both the government, and Cambridge City Council for more suitable accommodation for older people to ensure they can access the care and support they need from their own homes in later life. The service charge for each apartment will include for an element of care provision, which can be increased as the individual needs of residents evolve over time.

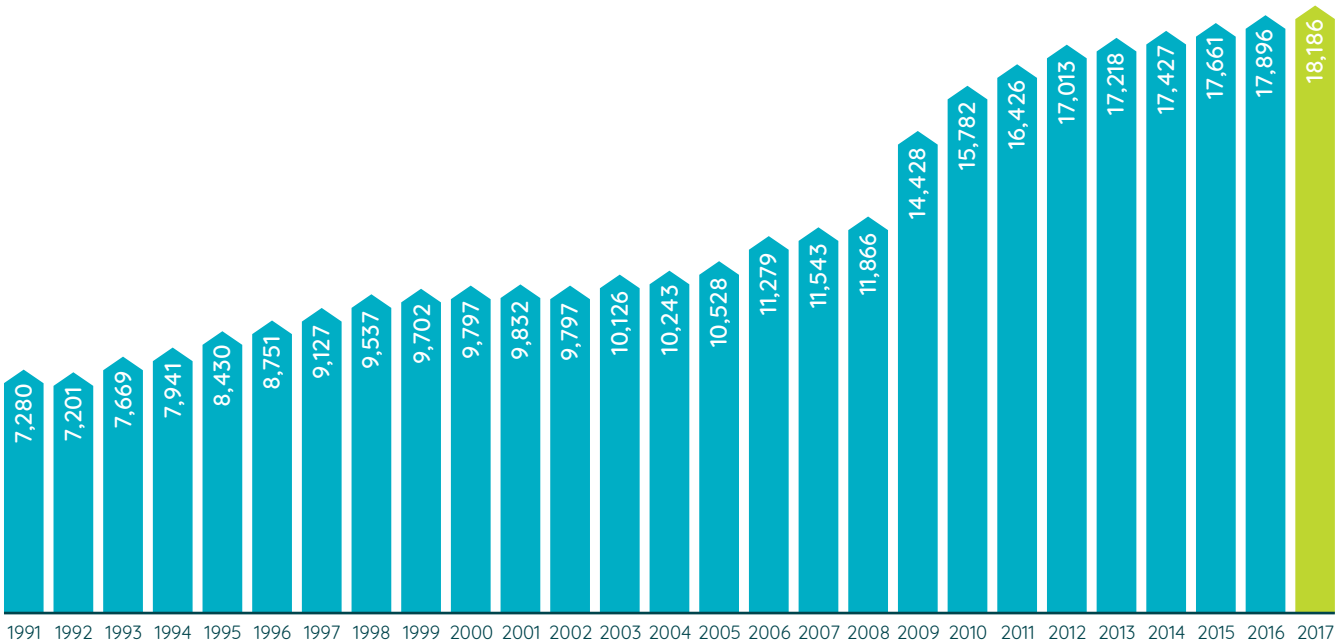
Against a backdrop of economic and political change, we have delivered our best ever surplus underpinned by a strong operating performance.

The last financial year has seen us achieve our strongest ever financial results against a challenging external environment. We operate in a region with a high demand for affordable homes and our focus on our core social housing business and control of costs, together with a controlled development programme, has resulted in improvements over the five year period from 2013 to 2017, including:

- operating surplus growth from £35.5m in 2013 to £54.9m in 2017;
- overall operating surplus as a percentage of turnover of 44.8% (2015/16: 39.5%) maintained over this five year period;
- underlying surplus growth from £4.3m in 2013 to £30.9m in 2017;
- development or acquisition of 508 new homes (2015/16: 450) at a gross cost of £57.3m (2015/16: £47.6m);
- security headroom risen to £141m (2016: £80m); and
- further strengthening of liquidity with strong operational cash flow resulting in debt falling by £6m to £746m (2016: £752m).

The five year summary opposite, together with the commentary that follows, present key performance metrics in order to illustrate our business model and the activities, changes and improvements that have been achieved during this period.

Homes owned or managed at year end



Five year summary

Group statement of comprehensive income	FRS 102			Previous UK GAAP	
	2017 £'m	2016 £'m	2015 £'m	2014 £'m	2013 £'m
Turnover					
On social housing lettings	**83.9**	80.9	77.7	72.6	68.4
On first tranche shared ownership and other social housing sales	**27.8**	29.4	32.0	14.5	5.2
On other social housing activities	**3.9**	3.9	3.3	2.2	1.7
Sub-total: social housing turnover	**115.6**	114.2	113.0	89.3	75.4
On other non-social housing activities	**6.3**	4.1	4.7	4.2	3.8
Outright sales	**0.5**	4.8	–	–	–
Turnover: total	**122.4**	123.1	117.7	93.5	79.1
Operating surplus	**54.9**	48.6	47.1	36.2	35.5
Operating surplus as a % of turnover	***44.8%***	*39.5%*	*40.0%*	*38.7%*	*44.9%*
Interest payable and similar charges	**(34.4)**	(35.0)	(35.3)	(33.0)	(33.0)
Surplus from asset sales	**8.6**	3.5	4.2	2.3	2.2
Interest receivable and other items	**1.9**	0.1	0.7	(0.6)	(0.4)
Underlying surplus for the year (prior to tax, termination costs and movements in fair value financial instruments)	**30.9**	17.2	16.7	4.9	4.3
Termination of hedging and loan arrangements	**–**	–	(14.7)	(11.9)	–
Movement in fair value of financial instruments	**(1.9)**	0.6	(51.9)	N/A	N/A
Surplus before tax	**29.0**	17.8	(49.9)	(7.0)	4.3
Operating surplus: on social housing lettings	**37.3**	37.2	35.7	34.3	33.0
Social housing lettings: operating surplus as % of turnover	***44.5%***	*46.0%*	*45.9%*	*47.2%*	*48.2%*
Surplus from first tranche shared ownership and outright sales	**11.1**	7.8	7.5	0.1	0.4
First tranche shared ownership and outright sales: surplus as a % of turnover	***39.4%***	*22.8%*	*23.4%*	*0.7%*	*7.6%*
Surplus for the year excluding first tranche shared ownership, outright and asset sales	**11.2**	5.9	5.0	2.5	2.5
Depreciation and amortisation	**16.4**	14.4	15.4	10.3	9.8
Repairs and maintenance	**11.4**	11.5	10.7	12.2	10.9
Capitalised spend on improvements to housing properties	**11.4**	11.7	13.3	12.1	10.5
Total invested in maintaining and improving our housing properties	**22.8**	23.2	24.0	24.3	21.4
Earnings before interest, tax, depreciation and amortisation, major repairs included (EBITDA MRI)	**59.9**	51.3	49.2	34.4	34.8
EBITDA MRI as a percentage of interest payable and similar charges	***174%***	*147%*	*139%*	*104%*	*105%*

Operating surplus

As detailed in the table on the previous page, the underlying surplus for the year (prior to tax, pension actuarial adjustments, termination costs and movements in fair value) has grown from £4.3m in 2013 to £30.9m in 2017 (2016: £17.2m). This significant improvement in our performance has been driven by contributions from development and asset sales and benefits from refinancing undertaken in previous years. These improvements continue to be underpinned by strong operating performance from our core social housing lettings activities which has been achieved in spite of the 1% social housing rent cut which took effect at the start of the year.

As detailed in the Value for Money section on pages 24 to 29, during the year we have made investments in people, processes and systems in order to deliver better customer service. The cost of this investment has largely been met through internally generated efficiencies. Margins on social housing lettings of 44.5% have only fallen a little over the year, with performance ahead of business plan.

We remain strongly focused on social housing. Social housing lettings activity remains the core component of our business, generating turnover of £83.9m, or 68% of total turnover. Our social housing lettings and other social housing activities together account for over 94% of our total turnover.

Over the five years from 2013 to 2017, our total operating surplus has grown from £35.5m to £54.9m (2016: £48.6m). Details of the operating surplus and margin on social housing lettings are set out in the chart below.

Development and sales

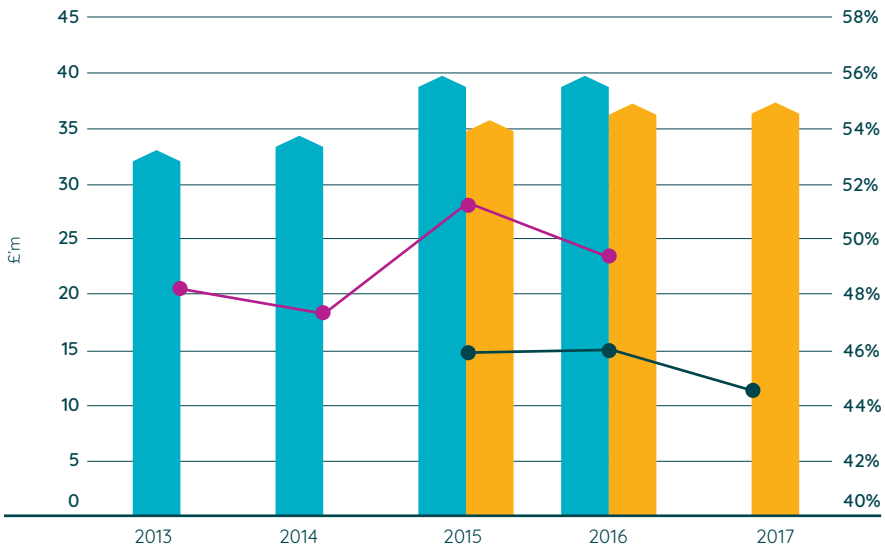
Across our region, rental yields are strong with market rents considerably exceeding social rents. Property prices are high, generating shared ownership demand and the opportunity to cross subsidise the development of further rented units. We have a skilled and integrated development team with a strong track record of delivering new homes. Bushmead Homes, our build for private sale subsidiary, is continuing to grow at a measured pace but without creating an undue level of sales risk exposure.

During the year, we developed or acquired 508 new affordable homes (2015/16: 450) at a gross cost of £57.3m (2015/16: £47.6m). This level of delivery has been consistently achieved over the five year period from 2013 to 2017. Gog Magog Partnership LLP completed 56 private sale units and therefore our 25% share was 14 units. The strong controls in place over new development commitments have ensured that, during the five years, first tranche surpluses have contributed to an increased operating surplus and completed units have added to balance sheet strength, providing some resilience to any market downturn. We have a long-term consistent track record of development delivery, and in the year delivered 2.8% new units when measured as a proportion of total units owned and in management. This compares well to a benchmark delivery of 1.6% new units developed as a percentage of total units owned and in management (as taken from HCA Global Accounts 2016).

Turnover from first tranche shared ownership sales and sales to other social housing providers (part of our other social housing activity) has grown from £5.2m in 2013 to £27.8m in 2017 (2015/16: £29.4m). To ensure the development of new social and affordable housing for rent is economically viable, subsidy of the building cost is required. The surplus generated by our first tranche shared ownership sales of £11.1m in 2017 (2015/16: £7.8m) is a key component of our development model.

Operating performance 2013–2017

Operating surplus on social housing lettings



74,500

enquiries relating to Help to Buy were handled

80,500

applications for Help to Buy were processed

Site development on a mixed rented and shared ownership model generally works well across our region but, in some areas and for some tenure types, shared ownership surplus alone is not sufficient and grant is required. We are fortunate to have significant Recycled Capital Grant Funds (RCGF), totalling £10.8m (2016: £19.2m), which can provide future subsidy. During the year, we have utilised £13.2m of RCGF and anticipate that the balance will provide essential future subsidy for the development of new affordable homes.

Asset management sales and staircasing performed strongly this year, contributing £8.6m (2016: £3.5m) to the overall surplus. This result is driven in part by increased numbers of units sold and in part by higher surplus per property due to the type of dwelling sold. The vast majority of our stock performs well economically and therefore there is no imperative for stock rationalisation. Hence this asset management activity is mainly driven by customer demand, such as staircasing by shared owners, rather than as part of a wider asset management strategy. Whilst such surpluses help fund further development, our business model does not rely upon this.

Service delivery

During the year, we invested £22.8m (2016: £23.2m) in maintaining and improving existing stock, of which £11.4m (2016: £11.7m) was capitalised and £11.4m (2016: £11.5m) was charged to revenue. Detailed stock condition data makes future maintenance liabilities visible and enables us to plan work in cost effective packages, which can vary greatly from year to year. During the year to 31 March 2017, 2,520 properties were resurveyed to keep our stock condition data up to date. We have been 100% Decent Homes Standard compliant since 2010.

Supporting home ownership with Help to Buy.

At the start of 2014/15, we were awarded the Help to Buy agency for the South East and East of England by the Homes and Communities Agency (HCA). We were pleased when this contract was extended to March 2017. It has since been extended again, to March 2019, and continues to contribute a surplus to our overall results. If the government extend the scheme further, we would hope to continue to provide this service post March 2019 across the UK. During the three years of Help to Buy: Equity Loan scheme (to March 2017), 81,014 properties were bought with an equity loan. The total value of these equity loans was £3.59 billion, with the value of the properties sold under the scheme totalling £18.05 billion. The mean purchase price of a property bought under the scheme was £222,830, compared with a mean equity loan of £44,321. Most of the home purchases in the Help to Buy: Equity Loan scheme were made by first time buyers, accounting for 65,474 (81%) of total purchases.

Five year summary

	FRS 102			Previous UK GAAP	
Group statement of financial position	**2017 £'m**	2016 £'m	2015 £'m	2014 £'m	2013 £'m
Housing Fixed Assets	**1,008.2**	982.3	936.2	894.2	854.7
Other assets less current liabilities	**109.5**	114.5	134.4	29.9	54.4
Total assets less current liabilities	**1,117.8**	1,096.8	1,070.6	924.1	909.2
Debt (due over one year)	**737.8**	752.4	698.7	613.7	592.3
Other long term liabilities	**185.9**	175.4	222.4	46.4	44.0
Total long term liabilities	**923.7**	927.8	921.1	660.1	636.3
Reserves: total	**194.1**	168.9	149.5	264.0	272.9
Total Long Term Funding and Reserves	**1,117.8**	1,096.8	1,070.7	924.1	909.2
Properties developed and acquired during the year	**508**	450	558	455	449
Units developed as a % of units owned and in management at the start of the year	***2.8%***	*2.5%*	*3.2%*	*2.6%*	*2.6%*
Accommodation figures (number of dwellings)					
Total Owned	**16,415**	16,042	15,751	15,392	15,067
Total Other Properties	**1,771**	1,854	1,910	2,035	2,151
Total Owned and in Management	**18,186**	17,896	17,661	17,427	17,218
Company Key Financial Ratios					
Rent losses (voids and bad debts as % of rent and service charges receivable)	***2.2%***	*2.2%*	*2.1%*	*2.7%*	*2.2%*
Rent arrears (gross arrears as % of rent and service charges receivable)	***3.3%***	*3.5%*	*3.9%*	*4.2%*	*3.7%*
Long term debt as multiple of turnover	**6.0**	6.1	5.9	6.6	7.5

Financial strength

Our earnings before interest, tax, depreciation and amortisation, major repairs included (EBITDA MRI) has grown during the five years from 2013 to 2017 from £34.8m to £59.9m (2015/16: £51.3m). Over the same period, despite growth in stock and associated funding, interest costs are little changed. Consequently EBITDA MRI as a percentage of interest payable and similar charges, has grown from 105% in 2013 to 174% in 2017 (2015/16: 147%). This is a sector standard measure which is used to assess the level of headroom for meeting interest payments on outstanding debt and is important when raising further funding. The growth in the EBITDA MRI / interest ratio shows that we are in a strong position to more than meet our financing obligations whilst continuing to invest in our housing properties.

Our total assets less current liabilities have reached £1,118m (2016: £1,097m) and this has risen steadily from £909m in 2013. The asset base has been funded through a combination of retained reserves of £194m (2016: £169m), long term funding of £738m (2016: £752m) and other long term liabilities of £186m (2016: £176m).

Other long term liabilities are detailed in the notes to the financial statements and include government grant, pension liabilities and market value of financial instruments. The pension liability of £27.6m (2016: £23.9m) represents our share of a long term liability under the Local Government Pension Scheme which has been closed to new members since 2010. The market valuation of financial instruments of £66.2m (2016: £64.2m), has deteriorated by £2m during the year. This valuation has fluctuated significantly from month to month during the year, with variations sometimes exceeding £10m, though the derivatives strategy executed in 2015/16 significantly reduced the volatility that would otherwise have been experienced.

During the year, our housing fixed assets increased by £26m and our property portfolio (owned and managed) increased by 290 units to 18,186. This was the net impact of completions from the development programme less the sale of units developed for other organisations, customers' staircasing to 100% and other asset sales.

£29.0m

surplus before tax

174%

EBITDA MRI (% of interest payable and similar charges)

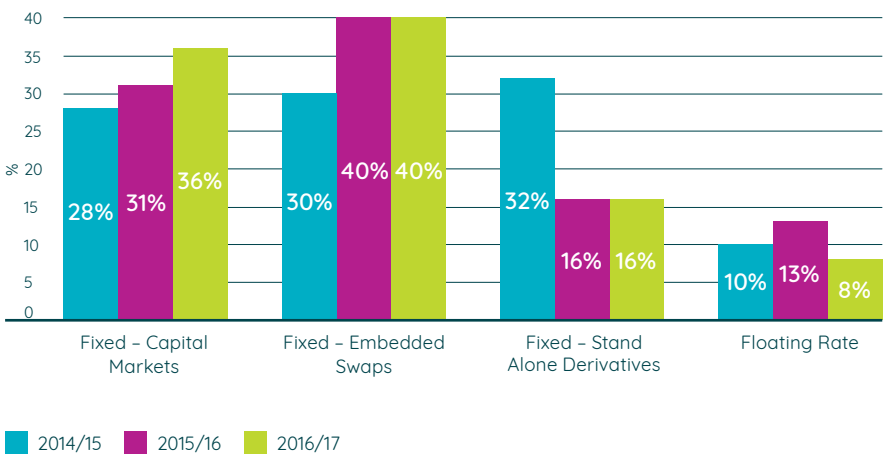
Treasury

At 31 March 2017, £751m of funding was drawn against total facilities of £953m (includes £3m overdraft) and £45.2m of cash was immediately available. Our facility headroom has risen to £244m from £184m last year mainly due to £75m of additional revolving credit facilities that were put in place during the year. Our security headroom (made up of undrawn facilities which are fully secured and available to draw against plus cash on deposit) has risen to £141m from £80m last year. The improvement in security headroom is the result of many factors including the charging of newly developed units, which are achieving high values often in excess of original appraisal, and amendments made to the charging of property security against existing loan facilities which has increased the efficiency of this charging.

This strong liquidity means that all development commitments could have been met from existing facilities without the need to raise new funding or to rely upon operational cash flows. As detailed in the group cash flow statement, strong operational cash flow in the year has meant that drawn debt actually fell by £5.6m over the year to £750.8m (2016: £756.4m), despite £57m of development expenditure.

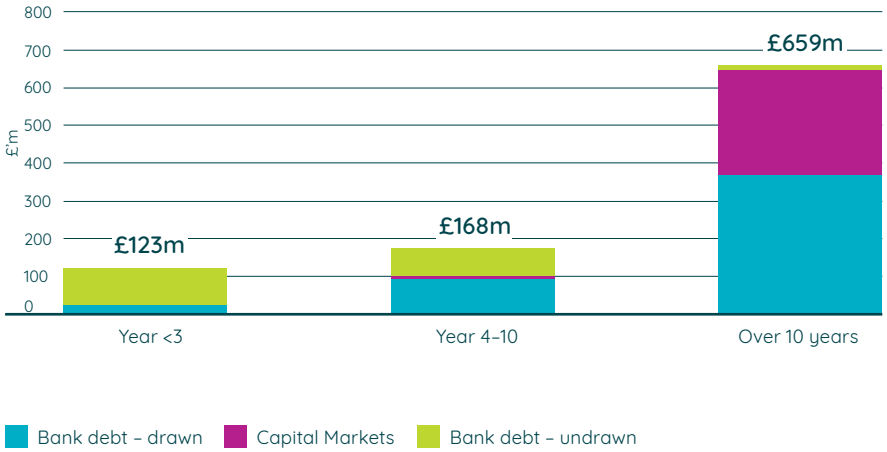
As reported last year, following the results of the UK's referendum on membership of the European Union and the decision to exit the EU, the UK lost its AAA status and Standard & Poor's (S&P) removed the one notch uplift previously widely applied to the sector. Accordingly bpha's rating was restated as A+ in line with our stand-alone credit profile (SACP). Following our 2016 annual review with S&P, our credit rating was re-affirmed as A+. Our financial viability status remained at the highest level of V1, in recognition of our financial strength.

Hedging activity



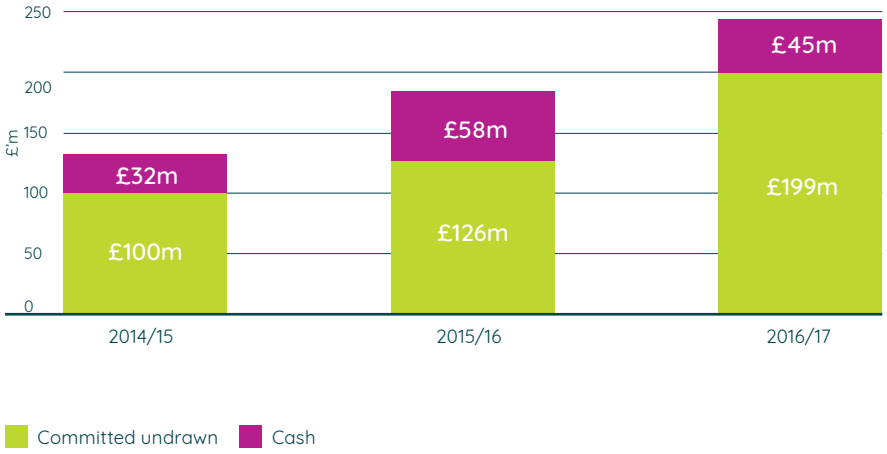
At 31 March 2017, 92% of our drawn debt was at a fixed rate of interest, of which the majority comprised fixed rate capital market debt and bank debt hedged through embedded swaps. Only 16% related to stand-alone swaps with exposure to margin calls.

Debt repayment profile



69% of our loan facilities mature after ten years. We have very limited short term refinancing risk since facilities due to mature over the next three years are mostly attributable to £100m of undrawn revolving credit facilities (RCF).

Liquidity



Our liquidity position increased year on year and at 31 March 2017 we had £244m of available liquidity after securing £75m RCF during the year. Our development commitments are fully funded.

Generating value is at the heart of all that we deliver at bpha and is considered at all levels in our organisation.

We have a Value for Money (VfM) strategy which sets out the framework of how efficiencies and savings are generated and how the delivery of 'value' is measured. When measuring value, we look at quality as well as cost. We use various sources of benchmarking data, including the HCA Global Accounts and Housemark.

At bpha, VfM means:

- spending less – delivering services on budget and on time, with procurement achieving the lowest possible cost without harming quality;
- spending well – delivering our services efficiently;
- spending wisely – demonstrating that we have achieved our objectives within budgetary constraints; and
- spending fairly – demonstrating that all services and benefits are distributed equitably.

The Board has concluded that we have been successful in delivering VfM, having continued to maintain tight control of operational costs, invest in improvements to service delivery and existing stock, deliver new homes and restructure our funding at lower cost. The full bpha Value for Money self-assessment report can be viewed at: www.bpha.org.uk/valueformoney

Over the past year, we have delivered VfM across three areas:

Return on assets

- Developed and acquired 508 homes at a cost of £57.3m.
- Property sales delivering a surplus of £19.7m.
- £4m investment into Gog Magog Partnership LLP has returned £2.1m profits.
- £22.8m invested in maintaining and improving stock.

Resident satisfaction

- 7 percentage point increase in overall satisfaction for general needs tenants.
- 16 percentage point increase in overall satisfaction for shared owners.
- 27% reduction in number of complaints received.
- Increased satisfaction that rent and service charges offer value for money.

Social and environmental

- Increased the energy efficiency of our homes – our SAP ratings rose to 73.52 and next year we will carry out improvements to ensure we have no properties in the lowest SAP bands.
- Increased number of aids and adaptations with 98 major and 315 minor adaptations carried out to support our disabled and older tenants.
- Resident and staff volunteers contributed over 2,700 hours to improve our communities.
- Financial inclusion team generated additional £181k of benefit income to reduce tenant debt.

Value for Money indicators

Key benchmark data for bpha Group (using HCA Global Accounts for 2016) relating to cost are set out below and show that costs are carefully controlled and compare well with other associations in the sector.

	2017/18 Target	2016/17 Actual	2016/17 Target	2015/16 Actual	Benchmark
Staff cost per unit	£768	£687	£695	£700	£1,076
Planned and routine maintenance cost per home	£594	£626	£645	£639	£1,015
Capital expenditure on existing properties per home	£668	£626	£653	£655	£887
Total expenditure on properties per home	**£1,262**	**£1,252**	**£1,298**	**£1,294**	**£1,902**
Management and other operating costs (£'000)	£34,356	£32,099	£33,165	£31,184	N/A
Depreciation (£'000)	£14,179	£14,439	£12,781	£12,522	N/A
Total expenditure on social housing lettings (£'000)	**£48,535**	**£46,538**	**£45,946**	**£43,706**	**£40,283**
Operating cost per home excluding first tranche shared ownership sales	£2,629	£2,559	£2,517	£2,442	£4,999
Operating margin on social housing lettings	*44.5%*	*44.5%*	*45.0%*	*46.0%*	*31.6%*
Rent void loss per home	£72[1]	£47	£56	£45	£81
Rent arrears %	*3.2%*	*3.3%*	*3.8%*	*3.5%*	*3.4%*
Bad debts per home	£30	£46	£30	£20	£36
Total number of homes	**18,461**	**18,186**	**18,254**	**17,896**	**8,058**
Units developed as % of units owned or managed	*2.6%*	*2.8%*	*2.8%*	*2.5%*	*1.6%*
Net debt per home	£40,997	£37,833	£38,694	£38,020	£20,468

1. Impact of roll out of Universal Credit leading to increased tenant turnover.

Customer satisfaction

Resident satisfaction with:	2017/18 Target	2016/17 Actual	2016/17 Target	2015/16 Actual	Benchmark[2] Median
General Needs					
Rent provides value for money	85%	87%	85%	85%	83%
Overall service provided	87%	89%	87%	82%	84%
Housing for Older People					
Rent provides value for money	85%	88%	85%	93%	90%
Overall service provided	95%	94%	95%	95%	91%
Shared Ownership					
Rent provides value for money	70%	73%	70%	68%	67%
Overall service provided	70%	78%	65%	62%	48%

2. Benchmark Data Housemark April 2016

Conversion of head office into affordable homes.

The conversion of our old head office, Pilgrims House, in the centre of Bedford, into affordable homes is an example of the use of financial modelling to inform decisions. We had outgrown our accommodation and decided that the option of occupying two office sites would mean losing out on the efficiencies that being located on one site with our repairs contractor would offer. A business case was constructed using suitable analysis and scenario testing to support the office move to a new location and the application was made using the Permitted Development planning rights route to obtain a change of use to provide new affordable homes. We explored a number of options for redeveloping the site including selling the site in its existing state, and concluded that we would generate the most value by converting Pilgrims House into apartments for sale. Modern and affordable housing in the centre of Bedford is in high demand, evidenced by nearly the entire scheme selling off plan.

Value for Money performance

During 2016/17, we achieved a strong overall performance for Value for Money across a range of indicators. For the first time, we have benchmarked bpha Limited to a comparable group of housing associations in terms of size and geography, as well as nationally. This has shown that our performance is generally within or stronger than the upper quartile of our benchmarking group, reflecting our tight focus on financial controls, younger stock profile and commitment to building new homes.

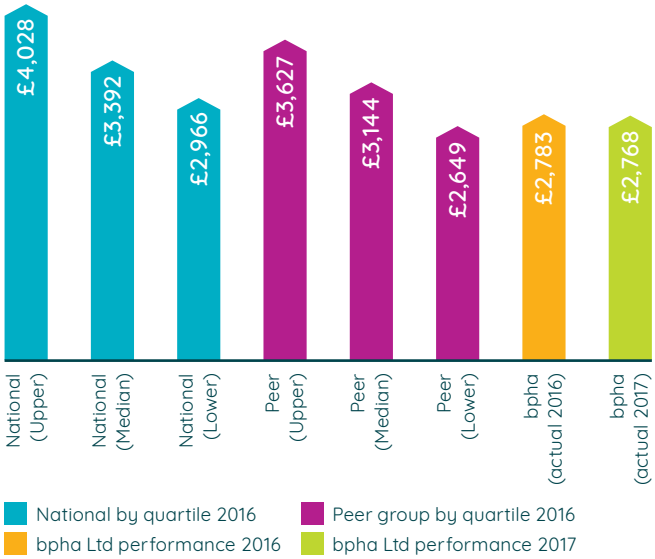
Our operating margin on social housing lettings is high by sector standard and we also perform better than the upper quartile of our peer group on this measure. Feeding into this performance, our headline social housing cost per home[1] is between the lower and median quartile compared to our peers.

1. As defined on the sector scorecard as management and service charge costs plus routine, planned and major repairs expenditure plus other social housing expenditure, all divided by social housing units managed.

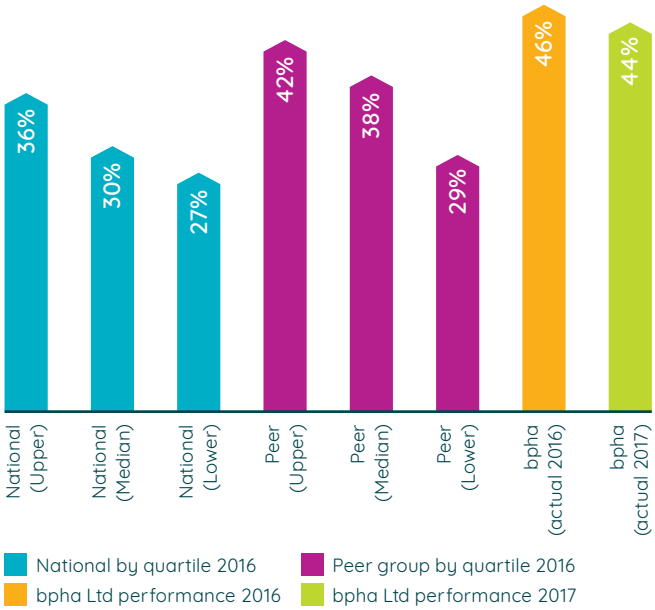
3.3%

rent arrears (2016: 3.5%)

Headline social housing cost per home



Operating margin on social housing lettings

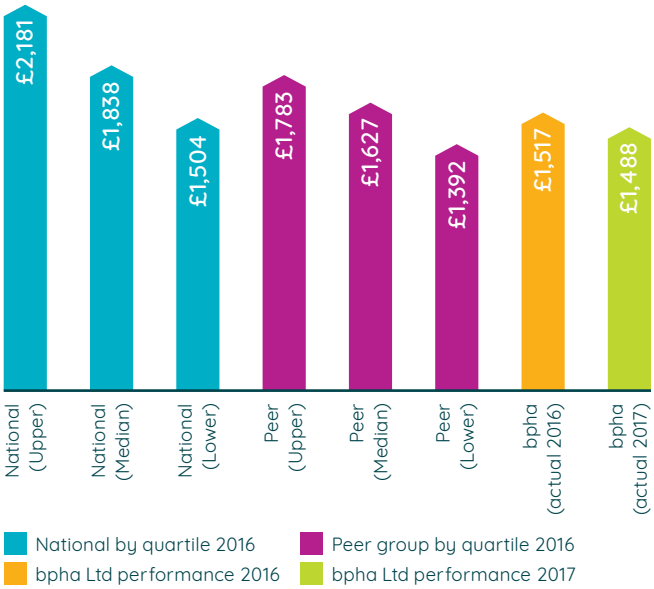


Our repairs and maintenance costs per home are also between the lower and median quartile compared to our peers, reflecting our relatively young stock and efficiency of procurement. Our management cost per home is between the upper and median quartiles compared to our peers.

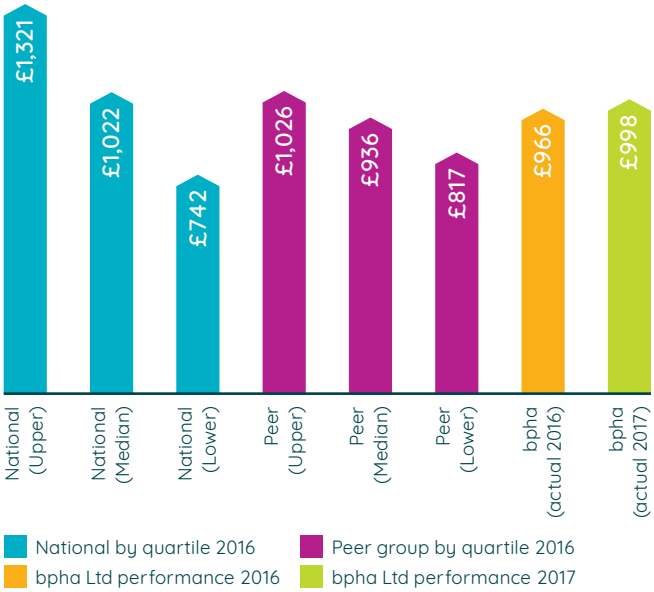
£2.0m

savings made from the reprocurement of various repairs and maintenance contracts

Total repairs and maintenance per home



Management cost per home

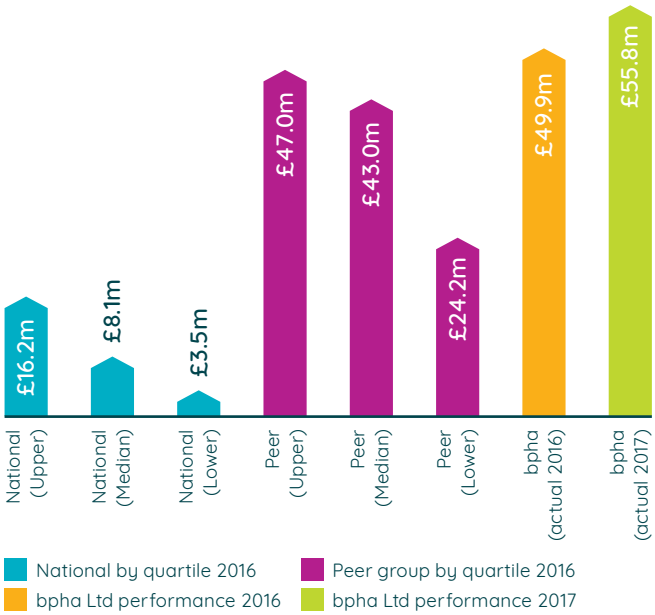


Aligning our development and operating areas.

During 2016/17, we redefined our core operating area to encompass 11 local authorities across the Oxford to Cambridge arc, and withdrew from seeking new development opportunities in South Oxfordshire and the Vale of White Horse. By concentrating our stock in core areas, we can maximise our efficiencies in management and service delivery costs. We will also benefit from developing strong relationships in these areas to ensure we are in a good position to take advantage of new opportunities as they arise.

Earnings before interest, tax, depreciation and amortisation, major repairs included (EBITDA MRI) is used to measure financial strength. We perform strongly on this measure against our peers, being above the upper quartile. When we look at EBITDA MRI as a percentage of interest payable and similar charges, we perform between the lower and median quartiles of our peer group. This is a sector standard measure which is used to assess the level of headroom for meeting interest payments on outstanding debt and our performance reflects our relatively high gearing.

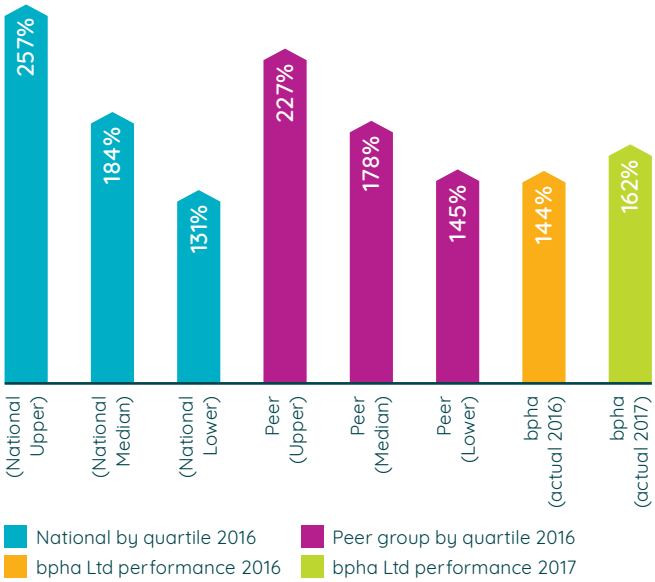
EBITDA – MRI



Future improvements to VfM

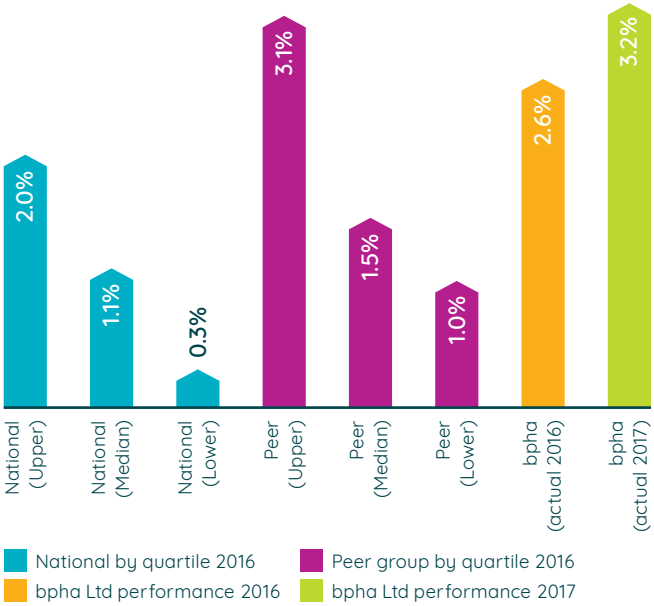
As our operating costs are already low by sector standards, our focus for the future is on generating the most value from our activities. Our restructuring into business units will require changes and investments which will continue into 2017/18 and beyond. The management of our operations through business units will result in a more commercial approach to asset management to ensure we get the best VfM performance from all our assets. Our investment in technology will deliver efficiency savings and increase consistency in service delivery once achieved. However, these improvements will not be realised immediately and will be delivered over the next two years.

EBITDA MRI – Interest cover %



We are proud of our development track record and the graph of units developed as a percentage of social housing units owned illustrates a strong performance relative to our peers. In 2017, our performance on this measure was above the upper quartile of our peer group, however, there is a wide range of performance amongst our peers on this measure.

Units developed as % of units owned



Improving the community at Queens Park, Bedford.

During the year, properties in the Queens Park area in Bedford were scheduled for replacement roofs. However, during the survey phase, we recognised that we would achieve greater Value for Money by combining these works with other improvements to enhance the properties.

In total, 194 properties have benefitted from the programme of work which has included reroofing, communal area improvements and repair of existing boundary walls and gates for a total contract value of c£900k. We worked with councillors, highways and community development, our resident inspectors, street rangers and fire safety officers to ensure that the project ran smoothly.

> "It has been completely refreshed. It looks like a new area now. This has given us a sense of pride and it has really brought the community together.

A resident in Queens Park since 1999

Footnote – how our benchmarking was conducted
Registered providers are required to set out the absolute and comparative costs of delivering services. In looking at comparative costs, it is important to compare to a peer group as well as making a global comparison, so we have reviewed the HCA Global Accounts for year ended 31 March 2016 and applied the following criteria:

- included associations with 50% or more of social housing stock within the eastern and south eastern regions;
- from this group, we excluded associations with over 30,000 units in order to retain associations of a comparable size;
- we then excluded associations with less than 7,000 units again in order to retain associations of a comparable size; and
- this resulted in a peer group of 13 associations. The peer group contains seven associations with a larger number of social housing units than bpha and six with a smaller number of units. For full details, please see our Value for Money self-assessment report at www.bpha.org.uk.

In some cases, the HCA Global Accounts records or measures data applying different criteria to that used in other sections of these financial statements. Therefore, to ensure true comparability to National and Peer Group, in some cases, such as EBITDA MRI interest cover percentage, the figures in this section will differ to those shown elsewhere in the financial statements.

Our Board has ultimate responsibility for the governance of the organisation. Its central role is to lead, direct, control and evaluate the organisation's work.

HCA continues to rate us as G1 and V1, meaning we are properly governed and have the capacity to mitigate risk effectively.

Board members, officers and executive directors

The Board members of bpha are listed on the inside back cover of this report.

As at the date of signing of these financial statements, the Board of bpha comprises six non-executive directors, three executive directors and one co-opted Board member.

The non-executive directors comprise five independent members and one member nominated by the local authority, Bedford Borough Council. The independent Board 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 the determination of overall corporate strategic objectives.

Corporate structure of bpha group

The executive directors of bpha are the Chief Executive Officer, the Chief Financial Officer, the Director of Sales and Development and the Director of Service Delivery. The Director of Sales and Development left the organisation on 15 June 2017 and a replacement is being sought.

The executive directors, each of whom is a full Board member, hold no interest in bpha's shares and act as full-time salaried executives within the authority delegated by the Board.

The Board has ultimate responsibility for the governance of the organisation. Its central role is to lead, direct, control, scrutinise and evaluate the organisation's work. The Board operates in accordance with its written Terms of Reference which require that it:

- sets, and ensures compliance with, the values, vision and mission of the organisation;
- sets a positive culture with a strong customer focus;
- satisfies itself as to the integrity of financial information;
- establishes and oversees a risk management framework in order to safeguard the assets and reputation of the organisation; and
- appoints the Chief Executive Officer and ensures adequate succession planning for the Board and Executive Leadership Team.

We have insurance policies which indemnify our directors, officers and committee members against liability when acting for us.

bpha governance structure

Regulatory framework

The HCA, as social housing regulator, continues to rate us as G1, meaning that we are properly governed, and V1 meaning that the association is financially viable and has the capacity to mitigate its exposures effectively.

Registered providers are required by the HCA to certify their compliance with the Governance and Financial Viability Standard. We confirm that we comply in all material respects with the Standard.

Corporate governance

During the year, we complied with our chosen code of governance, namely the National Housing Federation Code of Governance 2015.

The Board recognises its responsibility for all aspects of the business and has in place a comprehensive and effective governance framework. The Board has reserved to itself, through its terms of reference, essential functions and significant matters which cannot be delegated.

In order to deliver effective governance and to manage risk, the Board has established three committees, the Audit and Risk Committee, the Finance and Treasury Committee and the Remuneration and Nominations Committee, all of which are governed by written terms of reference approved by the Board. The Board has established a Development Committee which will commence operations during the financial year 2017/18 to provide additional assurance and oversight in relation to the group's development programme.

The day-to-day running is delegated to the Executive Leadership Team. During the year, the Executive Leadership Team comprised the four executive Board directors plus the Director of Quality and Communications.

Audit and Risk Committee

The Audit and Risk Committee comprises non-executive Board members together with independent members who are supported by specialist internal auditors from one of the leading international firms of accountants and auditors. The primary responsibilities of the Audit and Risk Committee, as set out in its terms of reference, are:

- risk management and internal control – to review the adequacy and effectiveness of the group's internal controls and the group's risk management procedures, including reviewing the adequacy of our documented risk appetite and the robustness of management's stress testing of our documented business plan;
- financial controls and reporting – to advise the Board on the adequacy of the group's financial controls, and to review the annual audited financial statements before submission to the Board;
- internal audit – to ensure that the group has appropriate internal audit arrangements and to monitor and review the effectiveness of the internal audit function in the context of the group's overall risk management system; to determine the annual internal audit plan and monitor quality and progress against agreed targets; to receive and consider internal audit reports and inform the Board thereof;
- external audit – to advise the Board on the appointment of external auditors, to consider the independence of the external auditor, to review and monitor the effectiveness of the external audit work and to consider the external auditor's Audit Findings Report.

- governance – to review compliance with key statutory duties and obligations, including the HCA regulatory framework and Value for Money self-assessment; and
- whistleblowing, anti-bribery and fraud – to monitor the operation and adequacy of our bribery policy, fraud prevention framework and arrangements for whistleblowing.

Finance and Treasury Committee

The Finance and Treasury Committee comprises non-executive Board members, independent members, together with the Chief Financial Officer and the Head of Treasury. The Chair is a non-executive director of the Board with relevant finance and treasury experience. The primary responsibilities of the Finance and Treasury Committee, as set out in its terms of reference, are:

- assistance to the Board – to assist the Board in overseeing those financial and treasury matters which it has to formally endorse, recognise or make a decision upon;
- policy – to support the Executive Leadership Team and Corporate Finance Team in drafting policy, evaluating financial and treasury options and bringing forward recommendations for approval;
- major financial transactions – to review, scrutinise and provide guidance to the Board when major financial transactions are brought forward by the Executive Officers for approval; and
- routine duties – to consider scrutinise and constructively challenge the group's annual budget, business plan, management accounts, quarterly treasury reports and annual treasury plan and treasury management policy prior to presentation to the Board for approval if applicable.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises three non-executive Board members. The primary responsibilities of the Remuneration and Nominations Committee, as set out in its terms of reference, are to:

- determine and recommend to the Board the remuneration and terms and conditions of employment of the Chief Executive Officer;
- set and evaluate all elements of the remuneration package for the Executive Leadership Team;
- advise the Board in its role in ensuring that the Board and its Committees contain members of the highest calibre with appropriate skills, competencies and experience necessary to govern the organisation;
- review HR risk issues that impact on both current corporate performance and future strategy; and
- review key HR policies.

Details of directors' remuneration are set out in note 5 to the financial statements.

The Board is supported by committees whose members have relevant specialist skills and experience.

Development Committee

The Development Committee comprises three non-executive members of the Board and two executive members, namely the Chief Executive Officer and the Director of Development and Sales. The primary responsibilities of the Development Committee, as set out in its terms of reference, are to:

- scrutinise proposed development schemes which will require Board approval ahead of submission to Board and to make recommendations accordingly;
- provide the Board with the assurance that bpha's development strategy is being delivered in a safe, effective and timely manner;
- ensure development risks are being effectively managed and mitigated in accordance with the Board's Risk Appetite Statement;
- review the future development pipeline, to ensure it is appropriate to the organisation's longer term aspirations and that this is fully aligned to the organisation's treasury policies and plans; and
- provide assurance that developments undertaken by bpha are consistent with the overall objectives of the organisation.

Resident scrutiny and engagement

The Board recognises that it is important for residents to have the opportunity to scrutinise our performance and make recommendations about how performance might be improved.

During the year, our resident scrutiny was delivered through our Service Improvement Panel and a team of resident inspectors. The Service Improvement Panel comprises residents and operates independently to ensure we meet our co-regulatory requirements. The work of the Service Improvement Panel is governed by terms of reference which provide that its primary objectives are:

- scrutiny and challenge – to monitor, scrutinise and challenge our performance to ensure continual improvement and development of best practice in service delivery for current and future residents;
- resident involvement – to ensure that residents are involved at the highest level of decision making and that our strategic direction in service delivery reflects the needs and aspirations of our customers and residents; and
- customer service – to ensure that we are meeting our customer service obligations.

Alongside the Service Improvement Panel, the Customer Complaints Panel monitors and reviews our complaints processes and works with us to identify where improvements can be made. An online engagement and scrutiny tool is being developed. This will create a virtual community through which ongoing scrutiny work will primarily be delivered.

Board and committee attendance

	Non-executive directors									Executive directors				Independent members		
	Robert Burgin	Ian Ailles	Shan Hunt	Martin Hurst	Peter Male	Jill Ainscough Appointed 1.10.16	Paul High (Co-opted member) Appointed 1.1.17	Neil McGregor-Paterson Resigned 31.8.16	Geoff Potton Resigned 30.9.16	Kevin Bolt	Paul Gray	Sarah Ireland Resigned 15.6.17	Julie Wittich	Cliff Broadhurst	Tim Ludlow	Malcolm Zack
Board																
26.4.16	Yes	Apologies received	Apologies received	Yes	Yes	–	–	Yes	Apologies received	Yes	Yes	Yes	Yes	–	–	–
8.6.16	Yes	Yes	Yes	Yes	Yes	–	–	Apologies received	Yes	Yes	Yes	Yes	Yes	–	–	–
26.7.16	Yes	Yes	Yes	Yes	Yes	–	–	Yes	Yes	Yes	Yes	Yes	Yes	–	–	–
20.9.16	Yes	Apologies received	Yes	Yes	Yes	–	–	–	Yes	Yes	Yes	Yes	Yes	–	–	–
23.9.16	Yes	Apologies received	Yes	Yes	Yes	–	–	–	–	Yes	Yes	Yes	Yes	–	–	–
30.11.16	Yes	Yes	Yes	Yes	Yes	Yes	–	–	–	Yes	Yes	Yes	Yes	–	–	–
13.12.16	Yes	Apologies received	Yes	Yes	Yes	Yes	–	–	–	Yes	Yes	Yes	Maternity leave	–	–	–
21.2.17	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–	–	Yes	Yes	Yes	Maternity leave	–	–	–
28.3.17	Yes	Yes	Apologies received	Yes	Yes	Yes	Yes	–	–	Yes	Yes	Yes	Maternity leave	–	–	–
Total	9/9	5/9	7/9	9/9	9/9	4/4	2/2	2/3	3/4	9/9	9/9	9/9	6/9	–	–	–
Audit and Risk Committee																
1.3.16	–	Yes	–	–	Yes	–	–	–	–	In attendance	In attendance	–	–	–	Yes	Apologies received
12.7.16	–	Yes	–	–	Yes	–	–	–	–	In attendance	In attendance	–	–	–	Yes	Yes
31.10.16	–	Yes	–	–	Yes	–	–	–	–	In attendance	In attendance	–	–	–	Yes	Yes
7.2.17	–	Yes	–	–	Yes	–	–	–	–	In attendance	Apologies received	–	–	–	Yes	Yes
Total	–	4/4	–	–	4/4	–	–	–	–	4/4	3/4	–	–	–	4/4	3/4
Finance and Treasury Committee																
24.5.16	–	–	–	Yes	–	–	–	–	Yes	In attendance	Yes	–	–	Yes	–	–
27.6.16	–	–	–	Yes	–	–	–	–	Yes	In attendance	Yes	–	–	Yes	–	–
1.11.16	–	–	–	Yes	–	–	–	–	–	In attendance	Yes	–	–	Yes	–	–
10.3.17	–	–	–	Yes	–	–	–	–	–	In attendance	Yes	–	–	Yes	–	–
Total	–	–	–	4/4	–	–	–	–	2/2	4/4	4/4	–	–	4/4	–	–
Remuneration and Nominations Committee																
7.6.16	Yes	–	Yes	–	–	–	–	Yes	–	In attendance	–	–	–	–	–	–
13.12.16	Yes	–	Yes	–	–	Yes	–	–	–	In attendance	In attendance	–	–	–	–	–
24.1.17	Yes	–	Apologies received	–	–	Yes	–	–	–	In attendance	–	–	–	–	–	–
Total	3/3	–	2/3	–	–	2/2	–	1/1	–	3/3	1/1	–	–	–	–	–

We recognise the importance of residents having the opportunity to scrutinise our performance.

Subsidiary company governance

The Board retains the ultimate responsibility for the governance of its subsidiary companies and has reserved to itself the power to appoint and remove directors to/from the Board of any of its subsidiary entities.

The Board has determined that the Board of Bushmead Homes Limited should be chaired by a non-executive or co-opted Board member, in order to provide appropriate independent oversight of all development activity.

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 the association 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 responsibility to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives minutes of all Audit and Risk Committee meetings, which normally take place four times a year.

The Senior Management Team, which comprises the Executive Leadership Team together with the departmental heads, formally discusses lessons learned from reviews of the internal control framework, and systems and processes are strengthened accordingly.

Tenant engagement.

Service Improvement Panel meeting.

The Board has 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. This approach is underpinned by the ISO 9001 registration, which provides a recognised quality assurance standard for managing and auditing our operational procedures. The Board has determined that the system of internal control of the organisation is effective.

The process for identifying, evaluating and managing the significant risks we face is ongoing and has been in place throughout the period commencing 1 April 2016 up to the date of approval of the this 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 suitably qualified 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 and bribery 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 employee recruitment, and learning and development policies.
- Whistleblowing policy.
- Health and safety ethos embedded across the association; policies and procedures 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.
- Annual external audit.
- Specialist support commissioned when appropriate.
- Reports to HCA through a range of regulatory returns.
- ISO 9001 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, where applicable, KPIs are benchmarked both with HouseMark peer group results and other sources.

The Board has determined that the system of internal control is effective.

We recognise that the upside of risk is opportunity and that we will choose which risks to accept, which to mitigate and which to avoid as we operate and develop our business.

Over the last year, we have continued to develop and embed our strategic approach to risk management. The Board understands that there is a balance to be maintained between key risk areas, and that in some areas of activity it may be appropriate to accept some carefully assessed risks in order to deliver our strategy.

Our approach to risk management has built upon the process that was adopted in the last financial year and is consistent with our continuous improvement ethos. All managers within bpha are trained in risk management which encompasses many different aspects from risk identification, mitigation, scoring and reporting and how this feeds through to Board reporting and assurance. Training includes consideration of how current or proposed activities fall within bpha's defined risk appetite.

We have detailed below aspects of the approach, focusing in particular upon risk scoring and risk appetite.

Risk scoring

All individual risks are recorded in departmental risk registers which are consolidated, reviewed, moderated and reported. We score risks based upon likelihood of a risk occurring multiplied by the impact if the risk event were to happen. Both likelihood and impact are scored on a scale of 1–10. We also consider what mitigations are in place to reduce likelihood and/or impact.

In scoring risks, we use a defined scoring matrix to ensure consistency of approach. There are agreed definitions for each score, but these can be summarised as:

Likelihood scoring

1–2 RARE	3–4 UNLIKELY	5–6 POSSIBLE	7–8 LIKELY	9–10 ALMOST CERTAIN

Impact scoring

1–2 VERY LOW	3–4 LOW	5–6 MEDIUM	7–8 HIGH	9–10 VERY HIGH

When scoring we consider all possible impacts including impact on service and people, reputation and financial. This process is subject to moderation and review as follows:

Assurance

We have a framework in place to provide assurance that risks are properly managed:

Our three lines of defence

Our assurance framework identifies, rationalises and consolidates multiple sources of assurance and facilitates swift escalation of issues to the Board and senior management.

The framework follows the three lines of defence approach:

1st Line of Defence
Frontline response

Frontline operational activities, e.g. delivery of objectives, risk management, policy and performance, system controls

2nd Line of Defence
Management response

Management oversight of activities, e.g. compliance assessments, quality auditing, health and safety, information and data assurance, delivery of strategic objectives

3rd Line of Defence
Independent response

Independent and objective review to provide an assessment of management of risk, governance and control. This may also take assurance from other third party sources, e.g. HCA and internal and external audit

Risk appetite

bpha's risk appetite has been defined and approved at Board. All new activities or proposed contracts, such as proposed developments or treasury activities, are assessed against our risk appetite before commitments are made. Risk appetite is measured on a scale from zero to five, ranging from total avoidance to acceptance of speculative risk, and is considered in relation to five elements:

Element	Scale/Appetite	Description
Health and safety	1 Minimal	Only accept minimal risk in this area. Due to the nature of operations, we seek to minimise health and safety and service delivery risk to as low a level as possible whilst accepting that from time to time certain risks, such as lone working, will occur. For other risks such as gas safety, a zero risk tolerance approach is adopted.
Finance and treasury	2 Cautious	We are prepared to accept the possibility of some well managed risk in this area. Appropriate risk buffers over and above covenant and liquidity thresholds, are required for both existing and future activities.
Legal and regulation	2 Cautious	This is in line with a "comply or explain" principle, where the approach must be justifiable and based on sound decision making.
Reputation	2 Cautious	Tolerance for reputational risk is limited to those events where there is little or no chance of significant repercussion for the organisation.
Strategy	3 Balanced	We accept that to meet our strategic goals, there may be times in which riskier options may have to be pursued. We will therefore accept some clearly defined risk but only on the basis of well assessed opportunities within a controlled and measurable framework.

Our principal risks and uncertainties

Risk	Impact	Mitigation	Change
Health and safety and HR Resources	There are many potential risks that could arise to tenants and employees from failure to fully comply with health and safety requirements. More generally, there are risks associated with dependency on key employees.	Considerable focus upon health and safety at all levels which is managed by a cross functional strategic health and safety group. Compliance updates are regularly reported to the Board. Steps have been taken to identify key staff dependencies and to recruit/train additional staff to provide organisational resilience.	↔
Brexit, political and welfare reform	Rollout of Universal Credit and changes from the Housing and Planning Act 2016 could impact rent income and arrears. Uncertainty about Government's housing policy and initiatives pre-Brexit.	Universal Credit is being rolled out across our operating region, but due to relatively high levels of economic activity and employment we are less exposed to welfare reform risk than some associations. Increased focus on debt management and mobile working has facilitated closer customer contact to ensure risks are tightly managed and controlled. Within our financial plans, we have updated assumptions and undertaken sensitivity analysis.	↔
Financial and economic	Uncertainty in financial markets and other global economic challenges could adversely affect the UK's economy and housing market with consequent financial impact.	Our business plan is fully funded and liquidity has improved. Our treasury strategy and policy, approved by the Board annually, outlines our risk strategy for, amongst others, financial market risk, liquidity risk and counterparty risk. These risks are monitored quarterly, ensuring we perform within the parameters of the strategy and that we remain loan covenant compliant.	↔
IT service disruption and data regulatory compliance	Increased dependence on technology means any loss of core operational systems and technology would disrupt our ability to operate. Increased risk of malicious attack from hackers or malware.	Business continuity plans are maintained and tested, and external advice is taken to ensure that these plans are robust. There is ongoing investment in software systems and IT infrastructure, which is designed to reduce the risk of external threats and other disruptions to core services. For example, during 2016/17 we have implemented enhanced firewalls, improved website security and introduced email screening software.	↑

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the association's auditors are unaware, and each Director has taken steps that they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the association's auditors are aware of this information.

Auditors

A resolution to reappoint KPMG LLP as auditors of the association will be submitted to the 2017 Annual General Meeting.

Approval of Report

The Report of the Board was approved by the Board on 18 July 2017 and signed on its behalf by:

Philippa Spratley
Company Secretary
18 July 2017

We have audited the financial statements of bpha Limited for the year ended 31 March 2017 set out on pages 40 to 68. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 38, the association's 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 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/auditscopeukprivate.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and the association as at 31 March 2017 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

10 August 2017

Group Statement of Comprehensive Income
for the year ended 31 March 2017

	Note	2017 Group £'000	2017 Association £'000	2016 Group £'000	2016 Association £'000
Turnover	3	**122,366**	**119,735**	**123,093**	**118,418**
Cost of sales	3	(17,091)	(16,612)	(26,265)	(22,955)
Operating costs	3	(50,412)	(49,994)	(48,193)	(48,193)
Operating surplus	3	**54,863**	**53,129**	**48,635**	**47,270**
Gain on disposal of tangible fixed assets	10	8,561	8,561	3,461	3,461
Interest receivable and similar income	7	1,426	1,093	602	413
Interest payable and similar charges	8	(34,433)	(34,433)	(35,009)	(35,009)
Movement in fair value of financial instruments	19	(1,967)	(1,967)	575	575
Valuation gain/(loss) on investment properties	28	505	505	(490)	(490)
Gift aid		–	905	–	–
Surplus before tax		**28,955**	**27,793**	**17,774**	**16,220**
Tax on surplus on ordinary activities	11	(373)	–	–	–
Surplus for the year	9,22	**28,582**	**27,793**	**17,774**	**16,220**
Other comprehensive income					
Actuarial (losses)/gains on pension scheme	20	(3,423)	(3,423)	1,631	1,631
Other comprehensive income for the year	22	**(3,423)**	**(3,423)**	**1,631**	**1,631**
Total comprehensive income for the year		**25,159**	**24,370**	**19,405**	**17,851**

Robert Burgin
Chairman

Peter Male
Chair, Audit and Risk Committee

Paul Gray
Chief Financial Officer

Group Statement of Financial Position
at 31 March 2017

bpha

	Note	2017 Group £'000	2017 Association £'000	2016 Group £'000	2016 Association £'000
Fixed assets					
Housing properties and other fixed assets	12	1,011,626	1,011,626	973,398	973,398
Fixed asset investments	28	13,365	21,452	12,860	20,948
HomeBuy loans receivable		42,945	42,945	48,395	48,395
Investment in joint arrangements	29, 30	4,044	–	4,975	–
		1,071,980	**1,076,023**	**1,039,628**	**1,042,741**
Current assets					
Properties for sale and work in progress	12	13,010	12,910	9,116	8,628
Trade and other debtors	13	10,892	10,056	8,780	7,971
Short term investments	14	13,558	13,558	50,699	50,699
Cash and cash equivalents		44,181	38,722	21,274	17,533
		81,641	**75,246**	**89,869**	**84,831**
Creditors: amounts falling due within one year	15	(35,851)	(35,014)	(32,731)	(32,211)
Net current assets		**45,790**	**40,232**	**57,138**	**52,620**
Total assets less current liabilities		**1,117,770**	**1,116,255**	**1,096,766**	**1,095,361**
Creditors: amounts falling due after more than one year					
Other creditors	16	(829,876)	(830,526)	(839,667)	(839,638)
Other provisions	19	(66,194)	(66,194)	(64,227)	(64,227)
Pension liability	20	(27,596)	(27,596)	(23,927)	(23,927)
		(923,666)	**(924,316)**	**(927,821)**	**(927,792)**
Net assets		**194,104**	**191,939**	**168,945**	**167,569**
Capital and reserves					
Called up share capital	21	–	–	–	–
Revenue reserve	22	194,104	191,939	168,945	167,569
Total funds		**194,104**	**191,939**	**168,945**	**167,569**

These financial statements were approved by the Board of directors on 18 July 2017 and were signed on its behalf by:

Robert Burgin
Chairman

Peter Male
Chair, Audit and Risk Committee

Paul Gray
Chief Financial Officer

Group Statement of Changes in Equity
for the year ended 31 March 2017

Group	Note	Called up share capital (note 21) £'000	Revenue reserve £'000	Total equity £'000
Balance at 1 April 2015		**–**	**149,540**	**149,540**
Total comprehensive income for the 2015/16 year				
Surplus for the year	22	–	17,774	17,774
Actuarial gains on pension scheme		–	1,631	1,631
Balance at 31 March 2016	22	**–**	**168,945**	**168,945**
Total comprehensive income for the 2016/17 year				
Surplus for the year	22	–	28,582	28,582
Actuarial (losses) on pension scheme	22	–	(3,423)	(3,423)
Balance at 31 March 2017	22	**–**	**194,104**	**194,104**

Association	Note	Called up share capital (note 21) £'000	Revenue reserve £'000	Total equity £'000
Balance at 1 April 2015		**–**	**149,718**	**149,718**
Total comprehensive income for the 2015/16 year				
Surplus for the year	22	–	16,220	16,220
Actuarial gains on pension scheme		–	1,631	1,631
Balance at 31 March 2016	22	**–**	**167,569**	**167,569**
Total comprehensive income for the 2016/17 year				
Surplus for the year	22	–	27,793	27,793
Actuarial (losses) on pension scheme	22	–	(3,423)	(3,423)
Balance at 31 March 2017	22	**–**	**191,939**	**191,939**

Group Cash Flow Statement
for year ended 31 March 2017

bpha

	Note	2017 Group £'000	2017 Association £'000	2016 Group £'000	2016 Association £'000
Cash flows from operating activities					
Profit for the year	a	**25,159**	**24,370**	**19,405**	**17,851**
Adjustments for:					
Depreciation, amortisation and impairment		16,418	16,418	14,403	14,403
Gain on disposals of tangible fixed assets		(8,561)	(8,561)	(3,461)	(3,461)
Change in value of investment property		(505)	(505)	490	490
Interest receivable and similar income		(1,426)	(1,093)	(602)	(413)
Interest payable and similar charges		34,433	34,433	35,009	35,009
Movement in fair value of financial instruments		1,967	1,967	(575)	(575)
Internal development on-costs		(3,056)	(3,056)	(3,014)	(3,014)
Amortisation of government grant		(185)	(185)	(138)	(138)
Taxation		347	–	–	–
	b	**39,432**	**39,418**	**42,112**	**42,301**
(Increase)/decrease in trade and other debtors		(1,642)	(1,616)	848	16,029
(Increase)/decrease in properties for sale and work in progress		(3,894)	(4,281)	8,577	7,486
Increase/(decrease) in trade and other creditors		3,459	3,488	(3,890)	(8,997)
Increase/(decrease) pension liability provision		2,913	2,913	(1,889)	(1,889)
	c	836	504	3,645	12,629
Net cash from operating activities	d=a+b+c	**65,427**	**64,292**	**65,161**	**72,781**
Cash flows from investing activities					
Disposals of tangible fixed assets		20,962	20,962	15,074	15,074
Investment in joint arrangements		931	–	(1,614)	(2,725)
Interest received		1,435	1,102	413	413
Acquisition of tangible fixed assets (non-property)		(116)	(116)	(548)	(548)
Purchase and development of housing properties		(61,146)	(61,146)	(61,848)	(61,848)
Proceeds from the receipt of government grants		861	861	2,085	2,085
Net cash outflow from investing activities	e	**(37,073)**	**(38,337)**	**(46,438)**	**(47,549)**
Cash flows from financing activities					
Net movement on borrowings		(6,291)	(5,640)	54,573	54,573
Interest paid		(36,297)	(36,267)	(38,062)	(38,062)
Financing break cost		–	–	(49,836)	(49,836)
Net cash withdrawal from short term deposits and investments		37,141	37,141	4,009	4,009
Net cash from financing activities	f	**(5,447)**	**(4,766)**	**(29,316)**	**(29,316)**
Net increase/(decrease) in cash and cash equivalents	g=d+e+f	22,907	21,189	(10,594)	(4,085)
Cash and cash equivalents at 1 April 2016		21,274	17,533	31,868	21,618
Cash and cash equivalents at 31 March 2017	26	**44,181**	**38,722**	**21,274**	**17,533**

1. Legal status

bpha Limited (the association) is registered under the Co-operative and Community Benefit Societies Act 2014 Register (No:26751R) and is registered with the Homes and Communities Agency (HCA) (No:LH 3887) as a social landlord. It is a public benefit entity.

2. Principal accounting policies

Basis of consolidation

bpha Limited is the ultimate parent undertaking for the group and has prepared consolidated financial statements as there are three subsidiaries, bpha Finance plc, Bushmead Homes Limited and CPLhomes Management Services Limited, that are considered to be material components of the group. The group financial statements consolidate the accounts of the association and all of its subsidiaries at 31 March 2017.

Subsidiary financial statements are prepared for the same reporting periods as the association, using consistent accounting policies except where indicated in the notes to the financial statements. Intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full on consolidation.

Basis of accounting

The financial statements of the group and association are prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) which is the applicable financial reporting standard in the UK and Republic of Ireland and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 (SORP 2014), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The transition date to FRS102 that forms the basis of these statements is 31 March 2014.

Going concern

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

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

Impairment

The carrying amounts of the association's assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Additionally, because the association's assets are held for their service potential, the depreciated replacement cost is also considered as part of the impairment review. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

The calculation of the recoverable amount for impairment testing, including the depreciated replacement cost of housing properties held for social benefit, is an accounting estimate that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Joint arrangements

Joint arrangements are those contractual undertakings in which the group exercises joint control over the operating and financial policies of the arrangement. Where the joint arrangement is carried out through a legal entity, it is treated as a jointly controlled entity. Joint arrangements are held as fixed asset investments, shown at cost, less any amounts written-off.

Where the group has entered into a contractual arrangement that is classed as a jointly controlled entity, the jointly controlled entity is accounted for using the equity method, which reflects the group's share of the profit or loss, other comprehensive income and equity of the jointly controlled entity.

Turnover

Turnover comprises rental and service charge income receivable (net of void losses), first tranche sales of shared ownership properties, sales of properties built for sale, supporting people income, fees, and other services included at the invoiced value (excluding VAT where applicable) of goods and services supplied in the year, amortisation of deferred capital grants, and other revenue grants receivable. It also includes, in accordance with FRS 102, amortisation of Social Housing Grant (SHG) by applying the accrual model such that deferred grant income is released as income over the life of the asset. Revenue grants are recognised when the conditions for receipt of agreed grant funding have been met.

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.

Cost of sales

Included within operating costs are costs relating to newly developed properties sold in the year. These costs include expenditure incurred during the course of development of those properties, including capitalised interest, direct overheads, marketing and other incidental costs incurred during the course of sale of those properties.

Improvements to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as delivering an increase in the net rental stream or the life of a component, is capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the Statement of Comprehensive Income in the period in which it is incurred.

2. Principal accounting policies continued

Leased assets

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. The aggregate benefits of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

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 Statement of Comprehensive Income includes VAT to the extent that this is suffered by the association and not recoverable from HM Revenue & Customs.

Interest payable

Interest payable is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development. Capitalised interest is calculated on borrowings of the association as a whole to the extent that they can be deemed to be financing the development programme. Other interest payable is charged to the Statement of Comprehensive Income in the year.

Corporation Tax

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.

The association is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable association for UK Corporation Tax purposes. Accordingly, the association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The association has a number of subsidiary companies, some of which do not have charitable status and which therefore are subject to Corporation Tax. For these entities, the charge for Corporation Tax is based on the result for the period and takes into account deferred taxation. Deferred taxation is provided on differences between the treatment of certain items for taxation and accounting purposes, unless it is probable that the difference will not reverse in the foreseeable future.

Housing properties and other tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for 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.

Housing properties are principally properties available for rent and properties subject to shared ownership leases.

Properties under construction are stated at cost within fixed assets and are transferred into housing properties when completed. The costs of shared ownership properties under construction are split proportionately between current and fixed assets; the proportion relating to expected first tranche sales is classed as a current asset and the remaining element is classed as a fixed asset which is transferred into housing properties when completed.

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

Depreciation

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 group believes that the periods used are reasonable based on their experience. The most material assumption is the lives of housing property components: these were determined in 2010 when component accounting was first adopted. Where a component is replaced, any residual carrying value is fully written off in the year of replacement, and the cost of the replacement component is capitalised.

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

Shared ownership properties are not depreciated and are held at cost less any proportion sold.

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

Assets	Years
Structure	100
Kitchens	20
Bathrooms	30
Heating systems – boilers	12
Heating systems – radiators	30
Roofs	60
Windows and doors	30
Electrics	30
Lift – refurbishment	20
Lift – renewal	60

Freehold land is not depreciated.

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.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

Investment properties

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

2. Principal accounting policies continued

Concessionary loans

A concessionary loan is a loan made or received between a public benefit entity or an entity within a public benefit entity group and another party:

(a) at below the prevailing market rate of interest;
(b) that is not repayable on demand; and
(c) is for the purposes of furthering the objectives of the public benefit entity or public benefit entity parent.

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. Any associated grant is recognised as deferred income until the loan is redeemed.

The association has a number of arrangements that are considered to be concessionary loans:

HomeBuy and other similar schemes – under the HomeBuy scheme, the association received HomeBuy grant representing a percentage of the open market purchase price of a property in order to advance interest free or low interest loans to a homebuyer. The loans advanced by the association meet the definition of concessionary loans and are shown as fixed assets investments on the Statement of Financial Position. The HomeBuy grant provided by the government to fund all or part of a HomeBuy loan has been classified as a deferred income creditor, due in more than one year.

In the event that the property is sold, the association recovers the equivalent loaned percentage value of the property at the time of the sale. The grant is reclassified to Recycled Capital Grant Fund when the loans are redeemed up to the amount of the original grant and to the extent the proceeds permit. The association is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in the value of the property, the shortfall of proceeds is offset against the grant creditor.

Rent and service charge agreements – the association has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Properties for sale

Properties held for sale including shared ownership properties and property under construction are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Basic financial instruments

Tenant arrears, trade and other debtors – recognised initially at transaction price. Tenants and other debtors that are collected through the administration of payment plans or over an agreed finite period of time are discounted to determine their net present value with a subsequent impairment evaluation undertaken and resultant impact recorded in the Statement of Comprehensive Income.

Trade and other creditors – recognised initially at transaction price. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments – recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the straight line method, less any impairment losses. Where the group has incurred a premium or discount on its bond issues, the balance is shown net against the associated bond liability and is charged over the term of the debt using the straight line method.

Investments in subsidiaries, jointly controlled entities and associates – recognised at transaction price including attributable transaction costs.

Cash and cash equivalents – comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Current asset investments

Current asset investments are stated at market value and include mark 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.

Social housing and other grant

Social housing grants received in relation to assets that are presented at deemed cost at the date of transition to FRS 102 have been accounted for using the performance model as required by SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Social housing grants received since the transition date in relation to newly acquired or existing housing properties are accounted for using the accrual model set out in FRS 102 and SORP 2014. As required by SORP 2014, grant is carried as deferred income in the Statement of Financial Position and released as income within the Statement of Comprehensive Income account on a systematic basis over the useful economic lives of the assets for which it was received. In accordance with SORP 2014, the useful economic life of the housing property structure has been selected (see table of useful economic lives on page 45).

Where a Social Housing Grant funded property is sold, the grant becomes recyclable and is transferred to a Recycled Capital Grant Fund (RCGF) or Disposal Proceeds Fund (DPF) until it is reinvested in a replacement property or repaid. If there is no requirement to recycle or repay the grant on disposal of the assets, any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

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

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

2. Principal accounting policies continued

Social housing and other grant

Other grants include grants from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

Deferred income

Deferred income comprises both premiums on leases which are released over the life of the lease and other income received, such as unamortised grants, which is carried forward over the lives of the assets concerned.

Provisions

A provision is recognised in the Statement of Financial Position when the association has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

The association's receivables provision policy is based on review of the age profile of its debt, historical collection rates and the class of debt. Bad and doubtful debts are provided on all debtors' arrears and are dependent on the status of the tenancy or debtor and on the age of the debt.

Current tenant debtors are provided for at a level which is based on reviews of individual balances, while former tenants are provided for in full. Other debtors are reviewed on a case-by-case basis.

Other financial instruments and hedging

The association uses interest rate swaps to reduce its exposure to future increases in interest rates on floating rate loans. Amounts payable and receivable in respect of these agreements are recognised as adjustments to interest payable over the period of the agreement. These interest rate swaps are classified either as basic or other financial instruments in accordance with the requirements of FRS 102.

Other financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. The group considers whether each individual derivative contract is hedge effective. If it is hedge effective, the group considers whether or not to hedge account for the derivative contract according to business circumstances and then applies this consistently in successive years over the life of the contract. To the extent that a derivative is not hedge effective, or the group chooses not to hedge account, the gain or loss on remeasurement to fair value is recognised immediately in the Statement of Comprehensive Income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of derivatives is disclosed in note 19.

Pension costs

The association operates 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. These pension scheme assets are measured using market values and pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. In accordance with FRS 102 section 28, the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the Statement of Comprehensive Income, actuarial gains and losses.

Pension costs are assessed in accordance with the advice of independent qualified actuaries. Costs include the regular cost of providing benefits which, it is intended, should remain a substantially level percentage of the current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the Statement of Comprehensive Income over the average remaining service lives of the current employees.

There are a number of critical underlying assumptions when measuring the defined benefit scheme, including standard rates of inflation, mortality, discount rates and anticipation of future salaries. Variation in these assumptions may significantly impact the defined benefit obligation and annual expense. These assumptions and calculations are prepared by an independent actuary.

These actuarial assumptions may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Refer to note 20 for the valuation of the Local Government Pension Scheme deficit funding contributions and valuations of defined benefit assets/liabilities.

Since 1 April 2010, a defined contribution scheme has been available to employees. The charge to the Statement of Comprehensive Income which represents the association's contribution to the scheme for the accounting period is detailed in the notes to the financial statements.

Other employee benefits

The policy of the association is to recognise the cost of all employee benefits to which employees have become entitled as a result of service rendered during the reporting year.

Contingent liabilities

A contingent liability is either a possible but uncertain obligation as a result of a past event, or present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of economic resources will be required; or
- the amount of the obligation cannot be measured with sufficient reliability.

The association's policy is not to provide for contingent liabilities. Full disclosure is made within the financial statements.

Capital commitments

These are predominantly commitments towards developments which have been contracted and which have started on site, or which have been approved by the association's Board.

3. Turnover, operating costs and operating surplus

	Units	2017 Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Operating surplus %
Social housing lettings	**17,179**	83,914	–	(46,538)	37,376	44.5%
Other social housing activities						
Management fees		335	–	–	335	
First tranche shared ownership sales		20,775	(10,456)	–	10,319	
Sales to other social housing providers		6,983	(6,156)	–	827	
Other (including HomeBuy and Help to Buy agents)		3,576	–	(1,568)	2,008	
		31,669	(16,612)	(1,568)	13,489	42.6%
Total social housing activities		**115,583**	**(16,612)**	**(48,106)**	**50,865**	**44.0%**
Non-social housing activities	1,007	6,783	(479)	(2,306)	3,999	59.0%
Total housing activities	**18,186**	**122,366**	**(17,091)**	**(50,412)**	**54,863**	**44.8%**

	Units	2016 Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Operating surplus %
Social housing lettings	16,893	80,898	–	(43,706)	37,192	46.0%
Other social housing activities						
Management fees		284	–	–	284	
First tranche shared ownership sales		16,272	(9,833)	–	6,439	
Sales to other social housing providers		13,142	(13,142)	–	–	
Other (including HomeBuy and Help to Buy agents)		3,585	–	(2,466)	1,119	
		33,283	(22,975)	(2,466)	7,842	23.6%
Total social housing activities		**114,181**	**(22,975)**	**(46,172)**	**45,034**	**39.4%**
Non-social housing activities	1,003	8,912	(3,290)	(2,021)	3,601	40.4%
Total housing activities	**17,896**	**123,093**	**(26,265)**	**(48,193)**	**48,635**	**39.5%**

Association information has not been separately disclosed within this note as group is materially the same as association.

Included within the non social housing turnover reported for the group is £1.7m of turnover attributable to Bushmead Homes Limited, a fellow subsidiary of the group.

3. Turnover, operating costs and operating surplus continued

Income and expenditure from social housing lettings

	General housing £'000	Low cost home ownership £'000	Supported housing £'000	Residential care homes £'000	Others £'000	**2017 £'000**	2016 £'000
Unit numbers	**11,634**	**2,082**	**733**	**959**	**1,771**	**17,179**	**16,893**
Income from social housing lettings							
Rent receivable net of identifiable service charges	54,880	5,795	5,882	4,719	6,751	78,027	75,229
Charges for support services	–	–	144	–	–	144	160
Service charge income	3,002	461	1,803	–	269	5,535	5,198
Net rents receivable	57,882	6,256	7,829	4,719	7,020	83,706	80,586
Revenue grants from local authorities and other agencies	208	–	–	–	–	208	312
Total income from social housing lettings	**58,090**	**6,256**	**7,829**	**4,719**	**7,020**	**83,914**	**80,898**
Expenditure on letting activities							
Management	(11,115)	(1,990)	(701)	–	(1,693)	(15,499)	(14,752)
Service charge cost	(3,141)	(562)	(198)	–	(478)	(4,379)	(4,581)
Routine maintenance	(6,078)	–	(383)	–	(925)	(7,386)	(7,606)
Planned maintenance	(3,285)	–	(207)	–	(500)	(3,992)	(3,838)
Rent losses from bad debts	(604)	(108)	(38)	–	(92)	(842)	(407)
Depreciation	(10,118)	–	(637)	(2,144)	(1,540)	(14,439)	(12,522)
Total expenditure on social housing lettings	**(34,342)**	**(2,660)**	**(2,164)**	**(2,144)**	**(5,228)**	**(46,538)**	**(43,706)**
Operating surplus on social housing lettings	**23,748**	**3,596**	**5,665**	**2,575**	**1,792**	**37,376**	**37,193**
Void losses	**(440)**	**(82)**	**(225)**	**–**	**(306)**	**(1,054)**	**(1,352)**

Association information has not been separately disclosed within this note as group is materially the same as association.

4. Number of units owned and in management

			Analysis of movement 2016 to 2017			
	2017	2016	Category change	Additions	Disposal	Total movement
Owned – General	8,849	8,852	3	2	(8)	(3)
Owned – Affordable	1,209	1,016	–	193	–	193
Owned – Managed by others	598	656	(58)	1	(1)	(58)
Near market rents	409	405	(2)	8	(2)	4
Rent to HomeBuy	569	621	(52)	–	–	(52)
General housing	**11,634**	**11,550**	**(109)**	**204**	**(11)**	**84**
Shared ownership	1,871	1,683	50	191	(53)	188
Key worker – Shared ownership	211	218	–	–	(7)	(7)
Low cost home ownership	**2,082**	**1,901**	**50**	**191**	**(60)**	**181**
Owned – Supported	126	125	1	–	–	1
Owned – Housing for older people	607	564	(2)	45	–	43
Supported housing	**733**	**689**	**(1)**	**45**	**–**	**44**
Owned – Elderly residential care homes	959	899	60	64	(64)	60
Residential care homes	**959**	**899**	**60**	**64**	**(64)**	**60**
Owned – Students/Nurses	498	498	–	–	–	–
Owned – Elderly nursing care homes	496	496	–	–	–	–
Owned – Managed by others	2	2	–	–	–	–
Commercial	11	7	–	4	–	4
Non – social	**1,007**	**1,003**	**–**	**4**	**–**	**4**
Total owned	**16,415**	**16,042**	**–**	**508**	**(135)**	**373**
Open market HomeBuy	531	583	–	2	(54)	(52)
MyChoice HomeBuy/Shared equity	457	524	–	–	(67)	(67)
Leaseholders	593	559	–	35	(1)	34
Leaseholders – reversionary interest	4	4	–	–	–	–
Managed for others	186	184	–	2	–	2
Others	**1,771**	**1,854**	**–**	**39**	**(122)**	**(83)**
Total owned and in management	**18,186**	**17,896**	**–**	**547**	**(257)**	**290**

Association information has not been separately disclosed within this note as group is materially the same as association.

5. Non-executive directors' and directors' emoluments

The board of directors of the association comprises of non-executive directors and executive directors together with co-opted members. All members of the board other than Cllr Shan Hunt have been paid. Total emoluments in the period to 31 March 2017 for the non-executive directors and co-opted members amounted to £113k (2016: £107k).

Non-executive directors	£'000 Salaries	£'000 Expenses	**2017 £'000 Total**	2016 £'000 Total
Robert Burgin Chair	28	1	29	29
Jill Ainscough Chair – Remuneration and Nominations Committee (appointed 01/10/2016)	7	–	7	–
Ian Ailles (appointed 01/01/2017)	3	–	3	–
Cllr Shan Hunt Bedford Borough Local Authority Nominee	–	–	–	–
Martin Hurst Chair – Finance and Treasury Committee	17	1	18	4
Peter Male Senior Independent Director Chair – Audit and Risk Committee	23	1	24	24
Neil McGregor-Paterson Chair – Remuneration and Nominations Committee (resigned 31/08/2016)	6	–	6	17
Geoff Potton Chair – Bushmead Homes Limited (resigned 30/09/2016)	13	1	14	25
	97	**4**	**101**	**99**
Co-opted members				
Paul High Co-optee to the Board (appointed 01/01/2017) Chair – Development Committee and Bushmead Homes Limited	3	–	3	–
Ian Ailles Co-optee to the Board Interim Chair of Bushmead Homes Limited	9	–	9	8
	12	**–**	**12**	**8**
	109	**4**	**113**	**107**

In addition to the above, a total of £12k (2016: £11k) was paid to the independent members of the Audit and Risk Committee and of the Finance and Treasury Committee who are not members of the bpha Board. These positions are paid annual remuneration of up to £4k per member.

Association information has not been separately disclosed within this note as group is materially the same as association.

5. Non-executive directors' and directors' emoluments continued

Board executive directors	Basic salary £'000	Benefits in kind £'000	Pension contributions £'000	**2017 Total £'000**	2016 Total £'000
Kevin Bolt Chief Executive Officer	173	8	21	202	198
Paul Gray Chief Financial Officer	151	7	18	176	174
Julie Wittich Director of Service Delivery	102	6	23	131	144
Sarah Ireland Director of Development & Sales (resigned 15/06/2017)	113	7	22	142	144
Sub total – Board executive directors	**539**	**28**	**84**	**651**	**660**
Other executive directors					
Simon Century Director Strategy & Corporate Finance (resigned 29/04/2016)	10	1	1	12	136
Liz Parsons Director Quality & Communications	89	5	18	112	109
Margaret Dodwell Interim Operations Director (appointed 28/11/2016)	38	2	2	42	–
Sub total – other executive directors	**137**	**8**	**21**	**166**	**245**
Grand total	**676**	**36**	**105**	**817**	**905**

Kevin Bolt, who as Chief Executive Officer is the highest paid Director, is entitled to a contribution of 12% of basic salary to be paid into a defined contribution scheme the cost of which is included in the table above.

Association information has not been separately disclosed within this note as group is materially the same as association.

6. Employee information

The number of persons expressed in full time equivalents employed at the year end was:

Department	Female	Male	2017 Total	Female	Male	2016 Total
Executive and Senior Management Team	12	6	18	9	7	16
Development and Sales	49	35	84	48	24	72
Finance and IT	28	24	52	28	22	50
Quality and Communications	14	4	18	16	3	19
Service Delivery	108	62	170	112	70	182
HR and Governance	10	1	11	7	1	8
	221	**132**	**353**	**220**	**127**	**347**

Employee costs (for the above persons)	2017 £'000	2016 £'000
Wages and salaries	11,394	11,083
Social security costs	1,210	1,055
Pension – defined benefit current service cost (note 20)	1,245	1,539
Pension – defined contribution cost	465	398
	14,314	**14,075**

The number of employees (excluding directors) who receive remuneration on a full-time equivalent basis, including employer pension contribution, in excess of £60k are as follows:

The full-time equivalent number of employees who receive remuneration

	2017 No.	2016 No.
£60,001 to £70,000	18	16
£70,001 to £80,000	10	10
£80,001 to £90,000	4	7
£90,001 to £100,000	–	–
£100,001 to £110,000	2	2

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

Association information has not been separately disclosed within this note as group is materially the same as association.

7. Interest receivable and other income

	2017 Group £'000	2017 Association £'000	2016 Group £'000	2016 Association £'000
Bank and other	453	453	186	186
MyChoice HomeBuy	640	640	227	227
Joint venture	333	–	189	–
Interest receivable from unlisted investments	**1,426**	**1,093**	602	413

Included within the amounts disclosed above is interest receivable by Bushmead Homes Limited, a fellow group company, of £333k (2016: £189k).

8. Interest payable and similar charge

	2017 Group £'000	**2017 Association £'000**	2016 Group £'000	2016 Association £'000
On bonds, bank loans, overdrafts and other loans	34,366	34,366	34,341	34,341
Other loan costs	1,487	1,487	1,401	1,401
On defined benefit pension scheme (note 20)	757	757	797	797
Less: interest payable capitalised on housing properties under construction	(2,177)	(2,177)	(1,530)	(1,530)
	34,433	**34,433**	**35,009**	**35,009**
Capitalisation rate used to determine finance costs capitalised during the period	5.06%	5.06%	5.58%	5.58%

9. Surplus for the financial year

	2017 Group £'000	2016 Group £'000
Surplus on ordinary activities is stated after charging:		
Depreciation of housing properties	15,334	13,475
Depreciation of other tangible fixed assets	1,084	928
Auditors' remuneration (excluding VAT)		
• for audit services		
– relating to current auditors	53	53
• for non-audit services		
– FRS102	–	12
– service charges	26	14
– other	14	17
Operating lease payments		
• Vehicles, computers and equipment	49	52
• Land and buildings	165	207

Association information has not been separately disclosed within this note as group is materially the same as association.

10. Gain on disposal of fixed assets – housing properties

	2017 Group Disposal Proceeds £'000	**2017 Group Cost of Sales £'000**	**2017 Group Gain on Disposal £'000**	2016 Group Disposal Proceeds £'000	2016 Group Cost of Sales £'000	2016 Group Gain on Disposal £'000
Shared Ownership staircasing	12,862	(6,702)	6,161	6,771	(4,849)	1,922
Asset Management & other sales	551	(289)	262	607	(414)	193
Right To Buy	361	(231)	130	554	(437)	117
MyChoice HomeBuy	4,986	(3,628)	1,358	4,110	(3,302)	808
Open Market HomeBuy	2,201	(1,551)	651	3,032	(2,610)	422
	20,962	**(12,401)**	**8,561**	**15,074**	**(11,613)**	**3,461**

Association information has not been separately disclosed within this note as group is materially the same as association.

11. 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.

The association has a number of subsidiary companies, some of which do not have charitable status and which therefore are subject to corporation tax. For these entities, the charge for corporation tax is based on the result for the period and takes into account deferred taxation. Deferred taxation is provided on differences between the treatment of certain items for taxation and accounting purposes, unless it is probable that the difference will not reverse in the foreseeable future.

The tables below present disclosure in respect of Bushmead Homes Limited, whose results are consolidated into the bpha group accounts.

Total tax expense recognised in the group statement of comprehensive income

	2017 Group £	2016 Group £
Total Tax	**373**	–

Reconciliation of effective tax rate

		2017 Group £	2016 Group £
Profit for the year after taxation	• bpha group	28,582	17,774
	• Less: bpha Limited	(26,888)	(16,220)
		1,694	1,554
Total tax expense		373	–
Profit excluding taxation		**2,067**	**1,554**
Tax using the UK corporation tax rate of 20%		413	311
Tax exempt revenue		(66)	(38)
Adjustment for share of undistributed profit from joint arrangement		–	(13)
Recognition of previously unrecognised tax losses		26	(54)
Taxation recognised in equity		–	(181)
Tax loss unrecognised		–	(25)
Total tax expense		**373**	–

12. Tangible fixed assets

	Tangible fixed assets – housing properties (shared ownership) £'000	Tangible fixed assets – housing properties (general needs) £'000	Housing properties in course of construction (shared ownership) £'000	Housing properties in course of construction (general needs) £'000	Long leasehold £'000	Furniture and equipment £'000	**Total £'000**
Cost							
At 31 March 2016	**124,794**	**839,508**	**12,777**	**20,714**	**2,268**	**6,680**	**1,006,741**
Schemes completed in the year	14,888	42,387	(14,888)	(42,387)	–	–	–
Additions	–	–	30,876	36,409	–	441	67,726
Transfer to current asset	–	–	(14,103)	–	–	–	(14,103)
Improvements	–	11,384	–	–	96	–	11,480
Interest capitalised	–	–	708	1,469	–	–	2,177
Disposals	(4,418)	(8,249)	–	–	–	–	(12,667)
At 31 March 2017	**135,264**	**885,030**	**15,370**	**16,205**	**2,364**	**7,121**	**1,061,354**
Depreciation							
At 31 March 2016	**–**	**28,336**	**–**	**–**	**1,038**	**3,969**	**33,343**
Charge for year	–	15,334	–	–	66	1,018	16,418
On disposals	–	(34)	–	–	–	–	(34)
At 31 March 2017	**–**	**43,636**	**–**	**–**	**1,104**	**4,987**	**49,727**
Net book value at 31 March 2017	**135,264**	**841,393**	**15,370**	**16,205**	**1,260**	**2,134**	**1,011,626**
Net book value at 31 March 2016	**124,794**	**811,172**	**12,777**	**20,714**	**1,230**	**2,711**	**973,398**

Under FRS102 (s.17.32) the group is required to disclose the carrying value of property pledged as security for liabilities and contractual commitments. The carrying value of this property at the end of the year was £790m.

Expenditure on improvements to existing properties

	2017 Group £'000	2016 Group £'000
Amounts capitalised	**11,384**	11,729
Routine and planned maintenance	**11,378**	11,444

Association information has not been separately disclosed within this note as group is materially the same as association.

Completed properties and work in progress transferred to current assets

	2017 Group £'000	**2017 Association £'000**	2016 Group £'000	2016 Association £'000
Current asset work in progress	5,926	5,826	3,602	3,451
Completed properties held for sale	7,084	7,084	5,514	5,177
	13,010	**12,910**	9,116	8,628

The cost of shared ownership properties in the course of construction is apportioned between the equity percentage expected to be retained by the association. The cost attributable to the percentage to be sold is included within current assets, and that expected to be returned is included in fixed assets "Housing properties in the course of construction (shared ownership)".

13. Trade and other debtors

	2017 Group £'000	2017 Association £'000	2016 Group £'000	2016 Association £'000
Accounts falling due within one year:				
Rental and service charges debtors	**3,390**	**3,390**	**3,366**	**3,366**
Less: provision for bad and doubtful debts	(3,075)	(3,075)	(2,607)	(2,607)
	315	315	759	759
Other debtors, prepayment and accrued income	10,301	9,465	7,686	6,877
Less: provision for bad and doubtful debts	(615)	(615)	(362)	(362)
	9,686	8,850	7,325	6,516
Housing benefit from local authorities	891	891	697	697
Accounts falling due after more than one year:				
Loan to Gloucestershire Care Partnership Ltd	370	370	363	363
Less: provision for bad and doubtful debts	(370)	(370)	(363)	(363)
	10,892	**10,056**	**8,780**	**7,971**

Included within the amounts disclosed as "Other debtors, prepayments and accrued income" under 'Association' are intercompany receivable balances due from bpha Finance plc and CPLhomes Management Services Limited, fellow group companies. These balances have been eliminated upon consolidation and therefore do not form part of the balance reported under 'group'. Included within the amounts disclosed as "Other debtors, prepayments and accrued income" under 'group' are amounts due from an associate, Gog Magog Partnership LLP of £3,146k (2016: £444k). Also included within amounts receivable from third parties by two fellow group companies, CPLhomes Management Services Limited £126k (2016: £216k) and Bushmead Homes Limited £Nil (2016: £809k).

14. Current asset investments

	2017 Group £'000	2017 Association £'000	2016 Group £'000	2016 Association £'000
Mark to market cash collateral deposit	11,648	11,648	13,620	13,620
Cash collateral on securing loan and interest (note 18)	1,910	1,910	37,079	37,079
Current asset investments	**13,558**	**13,558**	**50,699**	**50,699**

15. Creditors: Amounts falling due within one year

	2017 Group £'000	2017 Association £'000	2016 Group £'000	2016 Association £'000
Rent and service charges received in advance	930	930	737	737
Contracts for capital works and retentions	9,006	9,006	14,636	14,636
Taxation and social security	555	207	244	244
Recycled Capital Grant Fund (note 17)	–	–	3,426	3,426
Disposal Proceeds Fund (note 17)	308	308	–	–
Debt (note 18)	7,970	7,970	–	–
Other creditors	10,954	15,017	8,024	7,728
Accruals and deferred income	6,128	1,576	5,664	5,440
	35,851	**35,014**	**32,731**	**32,211**

Other creditors includes £398k (2016: £402k) in respect of grants received in advance for specific purposes. Included within the amounts disclosed as other creditors shown under 'Association' are amounts payable bpha Finance plc and CPLhomes Management Services Limited, fellow group companies. These balances have been eliminated upon consolidation and therefore do not form part of the balance reported under 'group'. Also included within the amounts disclosed under 'Association' are amounts payable to third parties by two fellow Group companies, CPLhomes Management Services Limited £Nil (2016: £430k) and Bushmead Homes Limited £Nil (2016: £77k).

Payments to creditors

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

16. Creditors: Amounts falling due after more than one year

	2017 Group £'000	2017 Association £'000	2016 Group £'000	2016 Association £'000
Debt (note 18)	737,803	738,454	752,382	752,382
Recycled Capital Grant Fund (note 17)	10,793	10,793	15,750	15,750
Disposal Proceeds Fund (note 17)	246	246	555	555
Deferred government grant	32,737	32,737	18,813	18,813
Grant on HomeBuy and MyChoice HomeBuy loans	31,832	31,832	35,825	35,825
Major Repairs Fund held on behalf of • Oxfordshire Care Partnership	3,231	3,231	2,971	2,942
• Leaseholders	2,336	2,336	2,068	2,068
Bond premium	10,898	10,898	11,303	11,303
	829,876	**830,526**	**839,667**	**839,638**

17. Recycled Capital Fund (RCGF) and Disposal Proceeds Fund (DPF)

	2017			2016		
	RCGF £'000	DPF £'000	Group Total £'000	RCGF £'000	DPF £'000	Group Total £'000
At 1 April	19,176	555	19,731	14,782	590	15,372
Grants recycled • housing properties	1,056	(1)	1,055	971	–	971
• MyChoice HomeBuy	2,211	–	2,211	1,977	–	1,977
• Open Market HomeBuy	1,513	–	1,513	2,618	–	2,618
Interest accrued	67	–	67	105	–	105
Purchase/development of properties	(13,230)	–	(13,230)	(1,277)	(35)	(1,312)
Balance at 31 March	**10,793**	**554**	**11,347**	**19,176**	**555**	**19,731**
Due within one year	–	308	308	3,426	–	3,426
Due after more than one year	10,793	246	11,039	15,750	555	16,305
	10,793	**554**	**11,347**	**19,176**	**555**	**19,731**

Included within the RCGF and DPF figures above are amounts that, at 31 March 2017, were over three years old and which potentially could become repayable to the HCA. Accordingly, the RCGF and DPF liability has been analysed between amounts potentially due within one year and amounts falling due after more than one year.

Association information has not been separately disclosed within this note as group is materially the same as association.

18. Debt analysis

Bank and building society loans are secured by specific charges on the association's housing properties and are subject to fixed rates of interest (excluding margin on the loan) ranging from 1.29% to 10.64% and at variable rates linked to LIBOR. Our syndicated loan facility has an amortised repayment profile under which the first repayment was made in March 2017 and the loan will be fully repaid by March 2040. The other bank and building society loans will be repaid by December 2047.

In March 2016, the association secured £80m of funding arranged through The Housing Finance Corporation (THFC) under the Affordable Homes Guarantee Programme. £36m was secured directly through THFC and £44m was secured through the European Investment Bank (EIB). Of this, £69m has been drawn down and a further £11m is available to be drawn from the EIB. At 31 March 2016, the funding was secured by cash collateral until property security charging could be completed, which occurred during the year ended 31 March 2017.

During the year ended 31 March 2014, the Group raised £200m by issuing a bond through its subsidiary, bpha Finance plc. The £200m bond carries a coupon of 4.816%, is repayable in 2044 and is secured by specific charges on the association's properties.

	Drawn debt	
	2017 Group £'000	2016 Group £'000
Due after more than one year:		
Bank and building society loans	512,970	518,547
The Housing Finance Corporation	36,000	36,000
Bond	200,000	200,000
Other loans	1,833	1,895
	750,803	756,442
Deferred costs	(5,030)	(4,060)
	745,773	**752,382**

	2017 £'000	2016 £'000
Debt is repayable as follows:		
Due within one year	7,970	–
Due after one year and within two years	7,500	8,047
Due after two years and within five years	27,500	40,500
Due after more than five years	702,803	703,835
	745,773	**752,382**

Association information has not been separately disclosed within this note as group is materially the same as association.

19. Financial instruments

The association has stand-alone International Swaps and Derivatives Association arrangements in order to hedge against the long term risk of an increase in variable interest rates under its principal loan facility. As a Co-operative and Community Benefit Society with charitable objectives and a social landlord registered with HCA, the association does not trade for profit and is regulated by HCA which has issued extensive guidelines on the use of derivative instruments by registered social landlords.

The association has applied this guidance in entering into derivative transactions which include 'swaptions', in which the bank counterparties have the right to enter an equal and opposite swap at various dates in the future and these are detailed in the table below. The commencement dates of these swaps range from 27 February 2004 to 28 March 2014.

During the prior year, the association undertook a comprehensive strategy in relation to all financial instruments in order to reduce the risk of margin calls in relation to stand-alone swaps and to reduce future interest costs. The association terminated a number of swaps and partially terminated some others and at the same time entered into new embedded swaps. The association's exposure to margin calls has been materially reduced as a result of this restructuring.

The interest rate swaps detailed under (i) below are hedge effective, but the association has chosen not to hedge account for these.

Counterparty	**Nominal 2017 £'000**	Nominal 2016 £'000	Nominal 2015 £'000	**Market valuation; liability at 2017 £'000**	Market valuation; liability at 2016 £'000	Market valuation; liability at 2015 £'000	**Movement 2017[1] £'000**	Movement 2016[1] £'000
(i) Interest rate swaps: bpha pays fixed, receives variable	120,880	120,880	220,900	58,190	56,798	106,523	1,392	(224)
(ii) Margin swap: bpha pays floating plus margin, receives floating	20,000	20,000	20,000	5,787	5,879	6,025	(91)	(146)
(iii) Swaptions – banks' option to enter swaps to exactly offset specific swaps detailed above	24,880	24,880	30,900	840	1,551	2,090	(711)	(205)
(iv) Forward starting swap	11,000	–	–	1,377	–	–	1,377	–
Total	**176,760**	**165,760**	**271,800**	**66,194**	**64,227**	**114,638**	**1,967**	**(575)**

1. The movement for the year is the change in market valuation until termination date or, in the case of swaps retained, until 31 March.

Reconciliation of change in value of financial instruments

	2017 £'000	2016 £'000
Market value; liability at start of year	64,227	114,638
Change in market value; increase/(decrease) in liability	1,967	(575)
Termination payments	–	(49,836)
Market value; liability at end of year	**66,194**	**64,227**

In addition to the stand alone interest rate swaps detailed in (i) to (iii) above, the association also entered into an embedded forward fixed rate transaction for a nominal amount of £11m under its Affordable Housing Finance Facility funded by the European Investment Bank. This transaction was entered into on 20 June 2016, with a mark to market exposure being incurred until the advance date of 6 June 2017. As at 31 March 2017 the market valuation liability of this forward fixed rate transaction was £1.38m.

Association information has not been separately disclosed within this note as group is materially the same as association.

20. 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, and is a defined benefit scheme. The association closed admission of new members to the fund from 31 March 2010. At 31 March 2017, there were 116 (2016: 142) employees who were active members of the fund.

The employer's contributions to the fund by the association for the year ended 31 March 2017 totalled £1,756k (2016: £1,797k), which included both a lump sum contribution and an amount relating to current employees for which the employer's contribution rate from 1 April 2016 to 31 March 2017 was 19.6%. From 1 April 2017, the employer's contribution rate will increase to 21.1% with an additional lump sum cash contribution of £1,127k to be made in the next year (estimated total contributions for 2017/18: £2,049k).

20. Pensions continued

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 2016 and the next will be completed during 2019.

The market value of the fund assets at 31 March 2016 was £1,733m and the level of funding was 71%. The main actuarial assumptions used in the valuation were:

	2016 Valuation % per annum	2013 Valuation % per annum
Salary increases	3.20%	3.30%
Future pension increases	2.10%	2.50%

Financial assumptions

The main financial assumptions used by the actuary in assessing liabilities on a basis consistent with FRS 102 were:

	2017 % per annum	2016 % per annum
Pension increase rate	2.40%	2.20%
Salary increase rate	2.70%	3.20%
Discount rate	2.60%	3.20%

In 2016, the scheme actuaries had calculated that a discount rate of 3.5% could be applied, but the association decided to take a more cautious approach and applied a rate of 3.2%. In 2017, the association considered that the reduced discount rate assumption of 2.6% used by the actuaries was sufficiently prudent and followed the actuaries' recommendation.

Mortality assumptions

The post retirement mortality assumptions used to value the benefit and obligation at March 2016 are based on the fund's 'VitaCurves'. Mortality improvements from the 2013 valuation are in line with the 2013 version of the Continuous Mortality Investigation longevity improvements model which assumes a 1.25% p.a. improvement in mortality rates.

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

	Males 2017	Males 2016	**Females 2017**	Females 2016
Current pensioners	22.4 years	22.4 years	24.5 years	24.3 years
Future pensioners	24.0 years	24.4 years	26.2 years	26.8 years

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2017:	Approximate % increase to employer liability	Approximate monetary amount £'000
0.5% decrease in real discount rate	11%	7,413
0.5% increase in the salary increase rate	2%	1,237
0.5% increase in the pension increase rate	9%	6,064

Actual return on plan assets

	2017 £'000	2016 £'000
Interest income on plan assets	1,196	1,174
Return/(loss) on plan assets excluding amounts included in net interest	3,483	(1,253)
Actual return on plan assets	**4,679**	**(79)**

20. Pensions continued

Major categories of plan assets with estimated values, and as a percentage of total plan assets

The expected rates of return for all fund assets are set equal to the discount rate for both the current and prior year as required under FRS 102.

	2017 Assets £'000	2017 Assets %	2016 Assets £'000	2016 Assets %
Equities	24,603	58%	24,844	67%
Bonds	5,939	14%	7,045	19%
Property	3,818	9%	4,079	11%
Cash	8,060	19%	1,112	3%
Total	**42,420**	**100%**	**37,080**	**100%**

Amounts for the current and previous four years are as follows

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Present value of defined benefit obligation	(70,016)	(61,007)	(61,259)	(50,831)	(48,417)
Fair value of scheme assets	42,420	37,080	36,240	31,648	28,680
Deficit on scheme	**(27,596)**	**(23,927)**	**(25,019)**	**(19,183)**	**(19,737)**
Experience gains/ (losses) on plan liabilities	1,412	623	431	(348)	43
Experience gains/(losses) on plan assets	3,483	(1,253)	2,614	796	1,417

Analysis of the amount charged to the Statement of Comprehensive Income

	2017 £'000	2016 £'000
Current service cost	1,193	1,522
Past service cost (including curtailments)	52	17
Total operating charge (note 6)	**1,245**	**1,539**

Analysis of net interest charged to the Statement of Comprehensive Income

	2017 £'000	2016 £'000
Expected return on pension scheme assets	(1,196)	(1,174)
Interest on pension scheme liabilities	1,953	1,971
Net interest charge (note 8)	**757**	**797**

Analysis of the amount recognised in Other Comprehensive Income

	2017 £'000	2016 £'000
Return/(loss) on plan assets excluding amounts included in net interest	3,483	(1,253)
Changes in financial and other assumptions underlying the present value of scheme liabilities	(6,906)	2,884
Actuarial (losses)/gains recognised in Other Comprehensive Income	**(3,423)**	**1,631**

Movement in deficit during the year

	2017 £'000	2016 £'000
Association's share of scheme deficit at beginning of year	(23,927)	(25,019)
Movement in year:		
Current service cost	(1,193)	(1,522)
Past service cost (including curtailments)	(52)	(17)
Employer contributions	1,756	1,797
Net interest charge	(757)	(797)
Actuarial (losses)/gains	(3,423)	1,631
Association's share of scheme deficit at end of year	**(27,596)**	**(23,927)**

20. Pensions continued

Changes in present value of defined benefit obligation are as follows

	2017 £'000	2016 £'000
Opening defined benefit obligation	61,007	61,259
Current service cost	1,193	1,522
Past service cost (including curtailments)	52	17
Interest cost	1,953	1,971
Contributions by members	341	383
Actuarial losses/(gains)	6,906	(2,884)
Estimated benefits paid	(1,436)	(1,261)
Closing defined benefit obligation	**70,016**	**61,007**

Changes in the fair value of plan assets are as follows

	2017 £'000	2016 £'000
Opening fair value of plan assets	37,080	36,240
Expected return on assets	1,196	1,174
Contributions by members	341	383
Contributions by employer	1,756	1,797
Actuarial gains/(losses)	3,483	(1,253)
Benefits paid	(1,436)	(1,261)
Closing fair value of plan assets	**42,420**	**37,080**

History of experience gains and losses

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Actuarial gains/(losses) on plan assets	3,483	(1,253)	2,614	796	1,417
Experience gains and (losses) on share of scheme liabilities	1,412	623	431	(348)	43
Total amount recognised in other comprehensive income	**(3,423)**	**1,631**	**(5,551)**	**1,078**	**(3,527)**

Association information has not been separately disclosed within this note as group is materially the same as association.

21. Called up share capital

Each non-executive member of the Board other than the local authority nominated member, together with Bedfordshire Borough Council, holds one ordinary 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.

	2017 Group £	2016 Group £
Allotted, issued and fully paid ordinary shares	**6**	**6**

Association information has not been separately disclosed within this note as group is materially the same as association.

22. Reserves

	Group Revenue reserve £'000	Association Revenue reserve £'000
At 1 April 2016	**168,945**	**167,569**
Surplus for year	28,582	27,793
Other comprehensive income for the year	(3,423)	(3,423)
At 31 March 2017	**194,104**	**191,939**

23. Financial commitments

	Group 2017 £'000	Group 2016 £'000
Capital commitments		
Capital expenditure that has been contracted for but that has not been provided for in the financial statements	**115,747**	**97,244**
Capital expenditure that has been authorised by the Board but that has not yet been contracted for	**128,201**	**79,747**

Uncontracted capital expenditure includes two strategic sites in Cambridge that will be contracted for in phases over the next five 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 and sale of shared ownership properties.

Based on the group funding strategy, the contracted capital commitments are planned to be funded by:

	Group funding plan £m
Recycled capital grant funding	16
Surpluses	33
Loans	67
	116

Operating leases

At 31 March 2017, the association had non-cancellable operating lease rentals payable as follows:

	Group 2017 £'000	Group 2016 £'000
Less than one year	266	201
Between one and five years	130	335
More than five years	–	–
	396	536

During the year, £214k was recognised as an expense in the profit and loss account in respect of operating leases (2016: £190k).

Association information has not been separately disclosed within this note as group is materially the same as association.

24. Grant movement and contingent liability

	Group Reserve amount £'000	Group Creditor amount[1] £'000	Group Total amount £'000
At 31 March 2015	**(276,890)**	**(16,687)**	**(293,577)**
Additions to grant for completed units under the performance model	–	(8,798)	(8,798)
Additions to grant for completed units and work in progress under the accrual model	–	6,536	6,536
Grant recycled	953	–	953
Grant amortised	(136)	136	–
At 31 March 2016	**(276,073)**	**(18,813)**	**(294,886)**
Additions to grant for work in progress under the accrual model	–	(14,108)	(14,108)
Grant recycled (included in cost of sales – note 10)	1,054	–	1,054
Grant amortised (included in revenue grants – note 3)	(185)	185	–
At 31 March 2017	**(275,204)**	**(32,736)**	**(307,940)**

1. This excludes grant relating to HomeBuy and MyChoice HomeBuy loans (refer to note 17)

As at 31 March 2017, grant which has been written off to reserves represents a contingent liability of £275.2m. This contingent liability will be realised if the assets to which the written off grant relates are disposed.

The grant amortised is included under other income as shown in note 3 and forms part of turnover reported for the group.

Association information has not been separately disclosed within this note as group is materially the same as association.

25. Reconciliation of net cashflow to movement in net debt

	2017 Group £'000	2017 Association £'000	2016 Group £'000	2016 Association £'000
Increase/(decrease) in cash	22,907	21,189	(10,594)	(4,085)
Cashflow from increase/(decrease) in liquid resources	1,972	1,972	(4,009)	(4,009)
Cash inflow from increase in debt and lease finance and set up fees	(33,473)	(33,473)	(53,627)	(53,627)
Increase in net debt from cashflows	(8,594)	(10,312)	(68,230)	(61,721)
Non-cashflow items	969	969	(23)	(23)
Total changes in net debt for the period	(7,625)	(9,343)	(68,253)	(61,744)
Net debt brought forward at 1 April	**(680,409)**	**(684,150)**	**(612,156)**	**(622,406)**
Net debt at 31 March	**(688,034)**	**(693,493)**	**(680,409)**	**(684,150)**

26. Analysis of net debt

	1 April 2016 £'000	Cashflow items £'000	Non-cashflow items £'000	**31 March 2017 £'000**
Loans	(745,737)	5,578	–	(740,159)
Other loans	(10,707)	62	–	(10,645)
Loan set up fees	4,062	–	969	5,031
Debt	(752,382)	5,640	969	(745,773)
Cash at bank and in hand	21,274	22,907	–	44,181
Fixed and current asset investments	50,699	(37,141)	–	13,558
Changes in net debt	**(680,409)**	**(8,594)**	**969**	**(688,034)**

Association information has not been separately disclosed within this note as group is materially the same as association.

27. Post balance sheet events

There have been no material post balance sheet events.

28. Related party transactions

Board members

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 its area. All transactions with the related parties are on normal commercial terms and the board members are not able to use their position for their personal advantage or that of the related party.

Investments

The investments in the group and association comprise of investments in fellow group companies, which are eliminated on consolidation, and other investments in certain external parties:

	Group 2017 £'000	**Association 2017 £'000**	Group 2016 £'000	Association 2016 £'000
Bushmead Homes Limited	–	8,075	–	8,075
bpha Finance Plc	–	13	–	13
Investment properties	13,365	13,365	12,860	12,860
	13,365	**21,453**	**12,860**	**20,948**

The reported balance and movement in the investment properties following the annual valuation was:

	Group 2017 £'000	**Association 2017 £'000**	Group 2016 £'000	Association 2016 £'000
Opening balance	12,860	12,860	13,350	13,350
Movement during the year	505	505	(490)	(490)
Closing balance	**13,365**	**13,365**	**12,860**	**12,860**

The valuation of investment properties is carried out using the RICS definition (Valuation Standard VPS 4 1.2 of the Red Book) of 'Market Value'.

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 £8.1m of the issued share capital.

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

The transactions noted below represent the only transactions of this association for the financial year and are consolidated within the group accounts. They represent a reallocation of cost incurred by fellow group companies and are calculated on a cost of provision basis.

The association statement of comprehensive income includes the following transactions between the association and Bushmead Homes Limited:

	2017 £'000	2016 £'000
Income from central services	**326**	**155**

bpha Finance Plc

bpha Finance plc is a special purpose vehicle for the purpose of issuing asset backed securities and on-lending the proceeds to bpha Limited. bpha Finance plc has issued 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.

28. Related party transactions continued

bpha Finance Plc continued

The association's statement of comprehensive income includes the following transactions between the association and bpha Finance plc:

	2017 £'000	2016 £'000
Interest income	**9,669**	**9,738**

The accounts include the following transactions between the association and bpha Finance plc:

	2017 £'000	2016 £'000
Bond premium and interest	9,669	9,738
Bond interest	(9,669)	(9,738)
	–	–

The amounts due to/(from) bpha Finance plc at the year end are:

	2017 £'000	2016 £'000
Amounts due for investment in bpha Finance plc	(13)	(13)
	(13)	**(13)**

CPLhomes Management Services Limited

CPLhomes Management Services Limited is a majority owned subsidiary that provides housing management services to properties in the Cambridge area.

Shortly after the financial year ended 31st March 2017, CPLhomes Management Services Limited ceased to manage the properties owned by Flagship previously held on its management portfolio. In addition, the board of CPLhomes Management Services Limited have taken the business decision that bpha Limited should take over direct management of its properties. This will result in CPLhomes Management Services Limited having no managed properties on its portfolio. As a result, it is not expected to be trading by the end of the financial year ended 31 March 2018.

The transactions noted below represent the only transactions of this association for the financial year and are consolidated within the group accounts. They represent rent, service charges and management fees and are conducted on a commercial arms length basis.

The association statement of comprehensive income include the following transactions between the association and CPLhomes Management Services Limited:

	2017 £'000	2016 £'000
Rent and service charge income	4,727	3,647
Rent and service charge expense	(4,727)	(3,647)
	–	–

The amounts due from/(to) CPLhomes Management Services Limited at the year end are:

	2017 £'000	2016 £'000
Amounts receivable for rent and service charges	179	1,014
Amounts payable for rent and service charges	(2,293)	(1,230)
	(2,114)	**(216)**

Cambridgeshire Partnerships Limited (CPL)

During the financial year 2007/08 the HCA selected a bid from Cambridgeshire Partnerships Limited, led by bpha and incorporating 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, is now dormant but is retained for contractual reasons relating to the Cambridge Challenge.

29. Joint arrangements

The association holds 50% of the shares in each of two joint arrangement companies, The Oxfordshire Care Partnership (OCP) and The Gloucestershire Care Partnership (GCP). The joint ventures are managed through a board of trustees on which the association and its partner, The Orders of St John Care Trust (OSJCT), 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, nursing or other assistance to people who are elderly or disabled and the provision of associated facilities and amenities for such people. The joint arrangements have been structured such that the association owns the care homes and receives rents on these, and that OSJCT is the care home operator and takes the financial and other risks associated with the operation. If the profits OSJCT attains from the operations exceed an agreed level, the excess will be retained by OCP and GCP. If the operations are loss making, the loss is sustained by OSJCT and therefore, other than a small contribution to certain fixed costs, OCP and GCP would not suffer any loss.

Any surplus from the joint arrangement 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.

bpha group holds a major repairs fund on behalf of OCP to cover the costs of such repairs as per the agreement with OCP as shown in note 16.

Under FRS 102 section 15 'Investment in Joint Ventures', the association is required to prepare additional information including, on an equity accounting basis, its share of the results of the joint arrangement companies for the period to 31 March 2017 and the net assets as at 31 March 2017. However, since the association has no rights to the net profits or assets of the companies and has no rights to dividends, other returns or to assets in the event of being wound up, the association considers that it has no equity interest in the ventures and, accordingly, consolidates a nil interest.

30. Investment in associates

bpha Limited (via Bushmead Homes Limited) has a 25% interest in Gog Magog Partnership LLP, whose principal activity is the development of residential accommodation for private sale and of affordable residential accommodation for sale to registered providers.

Associates are accounted for in accordance with FRS 102 Section 14 'Investments in Associates' in the consolidated financial statements using the equity method. Within the subsidiary undertaking individual financial statements in which the investment is held, this is held as a fixed or current asset investment shown at cost less amounts written off.

bpha Limited is required to prepare additional information including its share of the associate's turnover for the period to 31 March 2017 and its share of the assets and liabilities as at 31 March 2017:

	Group 2017 £'000	**Association 2017 £'000**	Group 2016 £'000	Association 2016 £'000
Share of turnover of associates	12,139	–	2,547	–
Share of cost of sales of associates	(10,027)	–	(2,103)	–
	2,112	**–**	**444**	**–**
Share of assets	8,723	–	8,731	–
Share of liabilities	(6,167)	–	(8,287)	–
Share of net assets	**2,556**	**–**	**444**	**–**
Investment as at 1 April	4,975	–	3,362	–
Capital invested in the year	2,098	–	1,613	–
Capital returned in the year	(3,029)	–	–	–
Investment as at 31 March	**4,044**	**–**	**4,975**	**–**

bpha

Board non-executive directors	
Robert Burgin	Chairman
Ian Ailles	Appointed to Board on 1 January 2017 (previously a co-opted member)
Jill Ainscough	Chair – Remuneration and Nominations Committee (appointed 1 October 2016)
Paul High	Co-opted member (appointed 1 January 2017)
Cllr Shan Hunt	Nominated Local Authority member
Martin Hurst	Chair – Finance and Treasury Committee
Peter Male	Senior Independent Director and Chair – Audit and Risk Committee
Neil McGregor-Paterson	Chair – Remuneration and Nominations Committee (resigned 31 August 2016)
Geoff Potton	Chair – Bushmead Homes (resigned 30 September 2016)
Board executive directors	
Kevin Bolt	Chief Executive Officer
Paul Gray FCA	Chief Financial Officer
Sarah Ireland	Director of Sales and Development (resigned 15 June 2017)
Julie Wittich	Director of Service Delivery
Executive Leadership Team – The Executive Leadership Team consists of the Board executive directors together with the following:	
Simon Century	Director of Strategy and Corporate Finance (resigned 30 April 2016)
Margaret Dodwell	Interim Operations Director (appointed 28 November 2016)
Liz Hall	Director of Quality and Communications
Company Secretary	
Philippa Spratley	Company Secretary
Audit and Risk Committee	
Peter Male	Chair
Ian Ailles	Board member and Audit and Risk Committee Chair designate (due to assume office 1 August 2017)
Jill Ainscough	Board member (appointed to Committee 28 March 2017)
Tim Ludlow	Independent
Malcolm Zack	Independent
Remuneration and Nominations Committee	
Neil McGregor-Paterson	Chair (resigned 31 August 2016)
Jill Ainscough	Chair (appointed 1 October 2016)
Robert Burgin	Chair of Board
Cllr Shan Hunt	Board member
Finance and Treasury Committee	
Martin Hurst	Chair
Cliff Broadhurst	Independent (appointed 17 June 2016)
Simon Century	Director of Strategy and Corporate Finance (resigned 30 April 2016)
Paul Gray	Board member and Chief Financial Officer
Paul High	Co-opted member (appointed to Committee 28 March 2017)
Gosia Motler	Head of Treasury (appointed 8 August 2016)
Geoff Potton	Board member (resigned 30 September 2016)
External auditor	
KPMG LLP	
Internal auditor	
BDO LLP	
Principal solicitors	
Devonshires	
Trowers and Hamlins	
Valuers	
Savills (UK) Limited	
Principal bank funders	
Bank of Tokyo Mitsubishi, Barclays Bank plc, Clydesdale Bank plc, Lloyds Banking Group plc, Nationwide Building Society, Royal Bank of Scotland plc, Santander UK plc	
Bankers	
HSBC Bank plc	

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