

REPORT AND FINANCIAL STATEMENTS

FREEBRIDGE COMMUNITY HOUSING

For the year ended 31 March 2020

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BOARD OF MANAGEMENT REPORT YEAR ENDED MARCH 2020

Freebridge Community Housing Limited (the Association) is a Registered Provider of Social Housing.

Annual Financial Performance

The Association is reporting Total Comprehensive Income for the year of £7.67m for 2019/20 (surplus £4.34m pre actuarial gain on pension), an increase of £3.66m over 2018/19 total comprehensive income of £4.01m (surplus £5.93m pre actuarial loss on pension). The Board considers the result to be in line with the long-term financial projections included within the Financial Plan.

Further information on the Association's performance is provided in the Strategic Report.

Market Value of Land & Buildings

All of the Association's completed housing properties were valued on the 31st March 2020 based on an Existing Use Value for Social Housing (EUV-SH). The valuation of £219.2m is in line with the previous valuation of £219.5m at 31st March 2019. The valuation is not used within the financial statements as the Association reports its properties at depreciated historic cost (£115.4m).

Board Members

The following list details the Board of Management members during the year to 31st March 2020:

Andrew Walder

Independent Member – Chairman

Simon Smith

Independent Member – Vice Chairman

Joanna Barrett

Co-opted Member until 23 September 2019,
Independent Member from 23 September 2019

Steve Clark

Independent Member (left 23 September 2019)

Marie Connell

Independent Member

Anthony Hall

Chief Executive

Marcus Hopkins

Council Member

Shelley Lamprell Josephs

Tenant Member (resignation 31 May 2020)

Brian Long

Council Member

Ian Pinches

Independent Member

Pauleen Pratt

Independent Member

Jasmine Rigg

Tenant Member

Richard Spilsbury

Co-opted Member

Statement of the Board of Management Responsibilities

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

Corona Virus Covid 19 is having an overriding and devastating effect on world health and for a considerable period of time it will impact British, European and the World Economy. It is difficult to accurately quantify the challenge it will pose to individual organisations or industries. While our primary concern will always be the wellbeing of our colleagues, tenants and communities we have also focussed on the stability of our organisation. We have carried out additional stress testing and review of our financial performance and continue to monitor our operational delivery processes. The reviews reflected significant revenue disruption

and demonstrated that Freebridge is robust and could withstand significant short term disruption to working capital and continue to provide service to our customers. In the first stages of the virus our revenues have proved robust with little impact on the level of arrears. Our supply chain has proved consistent and our workforce resilient. As a result of the additional testing we believe we are well placed to continue to deliver our services and our wider community responsibilities. We can confirm the status of Freebridge Community Housing as a going concern.

The Co-operative and Community Benefit Societies Act 2014 and registered provider legislation in the United Kingdom require the Board to prepare the financial statements for each financial year. Under that law the Board have elected to prepare financial statements in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Housing SORP:2018 Statement of Recommended Practice for Registered Social Housing Providers. The financial statements comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

Under these requirements, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and the surplus of the Association for that period.

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- Apply the requirements of FRS 102 and Housing SORP: 2018 subject to any material

departures disclosed and explained in the financial statements

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2018. The Board is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board of Management is responsible for ensuring that the Strategic Report is prepared in accordance with the requirements of the Housing SORP 2018.

The Board of Management has taken all steps necessary to make itself aware of any relevant audit information and to establish that the auditor is aware of that information. There is no relevant audit information of which the Association's auditor is unaware.

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

Board of Management Report on the System of Internal Control

The Board acknowledges that it has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness in providing the necessary assurances. As a result of this and in accordance

with the Regulator of Social Housing overall Regulatory Framework, including the Governance and Viability Standard (April 2015) the Board receive an annual report from Management Team outlining the work undertaken and offering an opinion on the adequacy and effectiveness of the system of internal controls.

Scope of Assurance

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that the key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of assets and interests.

Risk Management Process

Management has assessed the key risks faced by the business and has identified the controls and further actions needed to satisfactorily manage these risks. Further work has been undertaken during 2019/20 to ensure that the Risk Management Framework continues to meet the requirements of the business as a Registered Provider.

In addition, the Board also recognise the following key uncertainties in respect of:

- The full impact of Corona Virus is of course still unknown and will remain so for some time to come. However, Freebridge are somewhat shielded from the most obvious direct economic impacts. We have strong cash reserves and access to further funding. A modern and protected ICT infrastructure facilitates flexible and remote working. A consistent cashflow, a significant part of which is driven through Public Sector channels, protects us further. There will however inevitably be some impact on cash receipts

and additional costs of service incurred; and

- The UK left the European Union on 31st January 2020 and is now in a transition period which will last to 31st December 2020. Nothing of relevance to Freebridge is planned to practically change during the transition period, however the economic impact of continued uncertainty is a short term risk.

During the transition period a future trading relationship will be negotiated. However, given the scale and the breadth of uncertainty around the future trade deal, accurate predictions of the impacts are speculative at best. However, on the face of it the risk to Freebridge would appear to be largely contained in secondary effects such as resultant changes in inflation, interest cost, employment and Government spending.

We do not foresee a significantly reduced demand for our properties and therefore do not foresee a deterioration in our ability to let properties at this time. Over the medium to longer term environmental considerations may add pressure in this area.

Freebridge has incorporated an estimate of the potential economic impact that these issues may have into the range of stress testing reviews conducted in support of the future Business Plan

With due recognition of the uncertainties identified above, management are satisfied that Freebridge are prepared to manage the possible implications and impacts.

The process for identification and management of risks is ongoing and has been in place throughout the year under review. The overall responsibility for risk management within the Association remains with the Board.

One of our new homes in Winter Nellis Way in King's Lynn.



Process for Reviewing the Effectiveness of the Internal Control System

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance aspects including treasury strategy and new investment projects. The Board also regularly reviews key performance indicators to assess progress towards key business objectives, targets and outcomes.

The Board and Management Team have implemented policies and procedures essential for ensuring a robust internal control system. A comprehensive assessment has been undertaken to identify the key risks faced by the business and corresponding control strategies and actions have been established to ensure these risks are adequately managed. The Board has played a key role in the control structure by considering a number of issues relating to the effective running of the business and service delivery to its customers.

Internal auditors are appointed to strengthen the quality and depth of assurance around internal control systems and the Audit Plan covers financial and non-financial aspects of the business in all of the significant areas of activity. The internal auditors and Audit and Risk Committee provide assurance to the Board on the Association's system of internal control.

Control Environment

There are a number of measures in place to instil and encourage a suitable culture of effective internal control. These include:

- Board recruitment and appraisal.
- Standing Order and Financial Regulations which include appropriate delegations of authority, signatories and mandates
- Key policies and strategies to support the running of an effective business and service delivery to its customers

- Adoption of the National Housing Federation Codes – 'Code of Conduct' 2012 and 'Code of Governance – promoting Board Excellence for Housing Associations' (2015) to provide a Governance framework
- Experienced and suitably qualified staff responsible for important business functions. Annual appraisal procedures are in place to maintain standards
- Forecasts and budgets are prepared which allow the Board and Management to monitor key business risks and financial objectives as well as progress towards financial plan and business plan targets. Management Accounts are prepared which provide relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated and reported as appropriate
- Significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through Board (or others as appropriate) including risk assessments
- Audit and Risk Committee reviews reports from Management and Auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weakness.
- Assurance Statements are provided by members of Management Team for their area of responsibility in relation to the control environment

The review of the effectiveness of the system of internal controls undertaken has not revealed any major or pervasive weaknesses that could result in material loss. Issues continue to be identified by both management and Internal Audit in respect of tenant health and safety arrangements. However these did not result in



significant financial loss and actions to address the weaknesses are being implemented, the effectiveness measured and reported regularly to the Board.

Fraud

The Anti-Fraud, Bribery and Corruption Policy outlines an approach on responding to suspected fraud, bribery and corruption. Additionally, a register is maintained of all cases of fraud that are found to be proven and all losses from fraudulent activity are reported to the Regulator.

Regulatory Performance

The Board was pleased to receive confirmation from the Regulator in November 2019 that it has retained its highest possible rating with a V1 for Financial Viability, whilst retaining G1 for its Governance. The Board recognise this valuable assurance must be maintained and so retains a clear focus on improving performance across the business.

Board's Conclusion

The Board has reviewed the effectiveness of the system of internal control and it is satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and up to the date of signing the financial statements, and that those systems were aligned to an on-going process for the management of significant risks facing the business. No weaknesses were identified which would have resulted in material misstatement or loss, which would have required disclosure in the financial statements.

As at 31st March 2020, the Association is compliant and has been compliant throughout the year with the National Housing Federation Code of Governance 2015, other than, until the Annual General Meeting on 23rd September 2019, the Board comprised 13 individuals, including co-optees, as opposed to the maximum 12 permitted

by the Code. At that time, an experienced Board Member retired from the Board and the Board had wished to ensure that his successor had an active role in the Board to ensure continuity; she was therefore recruited in February 2019. The principles of good governance were maintained by allowing this arrangement for a short period and Freebridge has been fully compliant with the Code since the Annual General Meeting on 23rd September 2019. As at 31st March 2020, the Association is compliant and has been compliant throughout the year with the Regulator of Social Housing Governance and Financial Viability Standard, subject to completion of identified work programmes to ensure full and consistent compliance with all data protection principles and identified Health and Safety requirements.

Payment of Creditors

The Association agrees terms and conditions for its business transactions with suppliers at the time of supply. Payment is then made on these terms, subject to the terms and conditions being met by the suppliers.

The proportion of invoices paid within 30 days totals 79% for 2019/20 (79% 2018/19).

Equality and Diversity

The Association promotes equality of opportunity and values the differences within its customers and staff. The Diversity Policy complies with all relevant aspects of best practice, legislation and regulation.

Strategic Report

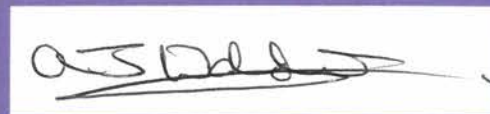
The separate Strategic Report provides commentary on Principal Activities; Business Model, Strategies and Objectives; Investments for the Future; Treasury Policy; Performance, Position, VfM and Future Prospects; Key risks of the Association.

Auditor

The financial statements for the year ended 31st March 2020 have been audited by Mazars LLP.

A resolution to re-appoint Mazars LLP as auditor to the Association will be put to the Members at the forthcoming Annual General Meeting.

By order of the Board



Andrew Walder

Board Chairman

STRATEGIC REPORT YEAR ENDED 31 MARCH 2020

Principal Activities

The Association's primary activities are to support a better West Norfolk by providing homes for people in need and by creating opportunities that help sustain the local communities in which our homes are located.

The Association is registered with the Regulator of Social Housing and owns and manages 6,824 homes (6,811 in 2018/19) including 17 sheltered schemes.

During the reporting period our long serving Chief Executive Officer, Tony Hall, announced his intention to retire in autumn 2020. While this signifies a big moment for Freebridge our principal activities and strategic approach remain consistent. We thank Tony for his huge personal contribution to the creation, evolution and leadership of Freebridge over the last fourteen years.

Business Model, Strategies & Objectives

The objectives of the Association are set out in its mission statement: 'Developing homes and creating opportunities for people within West Norfolk'. This supports the long term vision of "a better West Norfolk". In order to ensure delivery of both the mission and vision the Association has developed three strategic goals; to deliver more and diverse homes to meet the needs of a wider group of people, deliver a high performing housing service and to empower people to be the best they can be. Each of these goals has been broken down into a series of sub-tasks or milestones which are monitored together with financial and non-financial performance by the Board.

Strategic Goal

To provide More and Diverse Homes:

- The Business and Financial Plan outlines and finances our aim of building our development capacity to support increased delivery of

new homes. We have a registered (currently dormant) subsidiary, Bridgegate Homes Ltd, which will at the appropriate time support efficient and profitable construction activities. Our primary focus will always be affordable social housing, including shared ownership. We will seek to obtain Homes England support to ensure we maximise delivery of this objective. Our favoured approach to the redevelopment of Hillington Square is for a demolition and new build option.

Strategic Goal

Provide A High Performing Housing Service:

- Our primary focus will always be the service we provide to customers and tenants who live in the homes we provide. We continuously try to improve and our plans include a range of improvement and efficiency projects. Using the outputs from reviews we have identified key streams for future focus which include the way we organise and deliver property maintenance and improvement, the way we use technology and systems and the way we learn from and interact with our customers.

Strategic Goal

Empowering People to be the Best They Can Be:

- This strategic objective has both an internal focus on all who work for Freebridge and an external focus on our customers and other stakeholders. Internally we are increasing our investment in the development of our colleagues. Externally we continue to work with our partners and communities and we are proud of the Discovery Centre and Providence Street Community Centre, which are vibrant community hubs.

The Board approved a five year Business Plan to create the framework to support delivery of these objectives in the medium term and this is in turn supported by an annual Delivery Plan.

The values of our organisation: Working Together; Empowerment; Integrity; Customer Focus and Enthusiasm inform all we do and help us bring in new colleagues who share our vision and approach. Our strategies, objectives and our future will be guided and delivered through our values.

Investment for the Future

During the year the Association's development programme provided 22 affordable rented homes (26 units 2018/19) and 11 new shared ownership properties (8 units 2018/19). Improvement of our housing stock remains a priority and during the year the Association invested £12.6m (£13.4m 2018/19) on routine, planned and major/capital works in its social housing stock. This reflects the Association's commitment to invest in its homes, ensure quality for our customers and protect the long-term value of our housing assets.

Treasury Policy

The Association has an adopted Treasury Policy that sets out the parameters and controls for treasury activities.

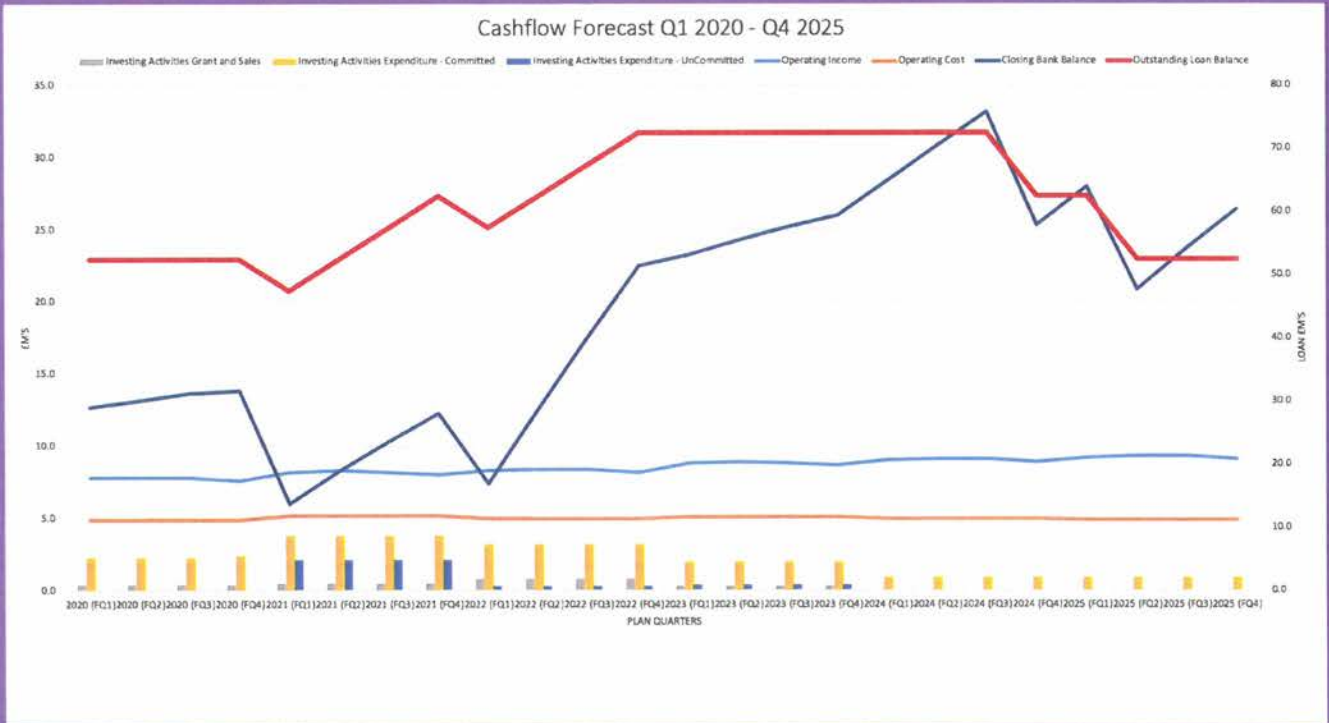
The Association has an £111m loan facility of which £77.7m is approved to use in line with the Financial Plan 2019. The funds are not expected to be fully drawn until peak debt year of 2022 from which point the Association starts repaying its debt. A total of £52.5m of the available facility has been drawn to 31 March 2020, consisting of £40m fixed rate loans and £12.5m of variable rate debt.

Cashflow movement is recorded, monitored and reported to Management Team on a weekly basis for a current plus twelve week period. There is a five year cashflow reported to Board quarterly via Treasury Management and Strategy Update papers. The Association continues to maintain healthy cash on hand balances. As at 31st March 2020 this was £12.6M.



Freebridge's Chief Executive meeting with our Tenant Panel.

The following graph provides our cashflow forecast for the next five years.



Performance, VfM and Future Prospects:

During the year we have continued to develop and strengthen our operating environment and business foundation in support of our future growth and housing development aspirations. We are proud of our community activities and hold our Community Centres as tangible examples of our determination to positively impact on our communities.

Our core mission of developing homes and creating opportunities for people within West Norfolk always informs and directs the balance of financial and non-financial performance we seek to achieve.

We reflect on a solid operating margin of 21% (26% 2018-19) an operating profit of £6.5m (£8.1m) which includes the net impact of asset sales of £0.9m (£1.2m). Reduced pension

liability of £3.4m (£1.9m increase 2018-19) and the cost of financing of £2.2m (£2.2m 2018-19) result in a Total Comprehensive Income for 2019-20 of £7.67m (£4.0m 2018-19).

During the financial year we generated £10.2m (£12.6m 2018-19) cash from operations. We invested £4.9m (£6.8m 2018-19) in the purchase and refurbishment of homes, offset by cash received from the sale of assets of £1.2m (£1.8m 2018-19). Our net financing activity consumed £2.0m in interest payments (£2.0m of interest cost payments & £5m loan repayment 2018-19). Net Debt (debt less cash balances) at year end is £39.9m (£44.2m 2018-19).

Performance against our corporate Key Performance Indicator targets is reflected in the table below. The three year plan column reflects stretch targets set in 2018 and readopted annually. As we enter a new five year planning cycle at the end of 2020 all strategic objectives and associated targets will be reviewed.

Key Performance Indicators	Target	Year to Date		Full Year		3 Year Plan	
	YTD	Actual	Rating	Target	Rating	Plan	Rating
Consolidated Customer Satisfaction	88%	83%		88%		90%	
Consolidated Employee Satisfaction	80%	71%		80%		85%	
Number of Homes	6748	6824		6748		7030	
Satisfaction with their Neighbourhood	85%	83%		85%		90%	
Housing Properties Security Value	209,471	209,471		209,471		222,293	



At the end of the 2019/2020 year, customer satisfaction stood at 83%, against a full year target of 88%. We continue to strive to achieve further improvement in our performance.

At the end of the 2019/2020 year, colleague satisfaction stood at 71%, against a full year target of 80%. We recognise the challenge that improvement in this area brings, and indeed the challenge of increasing general engagement levels, we continue to strive to improve further and faster in the coming period.

We purchased 33 new affordable homes, of which 11 were shared ownership, during the financial year taking advantage of the Section 106 opportunities presented.

Satisfaction with Neighbourhoods as at the end of March 2020 sat at 83% against a full year target of 85%. During the year a further qualitative survey of residents did not identify any obvious reason, or opportunity for improvement, other than the general and continued challenge around service delivery of our maintenance activity. Following the introduction of charges for estate services in April 2020, continued work into the new financial year will focus on further improving delivery of cleaning, grounds maintenance and estate management.

The security value of our assets has remained constant through the year and offers significant capacity to support future plans and aspirations. Existing Use Value – Social Housing of £219m as at 31/03/2020.

We define value for money as the most advantageous combination of cost quality and sustainability in delivering our service to and on behalf of our current and future customers. The Board encompass their responsibility for the delivery of Value for Money in all we do and approved a revised Value for Money (VfM) strategy in November 2019. The revised

strategy reflects a progressive increase in the efficiency and effectiveness of the use of Freebridge resources. The savings emanating from this will be contained within our Financial Plan 2020 and deliver circa £11m of additional financial capacity to the organisation from the inception of the plan to 2025. The Value for Money targets are set with a view to ensuring housing development subsidy will be generated from operations across a development cycle. The targets were set in 2018 for the period to 2025 and have been retained by the Board in subsequent years.

The financial impact of our Value for Money targets within our strategy are listed below by broad operational activity and finalised each

Business Activity	Annual saving				
	2020-21	2021-22	2022-23	2023-24	2024-25
Procurement	£0.36m	£0.36m	£0.36m	£0.36m	£0.36m
Maintenance Productivity	£0.19m	£0.19m	£0.19m	£0.19m	£0.19m
Digital and Process Improvement	£0.18m	£0.18m	£0.18m	£0.18m	£0.18m

year for our Business Planning cycle:

We will always: prioritise the service to our tenants and protect service levels commensurate with our strategic objectives; prioritise the protection and development of our housing assets; and focus on our communities by promoting the objectives of a Place Shaping Housing Association. All additional capacity created will be used to deliver our mission of Providing Homes and Opportunities for people in West Norfolk.

Freebridge provide a strategic, comprehensive and robust approach to managing all available resources in a manner that is consistent with all aspects and aims of our work. This includes both management challenge and scrutiny of performance.

At Freebridge we ensure that all of our colleagues recognise their continuing responsibilities to secure Value for Money and the effect this has in overall delivery of the

Freebridge mission.

A revised strategy and approach to Procurement has been adopted during 2019-20 and includes the launch of our own branded Procurement Portal. Working through the Portal ensures tender specifications that precisely match our requirements and at the same time facilitates testing of the available suppliers, markets and pricing.

The seven (nine including the two variants) core metrics identified in the revised Value for Money Standard are embraced by Freebridge

Funding	>12 years. 5,000 to 10,000 Homes LSVT		Financial Plan 2020 (benchmark 2018-19 Global Accounts)					
	England	East of England	2020	2021	2022	2023	2024	2025
	Year to	Mar 2019						
			MA					
Reinvestment %	7.5%	7.1%	3.9%	6.2%	17.8%	9.9%	6.7%	2.6%
New Supply Delivered (Social Housing Units)	1.6%	2.1%	0.5%	0.7%	1.4%	1.7%	0.8%	0.0%
New Supply Delivered (Non Social Housing Units)	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	53.0%	52.5%	34.2%	33.3%	38.1%	35.7%	32.2%	26.2%
EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)	215.7%	219.6%	409.7%	406.2%	465.8%	438.3%	373.4%	404.7%
Interest Cover								
Social Housing Cost per Unit	£3,520	£3,222	£3,224	£3,381	£3,402	£3,358	£3,333	£3,330
Operating Margin (social housing lettings only)	30.9%	33.4%	17.0%	19.1%	19.6%	22.2%	25.9%	27.7%
Operating Margin (overall)	28.3%	31.7%	19.1%	20.0%	19.9%	23.2%	26.5%	28.3%
ROCE (Return on Capital Employed)	4.7%	4.9%	4.9%	4.9%	2.9%	4.7%	5.4%	5.9%

Some of Freebridge's employees working with the local Foodbank at Christmas.



and our current, projected and benchmarked performance is presented below.

The core metrics are defined by the regulator and used by them to compare performance between Registered Providers. We benchmark against East of England (8 providers) and England (49 providers), both including Freebridge Community Housing. We show benchmark numbers taken from the year to 31/03/2019. We compare Local Stock Voluntary Transfer (LSVT) Registered Providers (RP) with between 5,000 and 10,000 homes and a longevity of more than 12 years. We show simple averages for these groups to aid review and benchmarking of our future plan. The benchmark measures are drawn from global accounts and as such are historic. We must of course show caution when comparing an historic number with a current and future one.

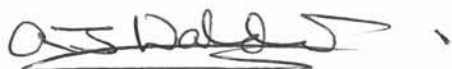
Benchmarking – Freebridge believes benchmarking has to be relevant in terms of activity, scale of operation and location to add value to reporting. For these reasons, we have benchmarked ourselves against the average performance of the associations noted above. The future projections we record are based on the Financial Plan 2020, which awaits approval. They do not reflect the potential and unknown impact or fallout from the Covid 19 virus.

By reference to each of the seven Value for Money metrics we note:

1. Reinvestment – During 2019-20 we invested 3.9% (9% 2018-19) of property value in property acquisition, refurbishment and component replacement. The drop to 3.9% investment in 2019-20 reflects delays in our planned maintenance programme due to key staff changes in the year. It also reflects the delivery of new homes through acquisition which did not achieve the levels we had forecast. This compares to our benchmark groups at 7.5% and 7.1%. We aspire to develop at a higher rate and are exploring options around partnership working. We also return to our full and growing planned maintenance programme next year. These changes are reflected in our future metric performance and bring us back to comparability with our benchmark.
2. New supply delivered – We delivered 33 (34 in 2018-19) new homes in the financial year, which was below our projection of 51 homes. We intend to increase the supply of new homes and continue to explore all opportunities and avenues that will move us toward this goal. The delivery of new homes reflected 0.5% of total homes owned compared to our comparator groups at 1.6% and 2.0%. Our future plans are more comparable with our benchmark group.
3. Gearing – We hold our properties at historic cost and this is a key determinant of the Gearing ratio. This has the effect of increasing the gearing measure when compared to alternate valuation methods which may offer a higher asset value. This said our Gearing measure at 34.2% (34.0% 2018-19) reflects significant potential for increased borrowing to deliver future investment. Despite our asset valuation we compare favourably to our benchmarks at 53.0% and 52.5%. Our planned increased borrowing in the future leads to a gearing peak at 38.1% in 2022.
4. EBITDA-MRI Interest cover – 409.7% (369% 2018-19) for the year 2019-20. Our benchmarks for interest cover are 215.7% and 219.6%. This is a strong interest cover performance which reflects the relatively low debt and interest cost of Freebridge. Future borrowing on a standard commercial agreement would typically be looking for interest cover well below our

current and projected performance, which again indicates the potential for increased borrowing and investment.

5. Social Housing cost per unit – Our social housing cost was £3.2k (£3.1k in 2018-19) in 2019-20. Our benchmark numbers are £3.5k and £3.2k. Although our overall number is comparable to the benchmark we do believe a significant investment in our current housing is desirable and justified and in part will be achieved through reallocation of resources.
6. Operating margin for social housing and overall was 17.0% and 19.1% (20.5% and 22.1% respectively for 2018-19) for 2019-20. Our benchmarks at 30.9% and 33.4% social and 28.3% and 31.7% overall are significantly higher than Freebridge. This reflects higher average income per home in the benchmark groups. Our margins improve toward the end of our focus period as value for money plans consolidate to deliver overall margin of 28.3% in 2025.
7. Return on Capital Employed (ROCE) – Freebridge delivered a return on capital of 4.9% (6.3% 2018-19) for 2019-20. This compares to our benchmarks at 4.7% and 4.9%. Although comparable to the benchmark our performance reflects a lower return compared to a lower capital base than our comparators.



Andrew Walder
Board Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREEBRIDGE COMMUNITY HOUSING LIMITED

Opinion

We have audited the financial statements of Freebridge Community Housing Limited (the 'association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the 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 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association

in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Going concern and the impact of the COVID -19 outbreak on the financial statements

In forming our opinion on the financial statements, which is not modified, we draw your attention to the Board's view on the impact of the COVID-19 as disclosed on page 2, and the consideration in the going concern basis of preparation on page 28.

During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID -19. The potential impact of COVID -19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID -19 is still evolving and, based on the information available at this point in time, the Board have assessed the impact of COVID -19 on the business and reflected the Board's conclusion that adopting the going concern basis for preparation of the financial statements is appropriate.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the

financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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
- a satisfactory system of control over transactions has not been maintained; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board’s responsibilities set out on page 2, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material

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

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

Use of the audit report

This report is made solely to the association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body for our audit work, for this report, or for the opinions we have formed.

Signed:

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

12th August 2020

Date:

Statement of Comprehensive Income for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover			
Excluding housing property sales		31,354	30,984
Housing property sales		-	-
Total Turnover	3	<u>31,354</u>	<u>30,984</u>
Cost of sales		-	-
Operating expenditure	3	(25,509)	(23,726)
Gain on disposal of property, plant and equipment	6	648	836
Operating surplus		<u>6,493</u>	<u>8,094</u>
Interest receivable	7	28	-
Interest and financing costs	8	(2,180)	(2,167)
Surplus/(deficit) before tax		<u>4,341</u>	<u>5,927</u>
Taxation	11	-	-
Surplus/(deficit) for the year		<u>4,341</u>	<u>5,927</u>
Actuarial gain/(loss) in respect of pension schemes	22	3,327	(1,915)
Total Comprehensive Income for the year		<u><u>7,668</u></u>	<u><u>4,012</u></u>

The accompanying notes form part of the financial statements.
The Association's results relate wholly to continuing activities.

The financial statements themselves were authorised and approved by the Board on the 27 July 2020.



A Walder
Chairman



A Hall
Chief Executive
(Board Member)




A MacQueen
Secretary


Statement of Financial Position as at 31 March 2020

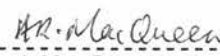
	Note	2020 £'000	2019 £'000
Fixed Assets			
Tangible fixed assets – housing properties	12	115,417	114,929
Other property, plant and equipment	13	3,679	4,352
		<u>119,096</u>	<u>119,281</u>
Current Assets			
Inventories	14	627	589
Trade and other debtors	15	1,914	1,333
Cash and cash equivalents		12,568	8,311
		<u>15,109</u>	<u>10,233</u>
Creditors: amounts falling due within one year	16	<u>(2,924)</u>	<u>(3,047)</u>
Net Current Assets		<u>12,185</u>	<u>7,186</u>
Total Assets less Current Liabilities		<u>131,281</u>	<u>126,467</u>
Creditors: amounts falling due after more than one year	17	<u>(59,393)</u>	<u>(59,225)</u>
Pension scheme liability	22	<u>(4,011)</u>	<u>(7,033)</u>
Total Net Assets		<u><u>67,877</u></u>	<u><u>60,209</u></u>
Capital and Reserves			
Income and expenditure reserve		<u>67,877</u>	<u>60,209</u>
Total Capital and Reserves		<u><u>67,877</u></u>	<u><u>60,209</u></u>

The accompanying notes form part of the financial statements.

The financial statements were issued and approved by the Board on 27 July 2020


 A Walder
 Chairman


 A Hall
 Chief Executive
 (Board Member)


 A MacQueen
 Secretary

Freebridge Community Housing Limited
 Regulator of Social Housing No. L4463
 Co-operative and Community Benefit Society No. 29744R

Statement of Changes in Reserves for the year ended 31 March 2020.

Statement of Changes in Reserves	Income and expenditure reserve £'000
Balance as at 1 April 2018 from Statement of Comprehensive Income	56,197
Total comprehensive income for the year	4,012
Balance as at 31 March 2019	<hr/> 60,209
Total Comprehensive income for the year	7,668
Income and expenditure reserve	<hr/>
Balance at 31 March 2020	<hr/> 67,877 <hr/>

Statement of Cash Flows for the year ended 31 March 2020

	2020 £'000	2019 £'000
Net cash generated from operating activities	9,731	12,601
Cash flow from investing activities		
Purchase and refurbishment of tangible fixed assets	(4,473)	(6,790)
Proceeds from sale of tangible fixed assets - housing	1,116	1,881
Proceeds from sale of tangible fixed assets - other	35	-
Grants received	-	182
Interest received	28	-
	<u>(3,294)</u>	<u>(4,727)</u>
Cash flow from financing activities		
Interest paid	(2,180)	(2,031)
Repayment of borrowings	-	(5,000)
	<u>(2,180)</u>	<u>(7,031)</u>
Net change in cash and cash equivalents	4,257	843
Cash and cash equivalents at beginning of the year	8,311	7,468
Cash and cash equivalents at end of the year	<u>12,568</u>	<u>8,311</u>

Note 1

Cash flow from operating activities

Total Comprehensive Income for the year	7,668	5,927
Adjustment for non-cash items:		
Depreciation of tangible fixed assets	4,546	4,756
Depreciation of other fixed assets	111	167
Decrease/(increase) in stock	89	8
(Increase)/decrease in trade and other debtors	(337)	191
Increase/(decrease) in trade and other creditors	(251)	(41)
Pension costs less contributions payable	(3,022)	49
Carrying amount of tangible fixed asset disposals	(1,151)	(415)
Proceeds from the sale of tangible fixed assets	-	-
Government grants utilised in the year	(74)	(72)
Interest payable	2,180	2,031
Interest received	(28)	-
	<u>9,731</u>	<u>12,601</u>
Cash generated from operating activities	<u>9,731</u>	<u>12,601</u>

Note 2

Analysis of change in debt	At 31.3.2019 £'000	Cashflows £'000	Other Changes £'000	At 31.3.2020 £'000
Cash at bank and in hand	8,311	4,257	-	12,568
Debt due within one year	-	-	-	-
Debt due after more than one year	(52,500)	-	-	(52,500)
	<u>(44,189)</u>	<u>4,257</u>	<u>-</u>	<u>(39,932)</u>
Net debt	<u>(44,189)</u>	<u>4,257</u>	<u>-</u>	<u>(39,932)</u>

The accompanying notes form part of these financial statements

One of our new homes in Orchard Close
in the village of Tilney St Lawrence.



NOTES TO THE FINANCIAL STATEMENTS

Legal Status

Freebridge Community Housing is registered under the Co-operative and Community Benefit Societies Act 2014 and registered with the Regulator of Social Housing as a registered provider of social housing as defined by the Homes and Communities Act 2008.

Principal Accounting Policies

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

General Information and Basis of Accounting

The financial statements have been prepared under the historic cost convention in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements have also been prepared to comply with the Housing SORP: 2018 Update (Statement of Recommended Practice for Registered Social Housing Providers), the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. The Association is a public benefit entity in accordance with FRS 102. The financial statements are presented in Sterling (£).

The March 2018 edition of FRS102 includes amendments arising from the triennial review of the standard. There is no material effect on the amounts recognised in these financial statements as a result of early adopting these amendments.

Going Concern

The Association's financial statements have been prepared on a going concern basis.

The Association's business activities, its current financial position and factors likely

to affect its future development are set out within the Strategic Report. The Association has long term debt facilities in place which provide adequate resources to finance the Associations day to day operations and development pipeline. The approved financial plan demonstrates the Association's ability to service its debt facility whilst continuing to comply with lenders covenants.

Corona Virus Covid 19 is having an overriding and devastating effect on world health and for a considerable period of time it will impact British, European and the World Economy. It is difficult to accurately quantify the challenge it will pose to individual organisations or industries. While our primary concern will always be the wellbeing our colleagues, tenants and communities we have also focussed on the stability of our organisation. We have carried out additional stress testing and review of our financial performance and continue to monitor our operational delivery processes. The reviews reflected significant revenue disruption and demonstrated that Freebridge is robust and could withstand significant short term disruption to working capital and continue to provide service to our customers. In the first stages of the virus our revenues have proved robust with little impact on the level of arrears. Our supply chain has proved consistent and our workforce resilient. As a result of the additional testing we believe we are well placed to continue to deliver our services and our wider community responsibilities. We can confirm the status of Freebridge Community Housing as a going concern.

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

Significant Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for revenues and expenses during the year as well as the amounts reported for assets and liabilities at the date of the Statement of Financial Position. The following judgements, estimates and assumptions have had the most significant effect on the amounts recognised in the financial statements:

Significant Management Judgements:

- Impairment. As part of the Association's continuous review of the performance of its assets, management identify any housing assets that have increasing void losses, are impacted by policy changes or where the decision has been taken to dispose of the properties. These factors are considered to be an indication of impairment. Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating losses.

The Association has estimated the recoverable amount of its housing properties as follows:

- (a) Identified three cost generating units to assess impairment owing to their income being separately identifiable. The units identified are split by area; Downham Market, Hunstanton and King's Lynn
- (b) Estimated the recoverable amount of each cash generating unit
- (c) Calculated the carrying amount of each cash generating unit
- (d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each group of assets, using appropriate construction costs and land prices and compared this to the carrying amount of each group of assets. Following the assessment of impairment no impairment losses have been identified in the reporting period.

- Classification of Loans as Basic. The terms of the Association's loan agreement includes provision of a two-way break clause that could give rise to a payment from the lender on early redemption. The loans in question are fixed rate loans. In a prepayment scenario that results in a break gain, the loan agreement provides for the repayment of the capital at par. Any break gain payable by the lender would be in relation to future interest periods only. Management have considered the terms of the loan agreement and concluded that they do meet the definition of a basic financial instrument and are therefore held at amortised cost.

Estimation Uncertainty:

- Useful Lives of Depreciable Assets. Management reviews its estimates of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to the decent homes standard which may require more frequent replacement of key components. Accumulated depreciation of housing properties as at 31st March 2020 was £44.8m. The carrying amount of housing properties was £115.4m at the 31 March 2020.
- Defined Benefit Obligation. The cost of defined benefit pension plans and other post-employment benefits are determined using

actuarial valuations. The actuarial valuation involves making assumptions such as standard rates of inflation, mortality, discount rates and anticipation of future salary increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The liability at 31st March 2020 was £3.9m. Note 22 includes details of the effects of changes in the key assumptions on this liability.

Turnover

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities, income from the first tranche sales of shared ownership properties, other properties developed for outright sale and the invoiced value of other services of goods and/or services supplied in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sale proceeds and properties built for sale is recognised at the point of legal completion of the sale.

Service Charges

The Association operates variable service charges on a scheme by scheme basis. The charges include an allowance for the surplus or deficit from prior years. Surpluses are returned to residents by a reduced charge and deficits are recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

VAT

The Association exercises its rights under the partial exemption method to recover Value Added Tax (VAT) incurred on expenditure from HM Revenue and Customs. VAT recoverable or payable is disclosed in the Statement of Financial Position. Irrecoverable VAT is accounted for in the Statement of Comprehensive Income.

All capitalised assets include VAT. VAT retained by the Association, including that which is covered by a VAT sharing agreement with Borough Council of Kings Lynn and West Norfolk (BCKLWN), is disclosed through the Statement of Comprehensive Income and the details are disclosed in the notes to the accounts.

Interest Payable and Receivable and Arrangement Fees

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and the amount of maturity of the related loan. Interest is charged to income and expenditure in the year.

Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS102 are accounted for under an amortised historic cost model.

Some new shared ownership properties in Hunstanton.



Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short-term trade creditors are measured at the transaction price.

Stock

Stock of materials is held at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase. Work in progress and finished goods include labour and attributable overheads.

Cash and cash equivalents

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

Pension

The Association participates in the Norfolk County Council Pension Fund which is a defined benefit pension scheme so provides benefits based on final pensionable pay and from April 2014 average career earnings. The assets of the scheme are separate from those of the Association and are invested in independently managed funds.

For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. The

net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurements comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

The surplus/deficit of funds is disclosed in the Statement of Financial Position in accordance with FRS 102.

Pension costs are assessed in accordance with the advice of an independent qualified actuary.

The Association participates in one defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position

Housing Properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost, less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs and directly attributable administration costs.

Freehold land is not depreciated.

Housing properties under construction are stated at cost and are not depreciated. These properties

are reclassified as housing properties on practical completion of construction.

Works to existing properties that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Where a housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to subsequent replacement or renewal of components is capitalised as it is incurred.

Social Housing and Other Government Grants

Government Grants include grants receivable from the Regulator of Social Housing, local authorities and other government organisations.

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received is included as deferred income and recognised in Turnover and spread over the estimated useful economic life of the recognised asset structure (not land), under the accruals model.

Social Housing Grant must be recycled by the Association under certain conditions, if a property is sold or if another 'relevant event' takes place. Under these circumstances the Social Housing Grant can be used for projects approved by the Regulator of Social Housing. However, Social Housing Grant may have to be re-paid if certain conditions are not met.

Government grants released on the sale of a property are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released



Halloween fun at the Discovery Centre, one of our two placeshaping community centres.

and recognised as Turnover in the Statement of Comprehensive Income.

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

Capitalisation of Administration Costs

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into its intended use.

Depreciation of Housing Properties

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

The Association depreciates the major components of its housing properties at the following annual rates:

Useful Economic Lives of Identified Components	Life (years)	Life (%)
Traditional Structure	100	1
Non-Traditional Structure	30	3.3
Roof	50	2
Rewiring	20	5
Kitchen	20	5
Bathroom / Level Access Shower	30	3.3
Heating	15	6.7
Windows	30	3.3
Doors	25	4
Biomass	20	5
Photovoltaics	20	5
Lifts	25	4
Garage Doors	25	4

Impairment

Housing properties are assessed annually for impairment indicators. Where indicators of impairment are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable

amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as operating expenditure in the Statement of Comprehensive Income. Where an asset is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell.

Other Tangible Fixed Assets

Other Tangible Fixed Assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives.

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

The principle rates used for other assets are:

Useful Economic Life	Life (years)	Life (%)
Office Fittings & Equipment	10	10
Scheme Equipment	5 to 30	20 to 3.3
Computer Hardware	5	20
Computer Software	3	33.3
Commercial Vehicles (Not Leased)	5	20
Freehold Buildings	50	2

Low Cost Home Ownership Properties

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as a sale of fixed assets.

Low Cost Home Ownership properties are not depreciated on the basis of immateriality,

as indicated within the Housing SORP 2018: update.

Recycling of Capital Grant (RCGF)

Where Social Housing Grant is recycled the Social Housing Grant is credited to the RCGF fund and appears as a 'Creditor' until it is used to fund the acquisition of new properties. Where recycled grant is known to be repayable it is shown as a 'Creditor within 1 Year'.

Disposals Proceeds Fund (DPF)

Receipts from the sale of Social Housing Grant funded properties less the net book value of the property and costs of disposal have in the past been credited to the Disposals Proceeds Fund. DPF was abolished with effect from 6 April 2017. However, under transitional arrangements, a DPF held immediately prior to 6th April 2017, must be operated until:

- i. the fund is exhausted; or
 - ii. the funds are not able to be used or allocated; or
 - iii. until 6 April 2020
- whichever is the earlier.

Lease Obligations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining

balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term.

Properties Held for Sale

Properties available for sale under Right to Buy are accounted for as sales of fixed assets. The surplus or deficit arising on sale is net of the clawback payable to the Borough Council of King's Lynn & West Norfolk and after deducting the carrying value of the property and related sale expenses.

Provision for Liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable the Association will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

Notes to the financial statements

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

	2020 Turnover	2020 Costs	2020 Operating Surplus	2019 Turnover	2019 Costs	2019 Operating Surplus
Social Housing lettings (note 3b)	29,839	(24,741)	5,098	29,480	(22,758)	6,722
Other social housing activities						
First tranche low cost home ownership	639	(348)	291	751	(422)	329
Other	-	-	-	126	-	126
	639	(348)	291	877	(422)	455
Activities other than social housing	876	(420)	456	627	(546)	81
Before gain on disposal of housing properties	31,354	(25,509)	5,845	30,984	(23,726)	7,258
Gain on disposal of housing properties			648			836
Total			6,493			8,094

Notes to the financial statements

3b Particulars of Income and Expenditure from social housing lettings

	2020	2019
	General	General
	needs	needs
	housing	housing
	£'000	£'000
Rent receivable net of identifiable service charges	28,939	28,677
Service charge income	826	731
Amortised government grants	74	72
Turnover from social housing lettings	29,839	29,480
Management	(5,044)	(4,998)
Service costs	(3,300)	(2,361)
Abortive development costs	(525)	-
Demolition costs	(259)	-
Routine maintenance	(7,699)	(5,662)
Planned maintenance	(1,438)	(1,113)
Major repairs expenditure	(1,351)	(3,665)
Bad debts	(90)	(36)
Depreciation of housing properties	(4,841)	(4,756)
Depreciation of other fixed assets	(194)	(167)
Operating expenditure on social housing lettings	(24,741)	(22,758)
Operating surplus on social housing lettings	5,098	6,722
Void Losses	389	454

Notes to the financial statements

4. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	2020 No of properties	2020 Acquisitions	2020 Disposals	2019 No of properties
Social housing				
General housing:				
- social rent	5,684	1	(16)	5,699
- affordable rent	487	22	(5)	470
Supported housing and housing for older people	611	-	-	611
Low cost home ownership	42	11	-	31
Total owned	<u>6,824</u>	<u>34</u>	<u>(21)</u>	<u>6,811</u>

Notes to the financial statements

5. Operating surplus

The operating surplus is arrived at after charging /(crediting):

	2020	2019
	£'000	£'000
Depreciation of housing properties	4,841	4,756
Depreciation of other tangible fixed assets	194	167
Operating lease rentals		
- Vehicles	307	308
- Land and Buildings	16	26
	<u>323</u>	<u>334</u>
Auditors' remuneration (excluding VAT)		
- Fees payable to the Association's auditors for the audit of the financial statements	17	17
- Fees payable to the Association's auditors for other services	1	6
	<u>18</u>	<u>23</u>
Total audit services		

Notes to the financial statements

6. Surplus on sale of fixed assets – housing properties

	2020 £'000	2019 £'000
Disposal proceeds	1,116	1,881
Carrying value of fixed assets	(468)	(1,004)
	648	877
Capital grant recycled (note 19)	-	(41)
Disposal proceeds fund (note 20)	-	-
	648	836

7. Interest receivable and other income

	2020 £'000	2019 £'000
Interest receivable and similar income	28	-
	28	-

8. Interest and financing costs

	2020 £'000	2019 £'000
Defined benefit pension charge	187	136
Loans and bank overdrafts	1,993	2,031
	2,180	2,167

Notes to the financial statements

9. Employees

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37hrs):

	2020	2019
	No	No
Administration	38	38
Property and Development	22	23
Housing, support and care	67	60
Property Services	86	94
	<u>213</u>	<u>215</u>

Employee costs:

	2020	2019
	£'000	£'000
Wages and salaries	6,164	6,118
Social security costs	509	576
Pension Costs: Defined Contribution scheme	366	267
Pension Costs: Defined Benefit scheme	694	790
	<u>7,733</u>	<u>7,751</u>
Restructuring costs	-	-
	<u>7,733</u>	<u>7,751</u>

The full time equivalent number of staff who received remuneration (*including directors*):

	2020	2019
	No.	No.
£150,001 - £160,000	1	-
£140,001 - £150,000	-	1
£90,001 - £100,000	1	1
£80,001 - £90,000	2	1
£70,001 - £80,000	1	2
£60,001 - £70,000	1	-

Notes to the financial statements

10. Board members and Executive Directors

Executive directors

The aggregate remuneration for key management personnel charged in the year is:

	2020 £'000	2019 £'000
Basic salary	491	478
Benefits in kind	3	3
Pension contributions	53	68
	<u>547</u>	<u>549</u>

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £159k (2019: £142k).

The Chief Executive is a deferred member of the Norfolk County Council (LGPS) Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2019:£nil)

Non-Executive Board Members

The remuneration for Non-Executive Board Members charged in the year is:

	Basic remuneration £'000	Benefits in kind £'000	2020 Pension contributions £'000	Total £'000	2019 Total £'000
Andrew Walder	11	-	-	11	11
Steve Clark	2	-	-	2	5
Marie Connell	5	-	-	5	6
Ian Pinches	5	-	-	5	6
Simon Smith	5	-	-	5	6
Brian Long	5	-	-	5	5
Pauleen Pratt	5	-	-	5	5
Jasmine Rigg	5	-	-	5	5
Marcus Hopkins	5	-	-	5	5
Shelley Lamprell-Josephs	5	-	-	5	5
Richard Spilsbury	5	-	-	5	5
Michael Britch (Bridgegate Homes Board)	5	-	-	5	4
Joanna Barrett	5	-	-	5	1
	<u>68</u>	<u>-</u>	<u>-</u>	<u>68</u>	<u>69</u>

Notes to the financial statements

11. Tax on surplus on ordinary activities

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on surplus for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	<u>-</u>	<u>-</u>

A £nil tax liability (2019 £nil) has been identified as a consequence of external works carried out by the Property Services Department.

Notes to the financial statements

12. Fixed assets – housing properties

	Assets Under Construction	Traditional Properties Held for Letting	Non- Traditional Properties Held for Letting	Housing Properties - Shared Ownership	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	1,124	136,672	16,001	1,441	155,238
Additions	4,157	194	-	-	4,351
Works to existing properties	-	1,877	313	-	2,190
Re-categorisation from Tangible Fixed Assets - Other	-	250	-	-	250
Transfers in Year	(3,656)	2,549	-	1,107	-
Change in tenure	-	(101)	-	101	-
Charge to Abortive Costs	(525)	-	-	-	(525)
Charge to Demolition Costs	(259)	-	-	-	(259)
Disposals	(35)	(361)	(126)	(452)	(974)
At 31 March 2020	<u>806</u>	<u>141,080</u>	<u>16,188</u>	<u>2,197</u>	<u>160,271</u>
Depreciation and impairment					
At 1 April 2019	-	34,539	5,770	-	40,309
Depreciation charged in year	-	4,146	695	-	4,841
Released on disposal	-	(241)	(55)	-	(296)
At 31 March 2020	<u>-</u>	<u>38,444</u>	<u>6,410</u>	<u>-</u>	<u>44,854</u>
Net book value					
At 31 March 2020	<u>806</u>	<u>102,636</u>	<u>9,778</u>	<u>2,197</u>	<u>115,417</u>
At 31 March 2019	<u>1,124</u>	<u>102,133</u>	<u>10,231</u>	<u>1,441</u>	<u>114,929</u>

Notes to the financial statements

Fixed assets – housing properties (continued)

Expenditure on works to existing properties

	2020	2019
	£'000	£'000
Improvement works capitalised	-	-
Components capitalised	2,190	2,971
Amounts charged to income and expenditure	1,351	3,665
	<u>3,541</u>	<u>6,636</u>

On 31st March 2020, the Association's housing properties were revalued by Savills, an independent firm of Chartered Surveyors. The valuation of the housing stock for loan security purposes has been prepared using discounted cash-flow methodology and is in accordance with the Royal Institute of Chartered Surveyors [RICS] Valuation – Professional Standards, the "RICS Red Book", effective from 6th January 2014.

The valuation of £219.200m (2019: £219.495m) takes into account regulatory 'performance indicators' for Registered providers and the Rent Restructuring regime applicable from 2002 onwards.

It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise.

All properties are freehold.

Impairment

In line with the SORP 2018 update the Association has carried out an impairment assessment.

1. The Association's stock has been assessed for impairment across the following cash generating units over which the Association owns and manages stock; King's Lynn, Downham Market and Hunstanton.

2. We have estimated the recoverable amount of the cash generating units based on depreciated replacement cost.
3. We have calculated the carrying amount of the cash generating unit
4. We have compared the carrying amount to the recoverable amount

Following and as a result of the impairment assessment the Association has recognised an impairment loss of nil value through the 2019/20 Statutory Accounts. In addition a review of The Hillington Square refurbishment project was undertaken and the recoverable amount based on depreciated replacement cost remains in excess of the carrying value. Hillington Square is included within the King's Lynn catchment area. It represents 3.1% of stock based in the King's Lynn area.

Notes to the financial statements

13. Tangible Fixed Assets – Other

	Freehold property £'000	Computers and office equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2019	4,623	1,134	579	6,336
Additions	57	65	10	132
Re-categorisation to Fixed Assets – housing properties	(250)	-	-	(250)
Disposals	(421)	(24)	-	(445)
At 31 March 2020	<u>4,009</u>	<u>1,175</u>	<u>589</u>	<u>5,773</u>
Depreciation				
At 1 April 2019	723	898	363	1,984
Charged in the year	95	67	32	194
Released on disposal	(66)	(18)	-	(84)
At 31 March 2020	<u>752</u>	<u>947</u>	<u>395</u>	<u>2,094</u>
Net book value				
At 31 March 2020	<u>3,257</u>	<u>228</u>	<u>194</u>	<u>3,679</u>
At 31 March 2019	<u>3,900</u>	<u>236</u>	<u>216</u>	<u>4,352</u>

Notes to the financial statements

14. Stock

	2020	2019
	£'000	£'000
Shared ownership properties:		
Completed properties	246	119
Stock of materials	381	470
	<u>627</u>	<u>589</u>

15. Debtors

	2020	2019
	£'000	£'000
Due within one year		
Rent and service charges receivable	1,472	1,039
Less: provision for bad and doubtful debts	<u>(368)</u>	<u>(428)</u>
	1,104	611
Other Debtors	94	120
Trade Debtors	23	105
Prepayments and accrued income	693	497
	<u>1,914</u>	<u>1,333</u>

Notes to the financial statements

16. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	792	539
Rent and service charges received in advance	309	212
Deferred grant income (note 18)	74	72
Corporation tax	-	-
Other taxation and social security	152	145
Other creditors	142	134
Accruals and deferred income	1,455	1,945
	<u>2,924</u>	<u>3,047</u>

17. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Debt (note 21)	52,500	52,500
Recycled capital grant fund (note 19)	105	105
Disposal proceeds fund (note 20)	-	-
Deferred grant income (note 18)	6,788	6,620
	<u>59,393</u>	<u>59,225</u>

Notes to the financial statements

18. Deferred grant income

	2020 £'000	2019 £'000
Balance at 1 April	(6,692)	(6,539)
Grant received in the year	(244)	(225)
Released to income in the year	74	72
At 31 March	<u>(6,862)</u>	<u>(6,692)</u>

	2020 £'000	2019 £'000
Amounts to be released within one year	(74)	(72)
Amounts to be released in more than one year	(6,788)	(6,620)
	<u>(6,862)</u>	<u>(6,692)</u>

19. Recycled capital grant fund

	2020 £'000	2019 £'000
At 1 April	(105)	(64)
Grants recycled	-	(41)
Withdrawals	-	-
	<u>(105)</u>	<u>(105)</u>
Repayment of grant	-	-
At 31 March	<u>(105)</u>	<u>(105)</u>

Amount of grant due for repayment	<u>-</u>	<u>-</u>
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20. Disposal proceeds fund

	2020 £'000	2019 £'000
At 1 April	-	(167)
Net sales proceeds recycled	-	-
Interest accrued	-	-
Withdrawals	-	167
Transfers to other providers	-	-
At 31 March	<u>-</u>	<u>-</u>

As at 31 March 2020, there are no amounts due for repayment and £nil has been paid in the year (2018/19 £nil).

Notes to the financial statements

21. Debt analysis

Borrowings

	2020 £'000	2019 £'000
Due within one year		
Bank overdraft	-	-
Bank loans	-	-
	<u>-</u>	<u>-</u>
Due after more than one year		
Bank loans	(52,500)	(52,500)
Total loans	<u>(52,500)</u>	<u>(52,500)</u>

Security

Properties are charged as security in accordance with the Association's current loan agreements

Terms of repayment and interest rates

The Association has a £111m loan facility of which £77m is available to use. The funds available are not expected to be fully drawn until peak debt year of 2022 from which point the Association will need to start repaying its debt.

A total of £52.5m of the available facility has been drawn to date, consisting of £40m fixed rate loans and £12.5m variable rate debt.

The Association pay interest on a quarterly basis and rates currently range from 2.15% to 4.84% on its £40m of fixed debt with the balance of £12.5m subject to variable rate debt.

The association typically keeps its fixed: variable loan ratio within the optimum range of 70% +/- 10% as per Treasury Management Policy, in order to balance its exposure to inflation and interest rate rises prevalent in fixed and variable loans respectively.

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2020 £'000	2019 £'000
Within one year or on demand	-	-
One year or more but less than two years	-	-
Two years or more but less than five years	-	-
Five years or more	(52,500)	(52,500)
	<u>(52,500)</u>	<u>(52,500)</u>

Notes to the financial statements

22. Pensions

The Local Government Pension Scheme (LGPS) is a multi-employer scheme, administered by Norfolk County Council under the regulations governing the LGPS, a defined benefit scheme.

Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method.

The latest formal valuation of the fund for the purpose of setting employers' actual contributions was at 31st March 2019, with the next formal valuation due at 31st March 2022.

The employer's contributions to the LGPS by the Association for the year ended 31 March 2020 were £693k (2019: £813k). The employer's contribution rate was 27.4% of pensionable pay during the year.

Principal actuarial assumptions

Financial assumptions

	31 March 2019 % per annum	31 March 2019 % per annum
Discount rate	2.3%	2.4%
Future salary increases	2.6%	2.8%
Future pension increases	1.9%	2.5%

Mortality assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% pa for women and men.

	2020 No. of years	2019 No. of Years
Retiring today:		
Males	21.7	22.1
Females	23.9	24.4
Retiring in 20 years:		
Males	22.8	24.1
Females	25.5	26.4

Notes to the financial statements

Pensions (continued)

Amounts recognised in surplus or deficit

	2020 £'000	2019 £'000
Current service cost	693	813
Loss on settlements	-	-
Amounts charged to operating costs	693	813
	2020 £'000	2019 £'000
Interest Income on Plan Assets	775	819
Interest Cost on Defined Benefit Obligation	(960)	(955)
Amounts (charged)/credited to other finance costs	(185)	(136)

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2020 £'000	2019 £'000
Opening scheme liabilities	39,722	35,303
Current service cost	651	726
Past service cost	162	-
Interest cost	960	955
Remeasurements	(6,481)	3,280
Plan participants' contributions	102	136
Benefits paid	(700)	(678)
Closing scheme liabilities	34,416	39,722

Reconciliation of opening and closing balances of the fair value of plan assets

	2020 £'000	2019 £'000
Opening fair value of plan assets	32,689	30,234
Interest income	775	819
Return on plan assets (in excess of interest income)	(3,154)	1,365
Contributions by employer	693	813
Plan participants' contributions	102	136
Benefits paid	(700)	(678)
Closing fair value of plan assets	30,405	32,689
	2020 £'000	2019 £'000
Net liability	(4,011)	(7,033)

Notes to the financial statements

Pensions (continued)

	2020 £'000	2019 £'000
Actual return on scheme assets	(2,379)	2,184

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

	2020 %	2019 %
Equities	48%	50%
Bonds	36%	35%
Properties	14%	11%
Cash	2%	4%

Sensitivity analysis

Change in assumption at 31 March 2020	Approx Increase to Employer Liability %	Approx Monetary Amount £'000
0.5% decrease in Real Discount Rate	10%	3,587
0.5% increase in the Salary Increase Rate	1%	441
0.5% increase in the Pension Increase Rate	9%	3,106

23. Share capital

All members of the Association hold a share of £1 in the Association. The shares carry the right to vote at meetings on a basis of proportional weighting depending on class of share.

They do not carry any right to a dividend, to any redemption value or to any distribution on winding up.

	2020 No	2019 No
Number of members		
At 1 April	218	227
Joining during the year	6	3
Leaving during the year	(12)	(12)
At 31 March	212	218

Notes to the financial statements

24. Capital commitments

	2020 £'000	2019 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	7,730	-
Expenditure authorised by the board, but not contracted	6,471	10,483
	14,202	10,483

The above commitments will be financed primarily through borrowings, which are available for draw-down under existing loan arrangements. However, social housing grant will be utilised if it becomes available.

25. Contingent assets/liabilities

The association had no contingent assets at 31 March 2020 (2019: nil).

26. Leasing commitments

The future minimum lease payments of leases are as set out below. Leases relate to vehicles and homes.

The association's future minimum operating lease payments are as follows:

	2020 £'000	2019 £'000
Within one year	185	245
Between one and five years	88	266
Later than five years	71	78

27. Related parties

The tenant Board members rent properties from the Association under the same terms and conditions as tenants in similar properties.

There are two tenant members on the Board, Jasmine Rigg and Shelley Lamprell-Josephs. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. The only amount due to or from the tenant members at the reporting date was £75.11 due to Freebridge from Shelley Lamprell-Josephs and settled in April 2020.

Notes to the financial statements

28. Financial assets and liabilities

The board policy on financial instruments is explained in the Board Report as are references to financial risks.

Borrowing facilities

The Association has a £111m loan facility of which £77m is available to use. The funds available are not expected to be fully drawn until peak debt year of 2022 from which point the association will need to start repaying its debt.

A total of £52.5m of the facility has been drawn to date, consisting of £40m fixed rate loans and £12.5m variable debt.

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

	2020	2019
	£'000	£'000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	(52,500)	(52,500)
	(52,500)	(52,500)

29. VAT Sharing Agreement

Prior to the completion of the transfer of properties from the Borough Council of King's Lynn and West Norfolk, Freebridge Community Housing entered into a Development Works Agreement with the Borough Council whereby the latter was required to carry out works on the transferred properties at its own expense, at a fixed price. At the same time, the Borough Council appointed Freebridge Community Housing as the main subcontractor to carry out the work, either on its own behalf or through external contractors.

Under the VAT Sharing Agreement established at transfer between the Association and the Borough Council of King's Lynn & West Norfolk, the Association was required to settle an initial estimated liability of £13.33m on a reducing balance basis. In May 2017 the Association paid the outstanding obligation as at 31 March 2016 of £0.177m to the Borough Council of King's Lynn and West Norfolk to bring the total paid to £13.33m.

With property components deemed to have been replaced for the first time since transfer, VAT recovery claims for component replacement works ceased during 2019/20. Some recovery will be delivered via the partial exemption method; however, these amounts are not expected to exceed £1k per quarter.

