



Byker Community Trust Limited  
(A Co-operative and Community Benefit Society)

Strategic Report and Financial Statements  
For the Year Ended 31 March 2020

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## Corporate Information

### Board of Management (Non-Executive Directors)

Jim Coulter (Chair)	Independent	Resigned 18 Sep 2019
Gordon Bell	Independent	
Nigel Emmerson	Independent	
Nick Kemp	Local Authority Nominee	
Amanda Senior	Local Authority Nominee	
Christine Stobbs	Independent	
Anthony Itiat	Tenant	
Annette Patten	Tenant	
Andrew Taylor	Additional	Resigned 31 July 2019
Victoria Beattie	Additional	
Geraldine Kay (Chair)	Independent	Chair from 18 Sep 2019
Keith Tallintire	Independent	
Caroline Prince	Tenant	Appointed 18 Sep 2019
Nicola Snowdon	Tenant	Appointed 18 Sep 2019

### Executive Officers (Executive Directors)

Jill Haley	Chief Executive
Philip Pollard	Director of Operations
Michelle Bell	Director of Property and Development
James Clifford	Director of Finance and Resources

**Bankers** Lloyds Bank  
102 Grey Street  
Newcastle upon Tyne  
NE1 6AG

**Funders** Yorkshire Building Society  
Yorkshire House  
Yorkshire Drive  
Bradford  
BD5 8LJ

**Auditors** MHA Tait Walker Chartered Accountants and statutory auditors  
Bulman House  
Regent Centre, Gosforth  
Newcastle upon Tyne  
NE3 3LS

**Registered office** 17 Raby Cross  
Byker  
Newcastle upon Tyne  
NE6 2FF

**Registration Numbers** 4714 – Regulator of Social Housing.  
31376R – Financial Conduct Authority.

## **About Byker Community Trust**

### **Legal status of Byker Community Trust Limited (BCT)**

BCT is incorporated under the Co-operative and Community Benefit Societies Act 2014, it has charitable status and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing as defined by the Housing Act 1996.

### **Principal activities**

BCT was formed under a large scale voluntary transfer, where 1,805 homes were transferred from Newcastle City Council on 5 July 2012. BCT exists for the benefit of the community. BCT's principal activity is to provide social housing.

### **Directors' share interests**

All Board members are non-executive directors of BCT. Each tenant and independent non-executive director has a shareholding in BCT of one share. Newcastle City Council holds one share with no voting rights at general meetings and may nominate two members to the Board. The executive directors hold no interest in BCT's shares and act as executives within the authority delegated by the Board. Insurance policies indemnify directors and officers against liability when acting for BCT.

### **Political and charitable gifts**

None.

### **Governance and regulatory compliance**

BCT governance arrangements comply with governance good practice and regulatory standards. BCT complies with the Regulator of Social Housing (RSH) Governance and Financial Viability Code of Practice. BCT complies with the RSH's Regulatory Framework and Standards.

BCT has adopted the National Housing Federation (NHF) 2015 Code of Governance. Compliance with which is evidenced by an annual self-assessment.

### **Public Benefit Entity**

As a public benefit entity, Byker Community Trust Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS102.

## Chair's Report

I'm pleased to introduce the 2019-20 Financial Statements for Byker Community Trust (BCT) in what has been a pivotal year for BCT and the Byker Estate.

As I write, the world remains under the cloud of the COVID-19 pandemic and the resulting restrictions to daily life. I wish to begin this review of the year by remembering the Byker residents and colleagues that have died or suffered loss from this terrible disease.

### *Coronavirus disruption*

Like all businesses, we have come to terms with operating in a world of social distancing. At the end of March, the BCT office closed and the majority of BCT activity was delivered online, by telephone or by video conferencing. Emergency and essential repairs and the majority of compliance work continued as normal throughout the lockdown period. Risk mitigation measures were put in place for the areas of compliance that couldn't be delivered during this period. Housing management staff gave support to our most vulnerable tenants through regular check-ins by telephone. Gradually BCT staff and contractors have begun to return to work on site, as government guidance and our own risk assessments have allowed.

I commend BCT staff and colleagues for the excellent work they have done in continuing to support residents during this period.

### *Operational performance*

Although the end of the reporting period has been dominated by COVID-19, BCT's performance for the year has been excellent. Our performance metrics for the year are evidence of the continuous improvement we have made as an organisation and the positive impact that BCT investment has made to the Estate. Rent collection, repairs satisfaction and the rent loss due to empty properties again show better performance, building on the progress since BCT brought its services in-house in 2016. In particular, the number of tenancies that have ended during the year is at record lows, showing that more customers view Byker as a place to make their home.

This year BCT achieved the Customer Service Excellence award. The Board was pleased to see this excellent result, and particularly the commendations for BCT's approach to using customer insight. Listening to customers has always been the key to success at BCT and we have put that into action this year. Our customers told of us their dissatisfaction with cleaning services in the Byker Wall. We have changed the supplier and increased the cleaning hours in response.

## Chair's Report (continued)

### *Investing in the Byker Estate*

BCT has invested £5.74m into the Byker Estate in 2019-20, delivering our Stock Transfer Promises to tenants and carrying out essential major repairs to properties. We have re-roofed 381 houses and flats, replaced 7 passenger lifts in the Byker Wall and upgrade 2 lifts in our sheltered accommodation scheme, and upgraded the hot water tanks and radiators in 1,043 homes. We have also carried out numerous other repairs and replacements to smoke detectors, emergency lighting and electrical systems. We have completed electrical upgrades and decent homes improvements to a further 45 properties and purchased a property on the Estate to be let at social rent.

BCT carried out a comprehensive consultation with tenants about their priorities for the improvement of the Estate's built environment and amenity areas. The Board now understands the areas of greatest need which include tree management, garden fencing, and making safe walkways and play areas. The Board is committed to maximising the investment in these areas. The Board has approved the first phase of essential investment into litter bins and fire safety measures.

### *Financial Performance and Value for Money*

Our improving performance metrics, high levels of investment and shaping our services to our customers' needs has led to our strongest Value for Money metrics yet. BCT has shown great efficiency by delivering services within the budget set by the Board and has maximised investment into the Byker Estate. Further details of our Value for Money performance are set out in the Strategic Report on page seven.

### *Property safety*

As a social landlord, the safety of tenants is the highest priority for BCT. We invest to ensure that all our properties meet the highest safety standards. This year several new pieces of legislation and guidance have been introduced which raise fire safety standards and put greater onus on building owners to assess and manage the risks within their properties. The BCT Board receives regular updates on health and safety matters and has received assurance on the strength of the controls it has put in place. Type 3 Fire Risk Assessments (FRA) are carried out on all our communal blocks, and these are published on BCT's website including progress updates on completing FRA actions. The Board will always strive for the excellence in this area and has approved additional expenditure to:

- Fit new fire doors which conform to the Grade II\* Listing throughout the Byker Wall and connected blocks at a total cost of £544k;
- Accelerate the programme of electrical safety checks;
- Remove historic and redundant gas infrastructure from properties; and
- Carry out £297k of fire stopping works to the Byker Wall.

## Chair's Report (continued)

### *Community events*

Since I joined the Board of BCT I have been struck by the tremendous strength of community on the Byker Estate. Never was this more evident than at the BCT Family Funday on 31 July which saw over 300 Byker residents join with BCT staff to have fun and talk about the future of the Estate. The Family Funday crowned a fantastic summer of events for young people events delivered with partners from across the Estate under the banner "The Best Summer Ever". Northumbria Police attributed a 79% drop in youth anti-social behaviour to the success of these events.

### *Strategic planning and consultation*

2019-20 has been an important year for us to reflect on the work BCT has done, to consider how the needs of the Estate have changed over the last five years and what will be needed for the future. The BCT Board ensured that tenants played a full role in these discussions.

Tenant involvement is built into our governance structure through our Tenant Board Members, our Customer Scrutiny Committee (a full Committee of the Board) and the Tenant Engagement Framework. We are fortunate to have open and honest lines of communication with our tenants and local community groups. Last year BCT tenants volunteered over 1,000 hours of their time helping us shape and improve our services.

At engagement events throughout the Summer, BCT staff sought the views of tenants, stakeholders and the Newcastle public about how the Byker Estate could improve for its residents. We had a fantastic response to this consultation, and it showed that our tenants have the highest aspirations for the Byker Estate. The BCT Board fully supports this ambition, leading to our new Vision for BCT for 2025:

- Making Byker an Estate of Choice;
- Contributing to a Thriving Byker; and
- Ensuring that BCT's community ethos is sustained.

Delivering these objectives will require a transformational level of investment, and the Board has considered options which will secure the funding needed to make this Vision a reality. BCT's Customer Scrutiny Committee was at the forefront of these decisions.

In early 2020, the Board concluded that partnership with another housing association was the best means to achieve BCT's strategy and objectives for 2025. The Board developed a Partnership Prospectus for a potential partner to meet, including financial strength to deliver the transformational investment required, well governed with shared values, and being a local registered provider of social housing.

## Chair's Report (continued)

In March 2020, the BCT Board approved the beginning of formal, exclusive negotiations with another housing provider, to bring about a partnership to benefit its tenants and the area.”.

### *The year ahead*

We look ahead to a year of uncertainty and opportunity.

It is a year of uncertainty, as BCT operations continue to be affected by COVID-19. Our staff are returning to work at the BCT office on the Estate and the reception area has now re-opened to allow a face to face service for our customers once again. BCT has borne the initial shock of COVID-19 well and has provided support to tenants throughout the crisis. In the coming months and years, BCT will play its part in the economic recovery for the Estate and our customers.

The Board has reviewed the Business Plan considering the restrictions due to COVID-19. We know that investments will be delayed or slowed to protect the contractors working on site. Despite these restrictions, we expect to finish the re-roofing and passenger lift replacement scheme in the next financial year. The £2.2m refurbishment of the Dunn Terrace of the Byker Wall has resumed, and the Board has approved the initial stages of a scheme to replace around 400 kitchens and bathrooms across the Estate.

It is a year of opportunity, as the Board will be working towards a new partnership to secure transformational funding that will allow us to meet our customers' aspirations for the Estate.

Geraldine Kay  
Chair of the Board

## **STRATEGIC REPORT**

### **Responsibilities of the Board**

The Board is responsible for directing the affairs of BCT in accordance with its objects and Rules and for ensuring that its functions are properly performed. Its main responsibilities are:

- Set and ensure compliance with the values, vision, mission and strategic objectives of BCT, ensuring its long-term success.
- Appoint, and if necessary, dismiss the chief executive and approve his or her salary, benefits and terms of employment.
- Satisfy itself as to the integrity of financial information, approving each year's budget and business plan and annual accounts prior to publication.
- Establish, oversee and review annually a framework of delegation and systems of internal control.
- Establish and oversee a risk management framework in order to safeguard the assets of BCT.
- Take appropriate advice.
- Ensure at all times that BCT takes account of any obligation imposed upon it by the regulator in exercise of its powers.
- Satisfy itself that BCT's affairs are conducted in accordance with generally accepted standards of performance and propriety.
- Establish and operate a performance appraisal system for the Board, the Chair and individual Board Members.

### **Our vision, mission, values and key objectives**

#### Vision

BCT's Vision for 2015 to 2020 is an independent BCT where:

- We have delivered on the major stock transfer promises.
- We ensure tenants have a key voice and role in decision making.
- We maximise access for local people into employment, training, health and educational opportunities.

#### Mission

"We work for people who have a voice and influence in our business; we celebrate our diverse neighbourhood; we provide quality homes, environment and services."

## STRATEGIC REPORT (continued)

### Our vision, mission, values and key objectives (continued)

#### Values

We will do our best for Byker by being:

- Ambitious for people and the community;
- Energetic in our work with and for our diverse neighbourhoods;
- Innovative in providing excellent services;
- Open and transparent in the conduct of our business.
- Unrelenting in our focus on positive change.

#### Key objectives

BCT's mission is achieved by working towards our strategic objectives:

<b>Fulfilling the stock transfer promises.</b>	Completing and developing the Investment Plan.
	Engaging, empowering and supporting residents.
	Contributing to economic health of the neighbourhood.
<b>Completing the journey to independence.</b>	Being a first class strategic partner.
	Growing our commissioning skills.
<b>Underpinning Value for Money and the financial security of the BCT.</b>	Securing outcomes which balance efficiency, economy and effectiveness in all we do
	Maintaining a clear approach to risk identification and management.
	Ensuring we continue to have a sustainable business plan.
<b>Delivering excellence.</b>	Focusing on excellent customer service.
	Continuing to aim for first class governance.
	Ensuring staff are proud of their work for Byker through support for training, development and remuneration policies.

#### Vision 2025

From April 2020 BCT will be working towards a new vision for 2025:

- Making Byker an Estate of Choice;
- Contributing to a Thriving Byker; and
- Ensuring that BCT's community ethos is sustained.

**STRATEGIC REPORT  
(continued)**

**Operating and Financial Review**

Four-year financial summary

<b>Statement of Comprehensive Income</b>				
	£'000s	£'000s	£'000s	£'000s
	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
Turnover	9,271	8,997	9,026	9,802
Operating Expenditure	(6,852)	(7,331)	(7,059)	(8,434)
<b>Operating Surplus</b>	<b>2,419</b>	<b>1,666</b>	<b>1,967</b>	<b>1,368</b>
Gain on disposal of property, plant and equipment	166	162	278	83
Net financing costs	(366)	(361)	(246)	(245)
<b>Surplus for the Year</b>	<b>2,219</b>	<b>1,467</b>	<b>1,999</b>	<b>1,206</b>
Pension scheme movement	(180)	58	35	(196)
<b>Total comprehensive income</b>	<b>2,039</b>	<b>1,525</b>	<b>2,034</b>	<b>1,010</b>
<b>Statement of Financial Position</b>				
	£'000s	£'000s	£'000s	£'000s
	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
Housing Properties	22,380	17,388	14,896	13,952
Other fixed assets	134	170	207	258
Debtors due after one year	179	179	179	94
<b>Total Fixed Assets</b>	<b>22,693</b>	<b>17,787</b>	<b>15,282</b>	<b>14,304</b>
Current assets	6,668	8,928	9,503	4,916
Current creditors	(2,173)	(1,580)	(1,327)	(2,026)
<b>Total Assets less current liabilities</b>	<b>27,188</b>	<b>25,034</b>	<b>23,458</b>	<b>17,194</b>
Long term loans	(10,000)	(10,000)	(10,000)	(6,000)
Grant	(743)	(845)	(820)	(592)
Pension deficit	(609)	(392)	(366)	(364)
<b>Total net assets</b>	<b>15,836</b>	<b>13,797</b>	<b>12,272</b>	<b>10,238</b>
<b>Rental units owned</b>	<b>1,779</b>	<b>1,783</b>	<b>1,782</b>	<b>1,780</b>

BCT conformed with all loan covenants during the year.

More details of BCT's financial performance and comparison to targets and its peers is shown in the Value for Money section of this report.

**STRATEGIC REPORT  
(continued)**

**Operating and Financial Review (continued)**

BCT Investment Programme

During 2019-20 BCT invested in the Byker Estate to deliver Stock Transfer Promises to tenants and carry out essential major repairs to properties.

The total investment for the year was £5.74m.

<b>Scheme</b>	<b>Completion date</b>	<b>Investment during 2019-20</b>
Re-roofing project	November 2020	£2,669,000
Roof replacement for 381 properties with original concrete tiled roofs, as well as 33 properties with original metal roofs at the South of the Byker Estate. At the end of March all 381 concrete tiled roofs were complete, with the final phase of metal roofs to complete.		
Passenger lift replacement	October 2020	£1,313,000
A £1.5m contract commenced in April 2019 to replace the 13 original passenger lifts in the Byker Wall with new vandal resistant and energy efficient lifts. At the end of March, 7 lifts were complete, including the upgrade of 2 lifts in our sheltered accommodation schemes.		
District Heating internal improvements	June 2021	£1,027,000
In June 2018 BCT started a programme of internal improvements to the heating and hot water systems inside residents' homes.  This project will bring all of the internal heating systems up to the same standard of repair and install programmers which will give residents much greater control of their heating and help to conserve energy.		
Byker wall (Dunn Terrace) refurbishment	March 2021	£171,000
Work has begun to carry out an external refurbishment of the Dunn Terrace section of the Byker Wall from Wolseley House to Salisbury House, including Graham House.  The project will include the replacement of decorative cladding, concrete and brick work repairs and a full external redecoration in line with the original Ralph Erskine colour scheme. Work commenced in February 2020 and will be complete by the end of March 2021.		

**STRATEGIC REPORT  
(continued)**

**Operating and Financial Review (continued)**

BCT Investment Programme

<b>Scheme</b>	<b>Completion date</b>	<b>Investment during 2019-20</b>
Decent Homes	Ongoing	£115,000
Work has continued during 2019/20 to completed electrical upgrades and decent homes improvements to a further 45 properties who previously omitted from the Decent Homes refurbishment work.		
Purchase of properties	Ongoing	£51,000
BCT will considers the purchase of properties in and around the Byker Estate where there is a clear business case to do so. BCT purchased one property during the year 2019-20		
Other investments	Ongoing	£271,000
BCT has carried out various major repairs and component replacements to BCT properties including emergency lighting and smoke detector replacements and adaptations to properties to accommodate people with disabilities.		

Investment plans or next year

During the coming year, BCT will be focusing on completing its existing contracts in accordance with Government guidelines relating to COVID-19 and implementing safe systems of work, by working with our contractors to revise completion dates and ensuring robust risk assessments and methods statements are in place to recommence district heating improvement works inside occupied properties.

Having remodeled 2020/21 investment profiling to take account of these delays, plans are in place to complete decent homes improvements to the final properties who previously chose to omit from these works. Projects are also in development to convert 3 commercial units into 4 much needed level access homes for affordable rent and to commence our kitchen and bathroom replacement programme.

**STRATEGIC REPORT  
(continued)**

**Operating and Financial Review (continued)**

BCT Principal Risks and uncertainties

As set out in the BCT Strategic Risk Register, the principal risks that BCT faces are as follows:

<b>Strategic Risk</b>	<b>Description</b>	<b>Risk Score</b>
SR1	BCT cannot deliver its objective to make Byker an estate of choice	<b>HIGH</b>
SR2	BCT does not collect enough income	<b>HIGH</b>
SR3	BCT expenditure is too high	<b>HIGH</b>
SR5	Serious Health and Safety Incident	<b>HIGH</b>
SR6	Business Disruption	<b>HIGH</b>
SR14	Litter, waste management, fly tipping.	<b>HIGH</b>
SR15	New legislation and regulatory consumer standards	<b>HIGH</b>

BCT Board receives updates on the Strategic Risks quarterly, and the Audit and Risk Committee oversees the control actions that management takes to reduce the likelihood and impact of each risk.

The Board receives assurance on the strength of these controls through management reports and internal audit reviews. Seven internal audit reviews were carried out during the year, resulting in five assessments of “reasonable assurance” and two assessments of “substantial assurance”.

The BCT Business Plan is subjected to stress-testing by considering the financial disruption that might result if more than one of the strategic risks occurred simultaneously. The Board maintains a list of mitigating actions that can be used in the event of such a scenario.

Internal Controls

The BCT Board has reviewed a number of key policy documents during the year and received assurance reports on information provided by management. The Head of Internal Audit’s opinion is that “based solely on our coverage during the year, Byker Community Trust Limited has reasonable and effective risk management, control and governance processes in place in those areas reviewed.”

Having made such enquiries, the Board is satisfied that BCT’s system of internal controls and scheme of delegations are adequate and give sufficient assurance to the Board.

## STRATEGIC REPORT (continued)

### Value for Money Statement

#### BCT's Strategic Approach

“Value for Money” (VfM) describes the entire approach an organisation takes to ensure that available resources are used optimally throughout the value chain to achieve maximum fulfilment of its Vision, Mission and Objectives.

As a housing association with a strong social purpose, BCT cannot just consider the cheapest option. Alongside the economic benefits, it must also consider the social and environmental benefits, this is often referred to as the ‘Triple Bottom Line’. BCT is committed to delivering VfM in the interests of its tenants and the wider community because we want to minimise the financial pressures on households adversely affected by the economic pressures, and to improve service quality and customer satisfaction.

Value for Money is often described in terms of the three ‘E’s of Economy, Efficiency and Effectiveness



We believe it is important to establish a culture of continuous improvement and use feedback from our tenants to focus on areas where we could do better. The ‘Byker Approach’ housing management model is based around a customer relationship and engagement programme.

Fundamentally, doing what is right for our tenants is doing what is right for BCT.

**STRATEGIC REPORT  
(continued)**

**Value for money Statement (continued)**

BCT's performance against the VfM metrics set out by the regulator is as follows. The median for BCT's peer group data is included for comparison.

BCT's peer group is a selection of eleven housing associations chosen for their shared characteristics with BCT. BCT benchmarks its performance against the median for that group.

<b>Metric</b>	<b>Purpose</b>	<b>Name</b>	<b>BCT 2020</b>	<b>BCT 2019</b>	<b>BCT 2018</b>	<b>Peer Median (2019)</b>
<b>1</b>	Efficiency	Reinvestment %	25.7%	17.5%	9.7%	5.8%
<b>2</b>	Effectiveness	New supply delivered A – Social Housing Units	0.1%	0.3%	0.6%	0.8%
		New supply delivered B – Non-Social Housing Units	0.0%	0.0%	0.0%	0.0%
<b>3</b>	Efficiency	Gearing	31.5%	10.5%	10.7%	36.4%
<b>4</b>	Efficiency	EBITDA-MR Interest Cover	-644%	-49%	707%	189%
<b>5</b>	Economy	Headline Social Housing Cost per Unit	£6,608	£5,082	£3,929	£3,876
<b>6</b>	Efficiency	A – Operating Margin (social housing lettings only)	28.2%	20.1%	22.9%	20.1% (9 peers)
		B – Operating Margin (overall).	26.1%	18.5%	21.8%	20.3%
<b>7</b>	Efficiency	Return on Capital Employed %	9.5%	7.3%	9.6%	3.1%

**STRATEGIC REPORT  
(continued)**

**Value for Money Summary (continued)**

Description of performance

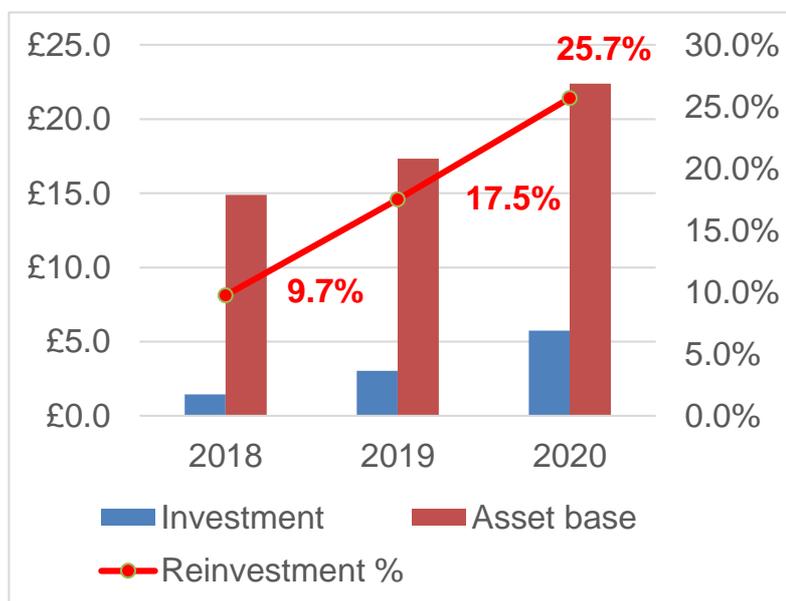
<b>Metric 1 - Reinvestment %</b>			
Definition: The investment in housing property during the year shown as a percentage of the total net book value of housing assets owned.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
25.7%	25.5%	17.5%	5.8%

This is an important metric for BCT. Investment in the housing stock of the Byker Estate through delivery of the Stock Transfer Promises and major essential repairs is a strategic objective for BCT.

BCT has achieved its highest reinvestment ratio since the metric was introduced. During the year, BCT invested £5.75m, against an asset value £22,380 giving a reinvestment value of 25.7.

BCT's asset base is growing quickly, and the annual level of investment has increased too, leading to increases in this metric year after year.

The Board set an expectation of £5.86m of investment for 2019-20 and it is pleasing to see that actual performance came within 98% of the target, despite the abrupt end to construction works at the end of March when the COVID-19 lockdown restrictions were announced.



The Board has set an investment target of £13.1m, which includes the £6.8m purchase of the Byker District Heating System.

This target was before the COVID-19 pandemic struck, and the Board appreciates that the pace of investment for the year ahead is expected to slow as construction works are made more difficult while observing social distancing rules. Performance against the target will be subject to achieving safe methods of work and responding to any easing or tightening of lockdown measures that the Government might choose.

to enact.

**STRATEGIC REPORT  
(continued)**

**Value for Money Summary (continued)**

The Board has considered the consequences of lower investment levels during 2020-21. The large majority of the expenditure plans relate to major repairs, which are essential to maintain the standard of BCT properties. Any reduced expenditure arising from the COVID-19 pandemic will be caught up as soon as practicable in the following years.

<b>Metric 2A - New supply delivered – Social Housing Units</b>			
Definition: The number of new social housing units that have been acquired or developed in the year shown as a percentage of the total social housing units owned at period end.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
0.1%	0.0%	0.3%	0.8%
<b>Metric 2B - New supply delivered – Non-Social Housing Units</b>			
Definition: The number of new non-social housing units that have been acquired or developed in the year as a proportion of total housing units owned at period end.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
0.0%	0.0%	0.0%	0.0%

This VfM metric does not represent a strategic priority for BCT. The current strategy is focused on delivering essential major repairs and transformative investment for the existing Byker Estate properties and environment. The development of new housing does not currently form part of BCT’s Business Plan.

The Board will consider opportunities to purchase privately-owned housing on the Estate to be let to new Byker Tenants.

## STRATEGIC REPORT (continued)

### Value for Money Summary (continued)

<b>Metric 3 – Gearing</b>			
Definition: The value of net debt and other financial obligations shown as a percentage of the value of assets.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
31.5%	25.4%	10.5%	36.4%

This metric indicates a housing association's level of indebtedness. A high level of debt can be risky, a very low level of debt suggests that the housing association could leverage its assets more to invest more in new or existing housing stock.

BCT's gearing has increased significantly during the year. At the end of last year, BCT had a very low net debt, as the BCT loan book was matched by similar levels of cash in the bank. The Board set an expectation that BCT's cash reserves would be reduced by delivering high levels of investment on the Estate. That investment was achieved, and cash reserves have dropped accordingly.

BCT has also invested £2.38m surplus cash in deposit accounts with a maturity less than one year, earning interest income which will be reinvested on the Estate. This investment has the effect of increasing the gearing ratio under this metric. BCT at all times maintains a cash balance of at least £1m to protect against unforeseen costs.

BCT's gearing level for the year is 31.5%, being a net debt of £7.04m compared to asset values of £22.38m.

**STRATEGIC REPORT  
(continued)**

**Value for Money Summary (continued)**

<b>Metric 4 - EBITDA-MR Interest Cover</b>			
Definition: Adjusted profit shown as a % of the interest payments made in the year. Profits are adjusted by removing tax, interest, depreciation and amortisation of grants, and adding the cost of capitalised major repairs.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
-644%	-674 %	-49%	189%

This metric is intended to show how well a housing association can afford its loan servicing obligations by comparing interest costs to the operating cash flows. Since the calculation to determine operating cash flow includes a deduction for amounts spent on necessary major investments to existing properties, it gives a strong negative value for BCT. This would suggest that BCT’s debt is unaffordable, but that is definitively not the case.

A strategic objective for BCT is to deliver major repairs to existing properties to ensure there is a sustainable future for the Byker Estate. It is the intention of the Board to incur debt to achieve this goal more quickly. Given the high level of investment targeted for the year, the Board set a negative percentage target for the year meaning that debt levels were expected to rise to accommodate major essential investment.

BCT’s result for this metric is close to target, since operating budgets and capital expenditure have both been close to budget.

Although the metric seems out of line with its peers, there are no affordability concerns with BCT’s loans. BCT Board receives regular updates on its interest cover using a calculation more suitable to a recent stock transfer organisation.

BCT Board has been careful to protect the business against financial shocks, and has removed some uncommitted development and renegotiated bank covenants to maximise the financial headroom in the Business Plan.

**STRATEGIC REPORT  
(continued)**

**Value for Money Summary (continued)**

<b>Metric 5 - Headline Social Housing Cost per Unit</b>			
Definition: The running costs for the year divided by the number of social housing properties owned and/or managed.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
£6,608	£6,650	£5,082	£3,876

BCT's figure is above the median for the sector and its peer group. It is useful to breakdown the headline figure into its constituent parts to show the reasons for this:

Category	BCT 2019-20	BCT 2018-19	Peer Median 2019
Management	£726	£669	£974
Service costs	£1,296	£1,466	£499
Routine & planned maintenance	£1,272	£1,058	£1,216
Major repairs	£2	£397	£103
Capitalised major repairs	£3,202	1,415	£855
Other social housing costs	£110	£77	£85
<b>Total</b>	<b>£6,608</b>	<b>£5,082</b>	<b>£3,540*</b>

\* The overall median for the peer group.

BCT has very low management costs per property, due to its lean back office structure and the efficiencies achieved through the Cost Sharing Group.

BCT's service costs are high in comparison to peers, largely due to the Byker District Heating System. The network provides heat and hot water to all BCT tenants at an annual cost of £1.59m or £892 per property. It is unusual for a housing association to provide this service to 100% of its residents and it is unique amongst the peer group.

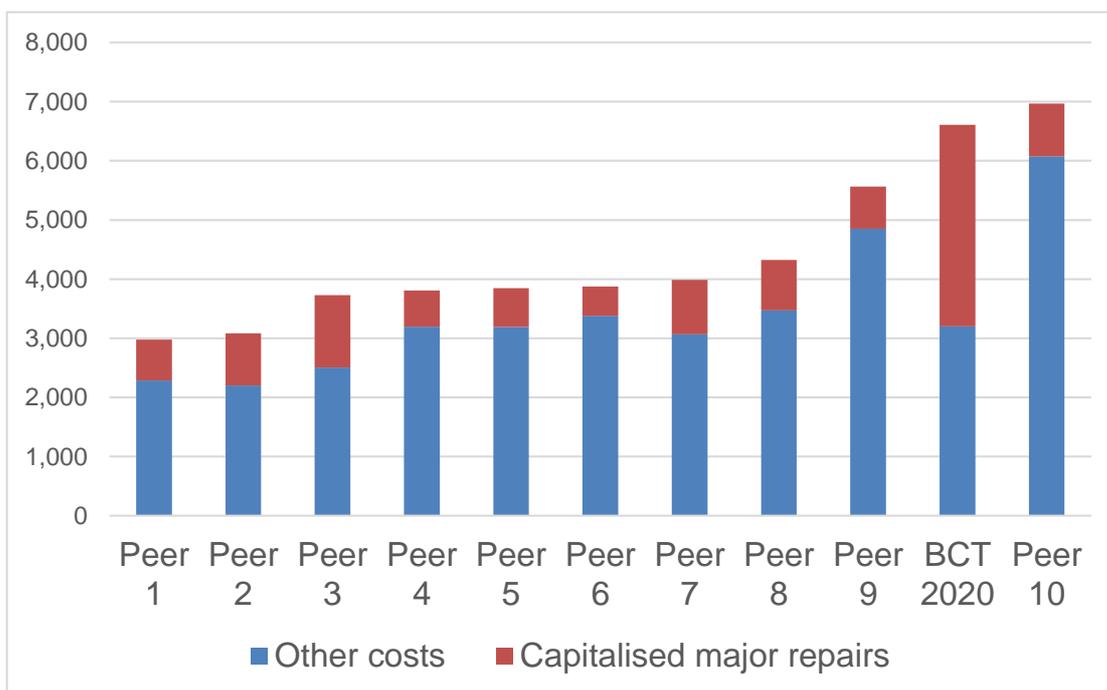
During 2019-20, BCT issued a new contract for cleaning services in the Byker Wall. The change to a new supplier reduced costs, but has not been a complete success, and 2020-21 will begin with a new contractor and increased hours as BCT tries to balance quality and value for its tenants.

BCT's major repairs spend fluctuates with the cyclical programme to carry out painting and timer repairs to the Byker Estate. In 2019-20 no painting programme was required, but £700,000 was spent the year before (£397 per property).  
the Reinvestment %)

**STRATEGIC REPORT  
(continued)**

**Value for Money Summary (continued)**

The single largest difference between BCT and its peers is the capitalised major repairs spend by BCT. BCT is investing large amounts of money to carry out essential works to properties. The following graph illustrates the impact that this has on the overall cost per unit metric for BCT.



Once the current phase of major repairs has been completed, we can expect the overall cost per unit to drop to median levels for the peer group.

<b>Metric 6A - Operating Margin (social housing lettings only)</b>			
Definition: The operating surplus shown as a percentage of turnover (for social housing lettings activity only).			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
28.2%	23.6	20.1%	20.1%
<b>Metric 6B - Operating Margin (overall)</b>			
Definition: The operating surplus shown as a percentage of turnover overall.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
26.1%	23.6%	18.5%	20.3%

## STRATEGIC REPORT (continued)

### Value for Money Summary (continued)

BCT is outperforming its peers for this metric. This metric compares profits to income during the year.

There are a number of positive and negative factors which combine to give this strong performance for BCT.

Positive factors include:

- BCT has low depreciation charges. The book value of BCT assets is low compared to a traditional housing association of the same size, since all housing stock was transferred at nil cost. Low asset values lead to smaller depreciation charges and this improves BCT profitability.
- BCT participation in the cost sharing group allows BCT to benefit from costs of scale without taxation penalties.
- BCT employees work in a lean structure, putting a high ratio of staff resources directly on the front line.

Negative factors include

- BCT operates a high level of service charges which are delivered at very low or even negative profitability. This reduces the average profitability of the overall operations significantly. A large proportion of the BCT properties are flats which generally carry a larger requirement for compliance and safety works to communal areas.
- BCT must maintain the Grade II\* Listing of the Byker Estate. This involves increased costs for components, and the cyclical painting and maintenance of the distinctive timber frontages of the Ralph Erskine Estate.

This year, BCT's performance metrics for collection rate and void rent loss continued their trend of continuous improvement, helping BCT to outperform its operating budgets for the year.

**STRATEGIC REPORT  
(continued)**

**Value for Money Summary (continued)**

<b>Metric 7 Return on Capital Employed (ROCE)</b>			
Definition: The operating surplus shown as a percentage of the total assets less current liabilities.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
9.5%	4.9%	7.3%	3.1%

BCT scores highly in this metric compared to peers. This metric shows the profitability of the housing association’s assets. BCT’s operating surplus above median levels for the peer group, and the book value of BCT’s assets is lower than would be usual given that the Estate was transferred to BCT at nil cost. This means that the BCT reports a very high ROCE.

In fact, the BCT properties do not yield a high level of profitability. The costs of external maintenance and component replacement for properties on the Estate is very high to conform to listing requirements, including the use of non-standard materials. In addition, BCT offers tenants very high levels of service charges which do not add to BCT’s profitability. As a small housing association, BCT does not benefit from the economies of scale that are available to larger providers, except where these can be achieved through the cost sharing group.

The outturn for this metric is higher than target, due to an excellent operating surplus compared to budget, due to low void rent loss and bad debt costs.

**STRATEGIC REPORT  
(continued)**

**Value for Money Summary (continued)**

In addition to those set by the Regulator, the following metrics were set by the Board:

<b>Rent collection rate</b>			
Definition: The value of rent collected as a percentage of the rent charged in the year.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
98.55%	98.00%	99.97%	100.05%
<b>Void rent loss</b>			
Definition: The value of rent not charged due to properties being empty. Shown as a percentage of the maximum possible rent charge for the year.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
1.32%	1.30%	1.57%	0.82%
<b>Operating surplus</b>			
Definition: The operating income less operating expenses for the year.			
2019-20	2019-20 Target	2018-19 Result	Peer group median (2019)
2,419,000	2,100,000	1,666,000	Not relevant

The VfM metric set by the BCT Board have shown continuous improvement. More income from properties has been charged and collected, and operating costs are falling well within budget.

## STRATEGIC REPORT (continued)

### Value for Money Summary (continued)

Other performance indicators monitored by the Board are set out in the table below.

Key Performance Indicator	2019-20	2018-19	2017-18	Improvement?	Peer Median
Tenancy Turnover	13.34%	14.16	16.29	✓	7.02%
Average Relet Time (days)	30.7	34.2	35.6	✓	23.4
Average cost of a responsive repair	£94	£89	£88	✗	£119.92
Average cost of a void repair	£2,563	£2,422	£2,621	✗	£2096.43

The Board is pleased to see general improvement across its key performance indicators. The average cost of responsive repairs has increased, but after particularly strong performance in the year before, and remains below the HouseMark peer group median benchmark. The average cost of a void repair has risen in 2019-20, but these figures include both rechargeable repairs and a small number of particularly high cost repairs.

The Board recognises that increasing demand and slowing tenancy turnover are key indicators of the success towards making Byker an Estate of Choice. During 2019-20, fewer BCT tenancies ended, and the properties were re-let to new tenants faster. This has led to lower levels of income lost from having empty properties.

**STRATEGIC REPORT  
(continued)**

**Value for Money Summary (continued)**

Future Plans

As part of its Value for Money Strategy, the BCT Board has set the following targets to be achieved in the next financial year. These targets reflect how the Board intends to use available resources to deliver BCT’s strategic objectives.

*Targets against metric set by the Regulator*

<b>Metric</b>	<b>Purpose</b>	<b>Name</b>	<b>2020-21 Target</b>
<b>1</b>	Efficiency	Reinvestment %	38.9%
<b>2</b>	Effectiveness	New supply delivered A – Social Housing Units	0.3%
		New supply delivered B – Non-Social Housing Units	0.0%
<b>3</b>	Efficiency	Gearing	48.1%
<b>4</b>	Efficiency	EBITDA-MR Interest Cover	-498.6%
<b>5</b>	Economy	Headline Social Housing Cost per Unit	£6,942
<b>6</b>	Efficiency	A – Operating Margin (social housing lettings only)	19.3%
		B – Operating Margin (overall)	17.9%
<b>7</b>	Efficiency	ROCE %	5.0%

*The capitalised major works and asset value forecasts used in the formulation of these targets include the potential purchase of the Byker District Heating System for £6.8m from Newcastle City Council.*

These targets may prove difficult to achieve given that work has not yet returned to normal. Metric 1 Reinvestment % in particular will be a challenge. BCT will be working with contractors to find solutions to deliver investments under COVID-19 distancing rules. The Board recognises that the full level of investment may not be possible next year.

**STRATEGIC REPORT  
(continued)**

**Value for Money Summary (continued)**

Future Plans

*Set by BCT Board*

In addition to those set by the regulator, BCT Board has set particular operational and financial targets which will be monitored throughout the year.

These targets were set prior to the COVID-19 pandemic and so the Board has used fallback targets in its business planning to reflect the uncertainty in current operating conditions.

<b>Metric</b>	<b>Purpose</b>	<b>Name</b>	<b>2020-21 Target</b>	<b>COVID-19 fallback target</b>
<b>8</b>	Efficiency	Rent Collection	98.0%	96.0%
<b>9</b>	Efficiency	Void rent loss	1.30%	2.0%
<b>10</b>	Economy	Budget Surplus 2020-21	£1,631,800	£1,496,500
<b>11</b>	Efficiency	Capital investment (including potential £6.8m purchase of district heating system)	£13.1m	£10.1m

## **STRATEGIC REPORT (continued)**

### **Post Balance Sheet date events**

After the balance sheet date, BCT continued its discussions to enter into a new £6.8m loan agreement to purchase the Byker District Heating System. An interest rate and loan arrangement fee has been agreed in principle. The start date for the loan is not certain, but may commence during 2020-21. The value for money metric targets for 2020-21 include the assumption that BCT will purchase the system and enter into the corresponding loan.

In September 2020, BCT Board and Karbon Homes Board approved an outline business case to bring about a merger by a transfer of engagements of BCT into Karbon Homes. Subject to due diligence and further approvals from the Board and shareholders, completion will take place in April 2021. At this point all BCT assets, liabilities, operations and contractual positions will transfer to Karbon Homes.

### **Information for Auditors**

The Board Members who held office at the date of approval of this board report confirm that, so far as they are each aware, there is no relevant audit information of which BCT's auditors are unaware; and each Board Member has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information and to establish that BCT's auditors are aware of that information.

### **Statement of Compliance**

The board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the Housing SORP: 2018 Update for Registered Social Housing Providers.

### **By Order of the Board:**

**Signed:**

**Date:**

## **STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of BCT and of the Income and Expenditure for the period of account.

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 accounting standards 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 BCT will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of BCT and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of BCT and to prevent and detect fraud and other irregularities.

**By Order of the Board:**

**Signed:**

**Date:**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BYKER COMMUNITY TRUST LIMITED

### Opinion

We have audited the financial statements of Byker Community Trust for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice), the Cooperative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Statement of Recommended Practice (SORP) accounting by Registered Social Housing Providers 2018 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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; and
- have been prepared in accordance with the requirements of the Cooperative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Statement of Recommended Practice (SORP) accounting by Registered Social Housing Providers 2018 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BYKER COMMUNITY TRUST LIMITED

### Conclusions relating to going concern

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

- the board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association'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 other information comprises the information included in the Report of the Board other than the financial statements and our auditor's report thereon. The board is responsible for the other information. 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

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

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the association;
- a satisfactory system of control has not been maintained over transactions; or
- the association's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**BYKER COMMUNITY TRUST**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BYKER  
COMMUNITY TRUST LIMITED**

**Responsibilities of the board**

As explained more fully in the Board's responsibilities statement, 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 has 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.

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/auditorresponsibilities](http://www.frc.org.uk/auditorresponsibilities). This description forms part of our audit report.

**BYKER COMMUNITY TRUST**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BYKER  
COMMUNITY TRUST LIMITED**

**Use of our Report**

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014, s. 87. 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.

Simon Brown BA ACA DChA (Senior Statutory Auditor)

For and on behalf of:

MHA Tait Walker  
Chartered Accountants and Statutory Auditor  
Bulman House  
Regent Centre  
Gosforth  
Newcastle upon Tyne  
NE3 3LS

MHA Tait Walker is a trading name of Tait Walker LLP.

## Financial Statements

### Statement of Comprehensive Income

For the year ended 31 March 2020

		2020	2019
	Note	£	£
Turnover	2,3	9,271,346	8,997,269
Operating expenditure	2,3	(6,852,515)	(7,331,339)
<b>Operating Surplus</b>	<b>8</b>	<b>2,418,831</b>	<b>1,665,930</b>
Gain on disposal of property, plant and equipment (fixed assets)	5	166,104	161,576
Interest receivable	6	43,342	23,132
Interest payable and financing costs	7	(409,359)	(383,524)
<b>Surplus for the year</b>	<b>8</b>	<b>2,218,918</b>	<b>1,467,114</b>
Actuarial gain/(loss) in respect of pension schemes	13	(180,000)	58,000
<b>Total comprehensive income for the year</b>		<b>2,038,918</b>	<b>1,525,114</b>

The results relate wholly to continuing activities. The notes on pages 36 to 57 form an integral part of these accounts.

The financial statements were approved and authorised for issue by Board on

2020 and were signed on its behalf by:

**Board Member:**

**Board Member:**

**Secretary:**

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## Financial Statements

### Statement of Financial Position

For the year ended 31 March 2020

		2020	2019
	Note	£	£
<b>Fixed Assets</b>			
Housing Fixed Assets	14a	22,379,571	17,338,385
Other Fixed Assets	14b	133,938	169,314
Debtors due after more than one year	15	179,200	179,200
<b>Total fixed assets</b>		<b>22,692,709</b>	<b>17,686,899</b>
<b>Current Assets</b>			
Trade and other debtors	15	1,177,378	586,325
Investments	16	2,530,420	154,261
Cash and cash equivalents	17	2,960,511	8,187,257
<b>Total current assets</b>		<b>6,668,309</b>	<b>8,927,843</b>
<b>Less Creditors: amounts falling due within one year</b>	18	<b>(2,173,056)</b>	<b>(1,580,466)</b>
<i>Net current assets (liabilities)</i>		<i>4,495,253</i>	<i>7,347,377</i>
<b>Total assets less current liabilities</b>		<b>27,187,962</b>	<b>25,034,276</b>
<b>Creditors: amounts falling due after more than one year</b>	19	<b>(10,743,116)</b>	<b>(10,845,350)</b>
<b>Provisions for liabilities</b>			
Pension provision	13, 20	(609,000)	(392,000)
<b>Total Net Assets</b>		<b>15,835,846</b>	<b>13,796,926</b>
<b>Reserves</b>			
Non-equity share capital	21	29	27
Income and Expenditure reserve		15,835,817	13,796,899
<b>Total reserves</b>		<b>15,835,846</b>	<b>13,796,926</b>

The financial statements were approved and authorised for issue by Board on 2020 and were signed on its behalf by:

**Board Member:**

**Board Member:**

**Secretary:**

.....

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## Financial Statements

### Statement of Changes in Reserves

For the year ended 31 March 2020

	Income and expenditure reserve	Non-equity share capital	Total
	£	£	£
<b>Balance at 31 March 2018</b>	<b>12,271,785</b>	<b>26</b>	<b>12,271,811</b>
Surplus from Statement of Comprehensive Income	1,525,114	-	1,525,114
Non-equity share capital issued	-	5	5
Non-equity share capital redeemed	-	(4)	(4)
<b>Balance at 31 March 2019</b>	<b>13,796,899</b>	<b>27</b>	<b>13,796,926</b>
Surplus from Statement of Comprehensive Income	2,038,918	-	2,038,918
Non-equity share capital issued	-	6	6
Non-equity share capital redeemed	-	(4)	(4)
<b>Balance at 31 March 2020</b>	<b>15,835,817</b>	<b>29</b>	<b>15,835,846</b>

### Statement of Cash Flows

For the year ended 31 March 2020

	2020	2019
	£	£
<b>Net cash generated from operating activities (see Note 17b)</b>	<b>2,943,075</b>	<b>2,995,103</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible fixed assets	(5,609,929)	(3,031,902)
Grants received	-	30,000
Proceeds from sale of tangible fixed assets	171,824	161,576
Interest received	43,342	23,132
Investments at valuation	(2,376,159)	(1,074)
<b>Cash flow from financing activities</b>		
New secured loans	-	-
Repayments of borrowings	-	-
Interest paid	(398,899)	(390,438)
<b>Net change in cash and cash equivalents</b>	<b>(5,226,746)</b>	<b>(213,603)</b>
Cash and cash equivalents at beginning of the year	8,187,257	8,400,860
<b>Cash and cash equivalents at the end of the year</b>	<b>2,960,511</b>	<b>8,187,257</b>

## **Notes to the Financial Statements**

### **Note 1 - Accounting Policies**

#### **Basis of accounting**

The financial statements of BCT are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers (as amended by the Housing SORP 2018: update) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

BCT is a public benefit entity in accordance with FRS 102.

The financial statements are presented in Sterling (£).

#### **Going Concern**

BCT's financial performance, outlook and risks are set out in the strategic report. BCT has term debt facilities in place until January 2025. BCT has a long term business plan which shows that investments required during this period are affordable within the financing available without breaching any financial covenants.

The COVID-19 pandemic caused serious operational disruption to BCT's operations at the end of March 2020 and this continued into the first quarter of 2020-21. During this time BCT was unable to let properties through the choice-based lettings portal, and the customer service office was temporarily closed. Throughout this time BCT continued to deliver all statutory obligations including property safety compliance and emergency repairs. BCT provided support to residents by telephone or other means.

The Board has considered the immediate financial implications of the COVID-19 pandemic and reviewed its financial forecasts. The Board carried out several stringent stress-tests to prove the resilience of the Business Plan under a range of adverse conditions. Possible future economic implications arising from the COVID-19 crisis were modelled including supply chain price inflation, and increases to tenant arrears. BCT holds high cash balances and has significant headroom to its loan covenants. The Board is satisfied that the BCT Business Plan can withstand very adverse conditions without breaching loan covenants or cash limits. It is for these reasons that the Board has prepared the financial statements on a going concern basis.

Further to the information provided in the Post Balance Sheet Event note regarding the probable merger with Karbon Homes in April 2021, the Board continues to prepare the accounts on a going concern basis. This approach is based on the fact that BCT will continue to remain fully operational whilst the due diligence is undertaken and will either transfer all assets, liabilities and trade as a going concern to Karbon Homes, or, if the merger does not go ahead, continue operations in line with the current Business Plan.

#### **Significant judgements and estimates**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

## Notes to the Financial Statements (continued)

### Note 2 - Accounting Policies (continued)

#### *Tangible fixed assets*

These are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

#### *Impairment of non-financial assets*

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties whose cash income can be separately identified.

Following a trigger for impairment, BCT performs impairment tests based on fair value less costs to sell or a value in use calculation. There has been no impairment trigger during the year ended 31 March 2020, and therefore no impairment review has been undertaken.

#### *Classification of loans as basic*

BCT has a loan facility with fixed and variable interest rates applicable to the balance. Management has considered the terms of the loan and concluded that it meets the definition of a basic financial instrument and is therefore measured at amortised cost using the effective interest method.

#### *Categorisation of housing properties*

BCT has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, BCT has considered if the asset is held for social benefit or to earn commercial rentals. BCT has determined that all assets are held for social benefit.

#### *Pension – defined benefit obligation*

BCT participates in the Local Government Pension Scheme (LGPS) which is a defined benefit pension scheme. The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension 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 mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. BCT accepts the assumptions advised the scheme's independent actuary. Further details are given in note 13.

#### **Turnover and revenue recognition**

Turnover represents rental income receivable, amortised capital grant, revenue grants and other income. Turnover is recognised in relation to the period when the goods or services have been supplied. Rental income is recognised from the point when properties under development become available for letting, net of any voids.

Income from property sold under the Preserved Right to Buy is recognised on legal completion and is included under the profit or loss on sale of fixed assets within the Statement of Comprehensive Income.

## Notes to the Financial Statements (continued)

### Note 2. Principal Accounting Policies (continued)

#### Service charges

Service charge income and costs are recognised on an accruals basis. BCT operates both fixed and variable service charges in full consultation with residents. The variable service charges are only in respect of leaseholders.

#### Interest Payable

Interest is capitalised on borrowings to finance the development of qualifying assets (new units) to the extent that is accrued in the period of development if it represents:

- interest on borrowings specifically financing the development after deduction of grants received in advance; or
- a fair calculation of interest on general borrowings after deduction of grants received in advance to the extent that the can be deemed to be financing the development.

#### Taxation

No corporation tax is payable on the surpluses of charitable activities of BCT as it has charitable status recognition from Her Majesty's Revenue and Customs (HMRC). BCT has not carried out any non-charitable activities which may attract taxation charges.

#### Value Added Tax

BCT charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by BCT and not recoverable.

#### Tangible fixed assets and depreciation

##### *Housing property*

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction. Housing properties are stated at cost less accumulated depreciation. Cost includes the cost of acquiring land and buildings, development costs, and interest charges incurred during the development period. Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

BCT depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories. Freehold land is not depreciated. UELs for identified components are as follows:

Component	Years	Component	Years
Bathroom	30	Kitchen	20
Internal plumbing	20-40	Mechanicals	30
Disabled adaptations	10	Door entry / alarms	20
Electricals	40	Roof	30-70
Fabric	30-80	Solar panels & environmental	20-25
Windows	40	External doors	30
Flooring	10	Passenger lift	40

## Notes to the Financial Statements (continued)

### Note 2. Principal Accounting Policies (continued)

#### *Other fixed assets*

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	<b>Years</b>
Office furniture, fixtures and fittings	5
IT infrastructure	5

#### **Property managed by agents**

Where BCT carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to BCT. In both cases, the assets and associated liabilities are included in BCT's Statement of Financial Position.

#### **Current asset investments**

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

#### **Short term debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

#### **Non-government grants**

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

#### **Government grants**

Government grants include grants receivable from Homes England, local authorities and other government organisations. Government grants are recognised in income over the useful life of the housing property structure and components under the accruals model.

Unamortised grants are recognised as creditors due after one year until such time as the grant becomes repayable.

## Notes to the Financial Statements (continued)

### 2. Turnover, operating costs and operating surplus for the Year

	Turnover	Operating expenditure	Operating surplus
	£	£	£
<b>2020</b>			
Income and expenditure from lettings	6,932,670	(4,350,947)	2,581,723
Service charge income	2,199,796	(2,305,147)	(105,351)
Grant income	138,880	-	138,880
<b>Total social housing lettings</b>	<b>9,271,346</b>	<b>(6,656,094)</b>	<b>2,615,252</b>
<b>Total non-social housing lettings</b>	<b>-</b>	<b>(196,421)</b>	<b>(196,421)</b>
<b>Total operating turnover, costs and surplus</b>	<b>9,271,346</b>	<b>(6,852,515)</b>	<b>2,418,831</b>
	Turnover	Operating expenditure	Operating surplus
	£	£	£
<b>2019</b>			
Income and expenditure from lettings	6,776,063	(4,580,458)	2,195,605
Service charge income	2,215,666	(2,614,293)	(398,627)
Grant income	5,540	-	5,540
<b>Total social housing lettings</b>	<b>8,997,269</b>	<b>(7,194,751)</b>	<b>1,802,518</b>
<b>Total non-social housing lettings</b>	<b>-</b>	<b>(136,588)</b>	<b>(136,588)</b>
<b>Total operating turnover, costs and surplus</b>	<b>8,997,269</b>	<b>(7,331,339)</b>	<b>1,665,930</b>

## Notes to the Financial Statements (continued)

<b>3. Turnover and operating costs</b>				
	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>General Needs</b>	<b>Supported</b>	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>				
Rent receivable net of identifiable service charges and net of voids	6,568,134	202,266	<b>6,770,400</b>	6,771,778
Service charge income	2,061,541	138,255	<b>2,199,796</b>	2,215,666
Amortised government grants	102,234	-	<b>102,234</b>	4,650
Other grants	36,646	-	<b>36,646</b>	890
Other income from Social Housing Lettings	158,412	3,858	<b>162,270</b>	4,285
<b>Total turnover from Social Housing Lettings</b>	<b>8,926,967</b>	<b>344,379</b>	<b>9,271,346</b>	<b>8,997,269</b>
<b>Operating Expenditure</b>				
Management	(1,237,618)	(45,543)	<b>(1,283,161)</b>	(1,186,569)
Service charge costs	(2,188,390)	(116,757)	<b>(2,305,147)</b>	(2,614,293)
Routine maintenance	(1,927,579)	(57,213)	<b>(1,984,792)</b>	(1,738,490)
Planned maintenance	(269,980)	(9,935)	<b>(279,915)</b>	(149,257)
Major repairs	(2,750)	(101)	<b>(2,851)</b>	(706,453)
Bad debts	(89,832)	(885)	<b>(90,717)</b>	(203,490)
Lease costs	(6,650)	(245)	<b>(6,895)</b>	(6,871)
Depreciation of housing properties	(640,433)	(62,183)	<b>(702,616)</b>	(589,328)
<b>Total operating expenditure on Social Housing Lettings</b>	<b>(6,363,232)</b>	<b>(292,862)</b>	<b>(6,656,094)</b>	<b>(7,194,751)</b>
<b>Total operating surplus from Social Housing Lettings</b>	<b>2,563,735</b>	<b>51,517</b>	<b>2,615,252</b>	<b>1,802,518</b>
Void Losses (being rental income lost as a result of property not being let, although it is available for letting)	(119,111)	(1,799)	<b>(120,910)</b>	(142,464)
	<b>2019</b>	<b>2019</b>	<b>2019</b>	
	<b>General Needs</b>	<b>Supported</b>	<b>Total</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	
<b>Prior year operating surplus from social housing lettings</b>	<b>1,733,601</b>	<b>68,917</b>	<b>1,802,518</b>	

## Notes to the Financial Statements

(continued)

## 3. Turnover and operating costs (continued)

	2020	2020	2020	2019
	General Needs	Supported	Total	Total
	£	£	£	£
<b>Operating Expenditure</b>				
Community / Neighbourhood services	(189,449)	(6,972)	<b>(196,421)</b>	(136,588)
<b>Total operating expenditure on non-Social Housing Lettings</b>	<b>(189,449)</b>	<b>(6,972)</b>	<b>(196,421)</b>	<b>(136,588)</b>

## 4. Accommodation owned, managed and in development

	General Needs	General Needs	Supported Housing	2020	2019
	(Social Rent)	(Affordable Rent)	(Social Rent)	TOTAL	TOTAL
<b>Owned</b>					
At start of the year	1,698	14	71	<b>1,783</b>	1,782
Properties acquired	1	-	-	<b>1</b>	1
Properties developed	-	-	-	<b>0</b>	5
Properties sold	(5)	-	-	<b>(5)</b>	(5)
<b>Total</b>	<b>1,694</b>	<b>14</b>	<b>71</b>	<b>1,779</b>	<b>1,783</b>
<b>Managed</b>					
At start of the year	1,698	14	63	<b>1,775</b>	1,774
Properties acquired	1	-	-	<b>1</b>	1
Properties developed	-	-	-	<b>0</b>	5
Properties sold	(5)	-	-	<b>(5)</b>	(5)
<b>Total</b>	<b>1,694</b>	<b>14</b>	<b>63</b>	<b>1,771</b>	<b>1,775</b>

## Notes to the Financial Statements (continued)

### 5. Gain on disposal of property, plant and equipment (fixed assets)

	2020	2019
	£	£
Proceeds of sales	173,200	165,880
Less: costs of sales	(7,096)	(4,304)
<b>Surplus</b>	<b>166,104</b>	<b>161,576</b>

### 6. Interest receivable

	2020	2019
	£	£
<b>Interest receivable and similar income on financial assets measured at amortised cost:</b>		
Interest receivable from short term deposits	43,342	23,132
<b>Total</b>	<b>43,342</b>	<b>23,132</b>

### 7. Interest payable and financing costs

	2020	2019
	£	£
<b>Interest payable and financing costs on financial liabilities measured at amortised cost:</b>		
Interest paid on net pension liability	10,000	9,000
On loans payable within five years	-	-
On loans wholly or partly repayable in more than five years	399,359	390,252
Interest payable capitalised on housing properties under construction	-	(15,728)
<b>Total</b>	<b>409,359</b>	<b>383,524</b>
Capitalisation rate used to determine the finance costs capitalised during the period	3.66%	3.66%

## Notes to the Financial Statements (continued)

### 8. Surplus on ordinary activities

	2020	2019
	£	£
<b>The operating surplus is stated after charging/(crediting):-</b>		
Auditors remuneration (excluding VAT) - audit of the financial statements	9,350	9,350
Depreciation of housing properties	702,616	589,328
Depreciation of other fixed assets	59,558	53,113
Operating lease rentals	6,895	6,871
<b>Total</b>	<b>778,419</b>	<b>658,662</b>

### 9. Operating lease commitments

	2020	2019
	£	£
BCT holds property under a non-cancellable operating lease. At the end of the year BCT had commitments of future minimum lease payments as follows:		
Leasehold buildings:		
Within one year	6,895	6,871
In second to fifth years inclusive	4,545	11,440
<b>At the end of the year</b>	<b>11,440</b>	<b>17,894</b>

## Notes to the Financial Statements

(continued)

### 10. Key management personnel remuneration

	2020	2019
	£	£
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive Directors*	13,550	5,000
The aggregate emoluments paid to or receivable by executive Directors and former executive Directors	340,705	296,798
The emoluments paid to the highest paid Director excluding pension contributions	92,000	87,449
The aggregate amount of Directors' or past Directors' pensions, excluding amounts payable under a properly funded pension scheme	53,197	46,598

The Chief Executive is an ordinary member of the LGPS pension scheme. The LGPS pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhancements or special terms apply. There are no additional pension arrangements. A contribution by BCT of £18,302 (2019: £17,091) was paid in addition to the personal contributions of the Chief Executive.

Key Management Personnel are defined as members of the Board, the Chief Executive and Executive Directors. The Chief Executive and Executive Directors are employees of BCT and not members of the Board or directors under law.

Board members receiving remuneration:

		2020	2019
		£	£
Name	Position		
G Kay	Chair of the Board (from 23.09.19)	3,608	-
JE Coulter	Chair of the Board (to 23.09.19)	2,333	5,000
A Patten	Committee Chair	2,000	-
VS Beattie	Board member	1,500	-
A Itiat	Board member	1,500	-
N Emmerson	Board member	1,000	-
KA Tallintire	Board member (from 23.09.19)	804	-
N Snowdon	Board member (from 23.09.19)	804	-
<b>Total for board members receiving remuneration</b>		<b>13,550</b>	<b>5,000</b>

## Notes to the Financial Statements (continued)

### 11. Related parties

The following related party transactions took place during the year:

\*The Board has four Tenant Members who hold tenancy agreements on normal terms and cannot use their position to their advantage. Rent charged to current and former Tenant Board Members was £18,035 (2019: £10,713). At the reporting period end BCT held a cumulative debtor of £47 (2019: £89 liability) in relation these tenancies.

Related party balances are not secured.

### 12. Employee Information

	2020	2019
	No.	No.
<b>The average number of persons employed during the year expressed in full time equivalents (37 hours per</b>		
Office Staff	22.8	23.8
<b>Staff Costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	824,278	759,552
Social Security costs	80,685	72,830
Other pension costs	142,390	128,550
<b>Total staff costs</b>	<b>1,047,353</b>	<b>960,932</b>
	2020	2019
	No.	No.
<b>Aggregate number of full time staff whose remuneration exceeded £60,000</b>		
£60,000-£70,000	-	-
£70,000-£80,000	3	1
£90,000-£100,000	-	-
£100,000-£110,000	-	1
£110,000-£120,000	1	-

## Notes to the Financial Statements (continued)

### 13. Pension obligations

Byker Community Trust operates two pension schemes. The majority of employees participate in a defined contribution scheme. Four employees (2019: four) are members of a defined benefit scheme. The defined benefit scheme is closed to new members.

#### Local Government Pension Scheme

Byker Community Trust is a member of The Tyne & Wear Pension Fund (TWPF) which is part of the Local Government Pension Scheme (LGPS).

The LGPS is a multi-employer funded defined benefit scheme, with the assets held in separate funds administered by South Tyneside Metropolitan Borough Council. The total contributions made for the year ended 31 March 2020 were £69,025 (2019: £60,317), of which employer's contributions totalled £45,841 (2019: £41,463) and employees' contributions totalled £23,184 (2019: £18,854). The agreed employer contribution rate for future years beginning from April 1 2020 is 19.5%. Employee contributions rates range from 6.5% to 10.5%, depending on salary.

BCT is an associate member of the scheme. In the event of BCT becoming unable to meet its obligations, they will be met by Newcastle City Council (NCC). As part of this arrangement, BCT has made payment of a pension bond to NCC. The value of this bond is independently reviewed from time to time by the scheme actuary. The value of the bond is shown as a non-current debtor.

The calculation of the pension deficit includes provision for settlement of age discrimination claims against public pensions.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 March 2020 by a qualified independent actuary.

	<b>As at 31 March 2020</b>	<b>As at 31 March 2019</b>	<b>As at 31 March 2018</b>
Rate of increase in salaries	3.40%	3.60%	3.50%
Rate of increase for pensions	1.90%	2.10%	2.00%
Discount rate for scheme liabilities	2.30%	2.50%	2.60%
Inflation assumption (CPI)	1.90%	2.10%	2.00%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age at 65 are:

## Notes to the Financial Statements (continued)

### 13. Pension obligations (continued)

#### Principal Actuarial Assumptions (continued)

	As at 31 March 2020	As at 31 March 2019
	<b>Years</b>	<b>Years</b>
<b>Retiring Today</b>		
Males	21.8	22.2
Females	25.0	25.3
<b>Retiring in 20 years</b>		
Males	23.5	23.9
Females	26.8	27.2

#### Analysis of other amount charged to operating costs in the Statement of Comprehensive Income for the year ended 31 March 2020

	2020	2019
	£	£
Employer service cost (net of employee contributions)	74,000	64,000
Past service cost	-	54,000
<b>Total operating charge</b>	<b>74,000</b>	<b>118,000</b>
<b>Analysis of pension finance costs</b>		
Interest on pensions liabilities	10,000	9,000
<b>Total amounts charged to financing costs</b>	<b>10,000</b>	<b>9,000</b>

#### Amounts of gains and losses recognised in the Statement of Comprehensive Income

Actuarial (losses)/gains on pension scheme assets	(105,000)	73,000
Actuarial (losses)/gains on pension scheme liabilities	(75,000)	(15,000)
<b>Total actuarial (loss)/gain recognised</b>	<b>(180,000)</b>	<b>58,000</b>
<b>Movement in deficit during year</b>		
Deficit in scheme at beginning of the year	392,000	366,000
Movement in year:		
Employer service cost (net of employee contributions)	74,000	64,000
Employer contributions	(47,000)	(43,000)
Past service cost	-	54,000
Net interest/return on assets	10,000	9,000
Remeasurements	180,000	(58,000)
<b>Deficit in scheme at 31 March 2018</b>	<b>609,000</b>	<b>392,000</b>

## Notes to the Financial Statements (continued)

### 13. Pension obligations (continued)

#### Asset and liability reconciliation

	2020	2019
	£	£
<b>Reconciliation of liabilities</b>		
Liabilities at start of period	1,757,000	1,567,000
Current Service cost	74,000	64,000
Past Service Cost	-	54,000
Interest cost	47,000	41,000
Employee contributions	23,000	19,000
Remeasurements	75,000	15,000
Benefits paid	186,000	(3,000)
<b>Liabilities at end of period</b>	<b>2,162,000</b>	<b>1,757,000</b>
<b>Reconciliation of assets</b>		
Assets at start of period	1,365,000	1,201,000
Return on plan assets	37,000	32,000
Remeasurements	(105,000)	73,000
Employer contributions	47,000	43,000
Employee contributions	23,000	19,000
Benefits paid	186,000	(3,000)
<b>Assets at end of period</b>	<b>1,553,000</b>	<b>1,365,000</b>

## Notes to the Financial Statements (continued)

### 14a. Fixed Assets - Housing properties

	Social housing properties held for letting completed	Social Housing Properties for letting under construction	Total
	£	£	£
<b>Cost:</b>			
At 1 April 2019	18,902,098	121,706	19,023,804
Additions:			
Development of new properties		2,352	2,352
Capitalised Interest		-	-
Purchases of property	50,705		50,705
Works to existing properties	262,994	5,433,472	5,696,466
Schemes completed	1,228,404	(1,228,404)	-
Disposals:	(6,485)		(6,485)
<b>As at 31 March 2020</b>	<b>20,437,716</b>	<b>4,329,126</b>	<b>24,766,842</b>
<b>Depreciation and impairment:</b>			
At 1 April 2019	(1,685,419)	-	(1,685,419)
Depreciation charged in year	(702,616)	-	(702,616)
Disposals:	764		764
<b>As at 31 March 2020</b>	<b>(2,387,271)</b>	<b>-</b>	<b>(2,387,271)</b>
<b>Net Book Value</b>			
<b>As at 31 March 2020</b>	<b>18,050,445</b>	<b>4,329,126</b>	<b>22,379,571</b>
<b>As at 1 April 2019</b>	<b>17,216,679</b>	<b>121,706</b>	<b>17,338,385</b>
		<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
<b>Housing Properties comprise:</b>			
Freeholds		22,379,716	17,338,385
		<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
<b>Expenditure on works to existing properties</b>			
Components capitalised		4,015,990	944,618
Improvements works capitalised		1,680,476	1,578,653
<b>Total</b>		<b>5,696,466</b>	<b>2,523,272</b>

## Notes to the Financial Statements (continued)

### 14b. Fixed Assets - Other Fixed Assets

	Office improvements	IT infrastructure	Total
	£	£	£
<b>Cost:</b>			
At 1 April 2019	98,871	175,147	274,018
Additions	-	24,182	24,182
<b>As at 31 March 2020</b>	<b>98,871</b>	<b>199,329</b>	<b>298,200</b>
<b>Depreciation and impairment:</b>			
At 1 April 2019	(39,548)	(65,156)	(104,704)
Depreciation charged in year	(19,776)	(39,782)	(59,558)
<b>As at 31 March 2020</b>	<b>(59,324)</b>	<b>(104,938)</b>	<b>(164,262)</b>
<b>Net Book Value</b>			
<b>As at 31 March 2020</b>	<b>39,547</b>	<b>94,391</b>	<b>133,938</b>
<b>As at 1 April 2019</b>	<b>59,323</b>	<b>109,991</b>	<b>169,314</b>

### 15. Trade and other debtors

	2020	2019
	£	£
<b>Amounts falling due within one year</b>		
Rent arrears	1,346,789	1,544,505
Less provision for bad debt	(952,576)	(1,016,646)
Other debtors	683,760	1,421
Prepayment and accrued income	99,405	57,045
<b>Debtors due within one year</b>	<b>1,177,378</b>	<b>586,325</b>
<b>Amounts falling due after more than one year</b>		
Pension guarantee bond	179,200	179,200
<b>Debtors due after more than one year</b>	<b>179,200</b>	<b>179,200</b>

## Notes to the Financial Statements (continued)

16. Investments		
	2020	2019
	£	£
Investments at valuation	2,530,420	154,261
<b>Investments</b>	<b>2,530,420</b>	<b>154,261</b>

Investment at valuation comprise cash and cash equivalents invested for periods of more than 30 days.

17a. Cash and cash equivalents		
	2020	2019
	£	£
Cash at bank and in hand	2,960,511	8,187,257
<b>Total cash and cash equivalents</b>	<b>2,960,511</b>	<b>8,187,257</b>

17b. Cash flow from operating activities		
	2020	2019
	£	£
Surplus for the year	2,218,918	1,467,114
<i>Adjustments for non-cash items:</i>		
Depreciation of housing properties	702,616	589,328
Depreciation of other fixed assets	59,558	53,113
Grants recognised in income	(102,234)	(4,650)
Pension costs less contributions payable	27,000	75,000
Non-equity shares cancelled	(4)	(4)
<i>Movements in working capital</i>		
(Increase)/Decrease in trade and other debtors	(591,053)	363,221
Increase / (decrease) in trade and other creditors	428,355	253,160
<i>Adjustments for investing or financing activities:</i>		
Net gain/loss on sale of fixed assets	(166,104)	(161,576)
Interest payable	409,359	383,524
Interest received	(43,342)	(23,132)
Non-equity shares issued	6	5
<b>Cash flows from operations</b>	<b>2,943,075</b>	<b>2,995,103</b>

## Notes to the Financial Statements (continued)

### 18. Creditors: amounts falling due in less than one year

		2020	2019
		£	£
Trade creditors		907,863	5,880
Deferred Income		132,342	-
Other creditors		34,368	28,365
Accruals		889,301	1,437,918
Rents and service charges paid in advance		209,182	108,303
<b>Total creditors: amounts falling due within one year</b>		<b>2,173,056</b>	<b>1,580,466</b>

### 19a. Creditors: amounts falling due in more than one year

		2020	2019
	Note	£	£
Loans	19b, 19c	10,000,000	10,000,000
Deferred capital grant	24	743,116	845,350
<b>Total creditors: amounts falling due after more than one year</b>		<b>10,743,116</b>	<b>10,845,350</b>

### 19b. Debt analysis

	2020	2019
	£	£
<b>Loans not repayable by instalments:</b>		
In five years or more	10,000,000	10,000,000
<b>Total loans</b>	<b>10,000,000</b>	<b>10,000,000</b>

Loans are secured by specific charges on BCT's individual housing properties. The interest on the loans is payable quarterly. The interest rate was fixed at an average rate of 3.66% during the year ended 31 March 2018, and is fixed at 3.66% from 1 April 2018 to 9 January 2025 for the first £10m loan drawdown. The loans are due to be repaid on 9 January 2025.

## Notes to the Financial Statements (continued)

### 19c. Interest rate profile

	Total £	Fixed rate £	Weighted average rate £	Weighted average term Years
<b>The interest rate profile of BCT at 31 March 2020 was:</b>				
Non-instalment loans	10,000,000	10,000,000	3.66	4.78
<b>The interest rate profile of BCT at 31 March 2019 was:</b>				
Non-instalment loans	10,000,000	10,000,000	3.66	5.78
				£
<b>As at 31 March 2020 BCT had the following borrowing facilities:</b>				
Total agreed facilities				26,000,000
Facilities available to be drawn				18,000,000
Of which: drawn facilities				10,000,000
<b>As at 31 March 2019 BCT had the following borrowing facilities:</b>				
Total agreed facilities				26,000,000
Facilities available to be drawn				16,000,000
Of which: drawn facilities				10,000,000

### 19d. Reconciliation of net cash flow to movement in net debt

	At 1 April 2019	Investments	Other activities	At 31 March 2020
	£	£	£	£
Cash and Cash equivalents	8,187,257	(2,376,159)	(2,850,587)	2,960,511
Investments	154,261	2,376,159	-	2,530,420
Loans due after one year	(10,000,000)	-	-	(10,000,000)
<b>Net debt</b>	<b>(1,658,482)</b>	<b>0</b>	<b>(2,850,587)</b>	<b>(4,509,069)</b>

## Notes to the Financial Statements (continued)

### 20. Provision for liabilities and charges

	<b>Pension £</b>
At 1 April 2019	(392,000)
Re-measurement changes	(180,000)
Difference between contributions payable and pensions costs	(37,000)
<b>At the end of the year</b>	<b>(609,000)</b>

### 21. Non-equity share capital

	<b>2020 No.</b>	<b>2019 No.</b>
Allotted Issued and Fully Paid	27	26
Issued during the year	6	5
Redeemed during the year	(4)	(4)
<b>At the end of the year</b>	<b>29</b>	<b>27</b>

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. All shares have full voting rights except for the Local Authority share which holds no rights at general meeting votes. All shares are fully paid.

### 22. Capital commitments

	<b>2020 £</b>	<b>2019 £</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	5,002,091	4,625,842
Capital expenditure that has been authorised by the Board but has not yet been contracted for	706,610	7,357,890
<b>At the end of the year</b>	<b>5,708,701</b>	<b>11,983,732</b>
BCT expects these commitments to be contracted within the Capital grants and contributions	0	0
Committed loan facilities and cash balances	5,708,701	11,983,732
<b>Total</b>	<b>5,708,701</b>	<b>11,983,732</b>

## Notes to the Financial Statements (continued)

### 23. Financial Instruments

	2020	2019
	£	£
<b>Financial assets measured at fair value through profit or loss:</b>		
<b>Financial assets that are debt instruments measured at amortised cost:</b>		
Cash as bank and in hand	2,960,511	8,187,257
Trade debtors	394,213	527,859
Other debtors	683,760	1,421
Prepayments and accrued income	99,405	57,045
Investments	2,530,420	154,261
Pension guarantee bond	179,200	179,200
<b>Total</b>	<b>6,847,509</b>	<b>9,107,043</b>
<b>Financial liabilities measured at amortised cost:</b>		
Loans	10,000,000	10,000,000
Trade creditors	907,863	5,880
Other creditors	34,368	28,365
Accruals	889,301	1,437,918
Deferred income	132,342	-
Rents and Service charges paid in advance	209,182	108,303
Deferred capital grant fund	743,116	845,350
<b>Total</b>	<b>12,916,172</b>	<b>12,425,816</b>

## Notes to the Financial Statements (continued)

### 24. Deferred Grant Income

	<b>Social Housing Grant</b>	<b>Other Capital Grants</b>	<b>Total</b>
	£	£	£
<b>Total accumulated grants received</b>			
At 1 April 2019	395,200	730,000	1,125,200
Grants received in year	-	-	-
<b>As at 31 March 2020</b>	<b>395,200</b>	<b>730,000</b>	<b>1,125,200</b>
<b>Accumulated amortisation</b>			
At 1 April 2019	(29,850)	(250,000)	(279,850)
Released to Income Statement in the year	(6,234)	(96,000)	(102,234)
<b>As at 31 March 2020</b>	<b>(36,084)</b>	<b>(346,000)</b>	<b>(382,084)</b>
<b>Net Book Value</b>			
<b>As at 31 March 2020</b>	<b>359,116</b>	<b>384,000</b>	<b>743,116</b>
<b>As at 1 April 2019</b>	<b>365,350</b>	<b>480,000</b>	<b>845,350</b>

### 25. Post Balance Sheet Events

After the balance sheet date, BCT continued its discussions to enter into a new £6.8m loan agreement to purchase the Byker District Heating System. An interest rate and loan arrangement fee has been agreed in principle. The start date for the loan is not certain, but may commence during 2020-21. The value for money metric targets for 2020-21 include the assumption that BCT will purchase the system and enter into the corresponding loan.

In September 2020, BCT Board and Karbon Homes Board approved an outline business case to bring about a merger by a transfer of engagements of BCT into Karbon Homes. Subject to due diligence and further approvals from the Board and shareholders, completion will take place in April 2021. At this point all BCT assets, liabilities, operations and contractual positions will transfer to Karbon Homes.