



Byker Community Trust Limited
(A Community Benefit Society)

Report of the Board and Financial Statements
For the Year Ended 31 March 2021

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Corporate Information

Board of Management (Non-Executive Directors)

Geraldine Kay (Chair)	Independent
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
Victoria Beattie	Independent
Keith Tallintire	Independent
Caroline Prince	Independent
Nicola Snowdon	Tenant

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.

Report of the Board

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 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.

Transfer of Engagements to Karbon Homes Limited

On the 1 April 2021, BCT transferred all of its assets, liabilities and operations to Karbon Homes Limited (Karbon). Karbon is a Community Benefit Society (registration 7529) and, like BCT, is a private registered provider of social housing.

The accounts have been prepared on a going concern basis, reflecting Karbon's intention to continue existing operations and honour existing liabilities and contracts.

Prior to the year end, BCT committed to two significant transactions which would be executed if and when the transfer of engagements took place. The first commitment was to make early repayment of BCT's £10m loan facility to YBS. These accounts include a committed cost of £510,000 to break the loan arrangement, and the loan balance has been moved from long-term to short-term creditors. The loan and break costs were paid by Karbon on 1 April 2021.

The second item related to settlement of costs arising from the operation of the Byker district heating scheme. Prior to the year end, BCT and NCC agreed that, should the Transfer take place, existing agreements on this matter would be rescinded in favour of new agreements which included an obligation for BCT/Karbon to make immediate payment of £787,000. The payment was duly made on 1 April 2021, and the cost is shown as a service charge cost in operating expenditure.

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 and may nominate two members to the Board. Newcastle City Council's share has no voting rights at general meetings. 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.

Report of the Board (continued)

Political and charitable gifts

None.

Governance and regulatory compliance

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

BCT adopted the National Housing Federation (NHF) 2020 Code of Governance in December 2020. The Board has carried out a gap analysis to determine the actions required to achieving full compliance with the new Code. These include:

- More regular about how BCT has shown its commitment to resident focus.
- Targets towards delivery of equality and diversity commitments
- Seek employees' views about the culture of the organisation.
- More target-driven improvement towards zero-carbon and social sustainability
- Improve the frequency and prominence of reports on tenant satisfaction.

Public Benefit Entity

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

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.

Report of the Board (continued)

Responsibilities of the Board (continued)

- 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

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."

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. 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.

From 1 April 2021, BCT adopted the Vision and values of the Karbon Homes Group and the ambitions for the Byker Estate will be delivered through the Community Pledge.

Report of the Board (continued)

Operating and Financial Review (continued)

Coronavirus disruption

BCT and its partners have adapted well to the challenges that the pandemic brought this year. The pandemic brought particular disruption to the early part of the financial year, causing all major investment works to be put on hold, the BCT office to close and all but the most urgent repairs to be delayed. BCT staff and contractors have returned to work on site, as government guidance and our own risk assessments have allowed, and work again approaches normality.

The Board's targets for the year, which were set prior to the first national lockdown were revised to give a more realistic in light of the very difficult operating conditions. The Board extends thanks to colleagues for the excellent service they have provided throughout the year.

Operational performance

Although the reporting period has been dominated by COVID-19, BCT's performance for the year has been excellent. Rent collection has remained above the important 98% benchmark, and void rates are below 1.50%. BCT retained its Customer Service Excellence award and provided support to vulnerable tenants throughout the pandemic.

Investing in the Byker Estate

BCT has invested £3.66m into the Byker Estate in 2020-21, delivering our Stock Transfer Promises to tenants and carrying out essential major repairs to properties. We completed the re-roofing scheme, lift replacement scheme and the refurbishment of the Dunn Terrace section of the Byker Wall.. We have also carried out numerous other repairs and replacements to smoke detectors, emergency lighting and electrical systems. We have completed electrical upgrades and improved properties to the Decent Homes Standard.

Financial Performance and Value for Money

BCT has maintained strong performance levels despite the disruption caused by the pandemic. The Board revised its financial targets for the year to account for lockdowns and difficulties with rent collection and letting properties, but actual performance has exceeded early expectations. Further details of our Value for Money performance are set out on page 13.

Property safety

The safety of tenants is the highest priority for BCT. We invest to ensure that all our properties meet the highest safety standards. The BCT Board received 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.

Report of the Board (continued)

Operating and Financial Review (continued)

Community events

BCT's community events have been disrupted by the pandemic, and we look forward to delivering a more varied programme in the Summer of 2021 alongside deliver of our Thriving Byker strategy.

Strategic options review

Following a strategic options review in 2019-20, the Board agreed that the best Value for Money for BCT tenants would be achieved through a partnership with Karbon Homes. This year, the Board has worked towards achieving this partnership with Karbon Homes through a Transfer of Engagements.

Transfer to Karbon Homes

As we emerge from what has been an unprecedented and extremely challenging year for all, we can begin to look ahead and deliver what we know will be a bright and exciting future for the Byker Estate and its communities. On the 1 April 2021 the ownership and management of 1,800 homes on our iconic Grade II* Listed Estate formally transferred to Karbon Homes (Karbon).

Karbon and the Byker Community Trust (BCT) have successfully worked together in a cost sharing partnership since July 2016, which has resulted in large cost savings, improved performance and increased satisfaction levels from our customers. The BCT Board explored how it could expand the current partnership with Karbon to deliver the priorities our customers had asked for and help BCT achieve its strategic objectives of:

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

After consulting with customers and stakeholders during 2020 on the proposed plans to formally transfer BCT to Karbon, 94% of respondents were supportive of this and Shareholders voted unanimously for the partnership to go ahead.

Under the ownership of Karbon, customers will continue to be involved in decision making on the Estate. A new BCT Committee has been established, consisting of 12 members, which includes local people with a minimum of four customers responsible for overseeing the quality of services delivered by Karbon. In addition, the management area continues to be called Byker Community Trust, the local office and colleagues have stayed in situ and all of the housing services in Byker will be delivered by Karbon.

Report of the Board (continued)

Operating and Financial Review (continued)

BCT and Karbon have created a Community Pledge based on what customers have told us they wanted. This includes:

- Improvements in the external environment such as waste and litter management, new fencing, trees, green open spaces and play areas.
- A local office on the Estate with easy access to neighbourhood staff.
- Additional funding to modernise homes by installing new bathrooms with showers and kitchens.
- Building new homes to meet the needs of current and future customers.
- Karbon will agree a strategy to maintain and invest in the Estate's District Heating System with the aim to reduce fuel poverty and making the system greener and more energy efficient.
- All rights as a tenant or leaseholder will not change.
- Rent increases will be kept in line with Government guidance.
- Access to Karbon community budget to support even more community-led projects.
- Access to extra services that are delivered to Karbon customers helping to maximise income and employment and training opportunities.

Work begins in June 2021 to deliver the modernisation works our customers have asked for in their homes. As working life returns to normal, we look forward to improving the Byker estate and unlocking its potential.

Report of the Board (continued)

Operating and Financial Review (continued)

Four-year financial summary

	£'000	£'000	£'000	£'000
	2020-21	2019-20	2018-19	2017-18
Comprehensive Income				
Turnover	9,179	9,271	8,997	9,026
Operating Expenditure	(7,707)	(6,852)	(7,331)	(7,059)
Operating Surplus	1,472	2,419	1,666	1,967
Gain on disposal of property, plant and equipment	107	166	162	278
Net financing costs	(921)	(366)	(361)	(246)
Surplus for the Year	658	2,219	1,467	1,999
Pension scheme movement	(330)	(180)	58	35
Total comprehensive income	328	2,039	1,525	2,034
	£'000	£'000	£'000	£'000
	2020-21	2019-20	2018-19	2017-18
Financial Position				
Housing Properties	25,183	22,380	17,388	14,896
Other fixed assets	44	134	170	207
Debtors due after one year	179	179	179	179
Total Fixed Assets	25,406	22,693	17,787	15,282
Current assets	5,487	6,668	8,928	9,503
Current creditors	(12,943)	(2,173)	(1,580)	(1,327)
Total Assets less current liabilities	17,950	27,188	25,034	23,458
Long term loans	-	(10,000)	(10,000)	(10,000)
Grant	(805)	(743)	(845)	(820)
Pension deficit	(981)	(609)	(392)	(366)
Total net assets	16,164	15,836	13,797	12,272
Rental units owned	1,775	1,779	1,783	1,782

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.

Report of the Board (continued)

Operating and Financial Review (continued)

BCT Investment Programme

During 2020-21 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 £3.66m.

Scheme	Completion date	Investment during 2020/21	Total investment
Re-roofing project	November 2020	£250,000	£3,004,000
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. All works were completed by November 21.			
Passenger lift replacement	October 2020	£330,000	£1,657,000
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. All 13 lifts and upgrades 2 lifts in our sheltered accommodation schemes were completed by October 2020			
District Heating internal improvements	December 2021	£461,000	£1,489,000
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	February 2021	£2,031,000	£2,202,000
Work commenced in February 2020 to carry out an external refurbishment of the Dunn Terrace section of the Byker Wall from Wolseley House to Salisbury House. The project included the replacement of decorative cladding, concrete and brickwork repairs, timber repairs and a full external redecoration. The scheme also included a number of door replacements. All works were completed by February 2021.			

Report of the Board (continued)

Operating and Financial Review (continued)

BCT Investment Programme (continued)

Decent Homes	Ongoing	£82,000	£197,000
Work has continued during 2020/21 to complete electrical upgrades and decent homes improvements to a further 10 properties who previously omitted from the Decent Homes refurbishment work.			
Other investments	Ongoing	£133,000	£494,000
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.			
Conversion of Three Commercial Units into New Homes	June 2021	£223,000	£223,000
Work commenced in December 2020 to convert three commercial units at 71 Dunn Terrace, 66 Northumberland Terrace and the former district heating office on Raby Street into four new homes for affordable rent. The properties will be accessible units with wet rooms.			

Future investment plans

The transfer of engagements from BCT to Karbon will bring new and accelerated investment into the Estate between 2021 to 2029, delivering better value for money and helping to achieve the priorities that customers said were important to them.

The following table shows just some of the investment planned over the coming years:

Report of the Board (continued)

Operating and Financial Review (continued)

Future investment plans (continued)

Scheme	Description	Planned investment
Kitchens	Full kitchen replacement, plastering, decoration and flooring to 1428 kitchens to be complete before 2029.	£5.96m
Bathrooms	Full bathroom replacement, shower installation, tiling, plastering, decoration and flooring to 1,403 bathrooms to be complete before 2029.	£6.81m
Internal doors	1,750 properties to benefit from new internal doors to be complete before 2029.	£1.40m
Estate Environment	<p>A major programme of environmental improvement work is planned across the Estate. Improved external landscaping, new wildflower areas, new boundary hedges and fencing, communal bin areas, seating and play areas and the creation of hard landscaped areas as communal meeting places are just some of the design ideas put forward for the Byker Estate as part of the environmental improvement programme.</p> <p>All residents and stakeholders have been given the opportunity to express their views on how their Estate should look and those views are now being considered before the final designs are agreed and submitted for planning and listed building consent.</p>	£11.59m

Report of the Board (continued)

Operating and Financial Review (continued)

Future investment plans (continued)

Alongside this exciting new investment, BCT will deliver ensure that all its properties are kept decent and meet the highest safety standards. Investment will continue into the District Heating System to improve its reliability and efficiency.

BCT Principal Risks and uncertainties

As set out in the Strategic Risk Register, the principal risks that BCT manages are:

Strategic Risk	Description	Risk Score
SR1	BCT cannot deliver its objective to make Byker an estate of choice	HIGH
SR2	BCT does not collect enough income	HIGH
SR4	Serious Health and Safety Incident	HIGH
SR5	Business Disruption	HIGH
SR14	New housing White Paper and strengthening the RSH powers on consumer regulation	HIGH

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 three assessments of “reasonable assurance” and four 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

“TIAA is satisfied that, for the areas reviewed during the year, Byker Community Trust has reasonable and effective risk management, control and governance processes in place.”

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

Report of the Board (continued)

Value for Money Statement (continued)

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.

Report of the Board (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.

Metric	Purpose	Name	BCT 2021	BCT 2020	BCT 2019	Peer Median (2019)
1	Efficiency	Reinvestment %	14.6%	25.7%	17.5%	5.5%
2	Effectiveness	New supply delivered A – Social Housing Units	0.0%	0.1%	0.3%	1.2%
		New supply delivered B – Non-Social Housing Units	0.0%	0.0%	0.0%	0.0%
3	Efficiency	Gearing	26.6%	31.5%	10.5%	36.3%
4	Efficiency	EBITDA-MR Interest Cover	-128%	-644%	-49%	196%
5	Economy	Headline Social Housing Cost per Unit	£5,768	£6,608	£5,082	£3,914
6	Efficiency	A – Operating Margin (social housing lettings only)	16.3%	28.2%	20.1%	18.6%
		B – Operating Margin (overall).	16.0%	26.1%	18.5%	18.5%
7	Efficiency	Return on Capital Employed %	8.8%	9.5%	7.3%	3.1%

Report of the Board (continued)

Value for Money Statement (continued)

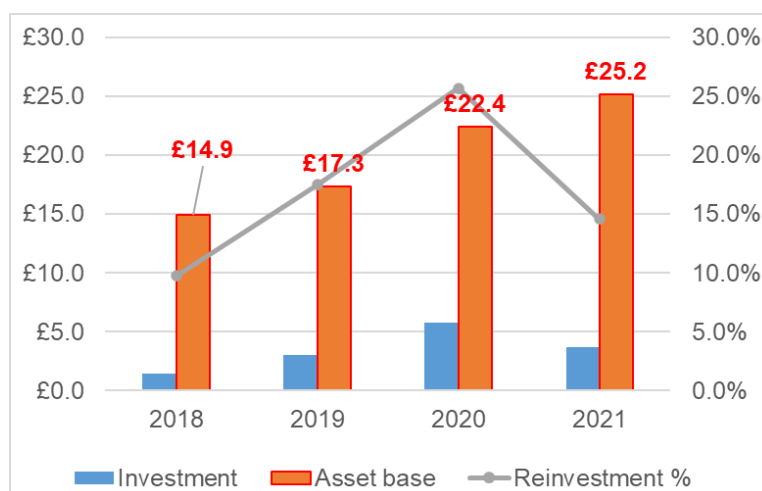
Metric 1 - Reinvestment %			
Definition: The investment in housing property during the year shown as a percentage of the total net book value of housing assets owned.			
2020-21 Result	2020-21 Target	2019-20 Result	Peer group median (2020)
14.6%	38.9%	25.7%	5.5%

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's asset base is growing quickly, and the annual level of investment must increase to maintain a high reinvestment ratios.

During the year, BCT invested £3.66m, against an asset value £25.2m giving a reinvestment value of 14.6%.

Factoring in the disruption from Covid-19, the Board set a target of £3.90m investment for 2020-21. Actual performance fell short by £0.24m, due in large part to a delay some works planned for the end of the year.

Significant projects were completed in the year: the £3.0m re-roofing scheme, £1.6m of lift replacements and the £2.2m refurbishment of the Dunn Terrace section of the Byker Wall.



The VFM targets for the year were set before the COVID-19 pandemic, and included an expectation that the Byker District heating system would be purchased for £6.8m during the year. All works and investments not undertaken during the year are expected to be carried out in future years.

The transfer of engagements to Karbon Homes will significantly boost the reinvestment ratio on the Byker Estate, with a large injection of investment directed towards the priorities our tenants have identified.

Report of the Board (continued)

Value for Money Statement (continued)

Metric 2A - New supply delivered – Social Housing Units			
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.			
2020-21 Result	2020-21 Target	2019-20 Result	Peer group median (2020)
0.0%	0.3%	0.1%	1.2%
Metric 2B - New supply delivered – Non-Social Housing Units			
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.			
2020-21 Result	2020-21 Target	2019-20 Result	Peer group median (2020)
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 a significant 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.

BCT missed its target to complete 4 new homes during the year through conversion of commercial properties across the Estate. This scheme was completed in June 2021.

The transfer to Karbon Homes will allow for a new appraisal of Byker's development sites with the aim of providing housing to meet the needs of the local area.

Report of the Board (continued)

Value for Money Statement (continued)

Metric 3 – Gearing			
Definition: The value of net debt and other financial obligations shown as a percentage of the value of assets.			
2020-21 Result	2020-21 Target	2019-20 Result	Peer group median (2020)
26.6%	48.1%	31.5%	36.3%

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 level for the year is 26.6%, being a net debt of £6.70m compared to asset values of £25.2m. BCT has a further £1.54m invested in deposit accounts.

BCT's gearing has reduced during the year. The target for 2020-21 was set prior to the Covid-19 disruption and was based on a much higher level of investment, and the purchase of the District Heating System.

Report of the Board (continued)

Value for Money Summary (continued)

Metric 4 - EBITDA-MR Interest Cover			
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.			
2020-21 Result	2020-21 Target	2019-20 Result	Peer group median (2020)
-99.7%	-498.6 %	-629.3%	196%

This metric is intended to show how well a housing association can afford its debt 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.

The 2020-21 result was -99.7% against a target of -498.6%. The target was based on a much higher level of major repairs which was not achievable under Covid-19 operating conditions.

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.

Report of the Board (continued)

Value for Money Summary (continued)

Metric 5 - Headline Social Housing Cost per Unit			
Definition: The running costs for the year divided by the number of social housing properties owned and/or managed.			
2020-21 Result	2020-21 Target	2019-20 Result	Peer group median (2020)
£5,698	£6,942	£6,608	£3,914

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 2020-21	BCT 2019-20
Management	£664	£726
Service costs	£1,812	£1,296
Routine & planned maintenance	£1,210	£1,272
Major repairs	£4	£2
Capitalised major repairs	£1936	£3,202
Other social housing costs	£69	£110
Total	£5,698	£6,608

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 approximately £1.5m or £845 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. BCT has invested in the district heating infrastructure and thermostats to reduce the operating costs of the system. In particular this year, BCT made provision to settle costs relating to the District Heating agreements with NCC.

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 improvement works to properties. In future years, the transfer of engagement to Karbon Homes will lead to an increase in major repairs works, as tenants will receive a new kitchen and bathroom, and significant improvements will be made to the Estate built environment.

Report of the Board (continued)

Value for Money Summary (continued)

Metric 6A - Operating Margin (social housing lettings only)			
Definition: The operating surplus shown as a percentage of turnover (for social housing lettings activity only).			
2020-21 Result	2020-21 Target	2019-20 Result	Peer group median (2020)
16.3%	19.3%	28.2%	18.6%
Metric 6B - Operating Margin (overall)			
Definition: The operating surplus shown as a percentage of turnover overall.			
2020-21 Result	2020-21 Target	2019-20 Result	Peer group median (2020)
15.4%	17.9%	26.1%	18.5%

BCT's operating margins for 2020-21 have reduced compared to the prior year. BCT's expenditure for the year was increased significantly by the provision for the settlement of costs relating to the operation of the District Heating System.

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.

Report of the Board (continued)

Value for Money Summary (continued)

Metric 7 Return on Capital Employed (ROCE)			
Definition: The operating surplus shown as a percentage of the total assets less current liabilities.			
2020-21 Result	2020-21 Target	2019-20 Result	Peer group median (2020)
8.8%	5.0%	9.5%	3.1%

BCT scores highly in this metric compared to peers. This metric shows the profitability of the housing association's assets. 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 higher than usual 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 tenants pay 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 was significantly lower than target, primarily due to the large District Heating charge during the year.

Report of the Board (continued)

Value for Money Summary (continued)

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

Rent collection rate		
Definition: The value of rent collected as a percentage of the rent charged in the year.		
2020-21 Result	2020-21 Target	2019-20 Result
98.38%	96.00%	99.97%
Void rent loss		
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.		
2020-21 Result	2020-21 Target	2019-20 Result
1.43%	2.00%	1.32%
Operating surplus		
Definition: The operating income less operating expenses for the year.		
2020-21 Result	2020-21 Target	2019-20 Result
£1,472,000	£1,496,500	£2,419,000

Under extremely difficult trading conditions, BCT maintained a very high level of performance, exceeding the revised targets set by the Board

There were difficulties during the year collecting rent as many of our tenants faced financial difficulties during the pandemic. BCT incurred larger than normal void rent losses during the first lockdown period.

The operating surplus was slightly below target, but only after significant charges relating to the District Heating System were recognised.

Report of the Board (continued)

Value for Money Summary (continued)

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

Key Performance Indicator	2020-21	2019-20	2018-19	Improvement?
Tenancy Turnover	9.40%	13.34%	14.16%	✓
Average Relet Time (days)	37.7 days	30.7 days	34.2 days	✗
Average cost of a responsive repair	£124	£94	£89	✗
Average cost of a void repair	£3,524	£2,563	£2,422	✗

The key performance indicators show a very different picture compared to the previous year, reflecting the operating conditions during the Covid-19 pandemic.

Tenancy turnover has reduced, as our tenants were less likely to move home during the periods of lockdown.

The average time to relet our properties has increased, as it has been more difficult to find new tenants during lockdown, and the works to make a property ready for letting have taken longer under social distancing rules.

We have had experienced smaller volume of repairs and voids properties which has pushed up the average cost.

Future Plans

During 2020-21 the BCT Board and shareholders approved the Transfer of Engagements to Karbon Homes.

The Board undertook a detailed consultation with tenants and stakeholders and came to the conclusion that joining with another, larger housing association was the correct strategic option to deliver value for money to the Byker Estate and its residents.

Report of the Board (continued)

Post Balance Sheet date events

Immediately following the balance sheet date, the FCA approved the transfer of BCT's engagements to Karbon Homes Limited. BCT made settlement to NCC of Byker district heating system costs, and repaid the YBS Loan and associated break costs. The commitment to make these payments is shown in the Statements.

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, the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, 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 2021 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 2021 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 Co-operative 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

In auditing the financial statements, we have concluded that the board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for a period of at least twelve months from when the financial statements were authorised for issue.

Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

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.

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.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Safety; Building and fire safety regulations including; the Housing Act 2004 and the Regulatory Reform (fire safety) order 2005; anti-bribery and corruption; and compliance with Co-operative and Community Benefit Societies Act 2014. From a review of these laws and regulations, there was no indication of any breaches within the financial year.

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

Auditor's responsibilities for the audit of the financial statements (continued)

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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. This description forms part of our auditor's report.

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 2021

		2021	2020
	Note	£	£
Turnover	2,3	9,178,533	9,271,346
Operating expenditure	2,3	(7,706,616)	(6,852,515)
Operating Surplus		1,471,917	2,418,831
Gain on disposal of fixed assets	5	107,712	166,104
Interest receivable	6	9,501	43,342
Interest payable and financing costs	7	(930,838)	(409,359)
Surplus for the year	8	658,292	2,218,918
Actuarial (loss) in respect of pension schemes	13	(330,000)	(180,000)
Total comprehensive income for the year		328,292	2,038,918

The results relate wholly to continuing activities. The notes on pages 33 to 55 form an integral part of these accounts.

The financial statements were approved and authorised for issue by the Board on August 2021 and were signed on its behalf by:

Chair of the Board:

Secretary:

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Financial Statements

Statement of Financial Position

For the year ended 31 March 2021

	Note	2021 £	2021 £
Fixed Assets			
Housing fixed assets	14a	25,183,163	22,379,571
Other fixed assets	14b	43,938	133,938
Debtors due after more than one year		179,200	179,200
Total fixed assets		25,406,301	22,692,709
Current Assets			
Trade and other debtors	15	644,926	1,177,378
Investments	16	1,538,820	2,530,420
Cash and cash equivalents	17	3,303,398	2,960,511
Total current assets		5,487,144	6,668,309
Less Creditors: amounts falling due within one year	18	(12,942,625)	(2,173,056)
<i>Net current (liabilities) / assets</i>		<i>(7,455,481)</i>	<i>4,495,253</i>
Total assets less current liabilities		17,950,820	27,187,962
Creditors: amounts falling due after more than one year	19	(805,683)	(10,743,116)
Provisions for liabilities			
Pension provision	13, 20	(981,000)	(609,000)
Total net assets		16,164,137	15,835,846
Reserves			
Non-equity share capital	21	28	29
Income and expenditure reserve		16,164,109	15,835,817
Total reserves		16,164,137	15,835,846

The financial statements were approved and authorised for issue by the Board on August 2021 and were signed on its behalf by:

Chair of the Board:

Secretary:

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Financial Statements

Statement of Changes in Reserves

For the year ended 31 March 2021

	Income and expenditure reserve	Non-equity share capital	Total
	£	£	£
Balance at 31 March 2019	13,796,899	27	13,796,926
	2,038,918	-	2,038,918
Non-equity share capital issued	-	6	6
Non-equity share capital redeemed	-	(4)	(4)
Balance at 31 March 2020	15,835,817	29	15,835,846
Surplus from Statement of Comprehensive Income	328,292	-	328,292
Non-equity share capital issued	-	-	-
Non-equity share capital redeemed	-	(1)	(1)
Balance at 31 March 2021	16,164,109	28	16,164,137

Statement of Cash Flows

For the year ended 31 March 2021

	2021	2020
	£	£
Net cash generated from operating activities (see Note 17b)	3,036,461	2,943,075
Cash flow from investing activities		
Purchase of tangible fixed assets	(3,513,183)	(5,609,929)
Grants received	67,500	-
Proceeds from sale of tangible fixed assets	168,230	171,824
Interest received	9,501	43,342
Movements to/(from) investments at valuation	991,600	(2,376,159)
Cash flow from financing activities		
Interest paid	(417,222)	(398,899)
Net change in cash and cash equivalents	342,887	(5,226,746)
Cash and cash equivalents at beginning of the year	2,960,511	8,187,257
Cash and cash equivalents at the end of the year	3,303,398	2,960,511

Notes to the Financial Statements

Note 1 - Principal 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

The Financial Statements have been prepared on a going concern basis.

BCT transferred its engagements to Karbon Homes Limited (Karbon) on 1 April 2021 at which point all BCT assets and liabilities transferred to Karbon, and Karbon assumed all BCT's contractual positions. Byker Community Trust will be subsequently de-registered. Going concern cannot therefore be demonstrated by reference to BCT's future cash flows.

Under the terms of the transfer, Karbon will continue to operate the assets for a social housing purpose, in broadly the same manner as before. The BCT and Karbon Boards agreed a combined business case incorporating the BCT operations as a going concern into the Karbon business plan. Only where contractual positions have been directly impacted by the transfer, have the Financial Statements reflected those changes. Otherwise the Board does not believe it is appropriate to make adjustments to asset values to reflect the cessation of trade within BCT.

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.

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.

Notes to the Financial Statements (continued)

Note 1 – Principal Accounting Policies (continued)

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 2021, 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.

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.

Notes to the Financial Statements (continued)

Note 1 Principal Accounting Policies (continued)

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 they 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

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:

	Years
Office furniture, fixtures and fittings	5
IT infrastructure	5

Notes to the Financial Statements (continued)

Note 1 Principal Accounting Policies (continued)

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 / (deficit)
	£	£	£
2021			
Social housing lettings (Note 3)	9,088,424	(7,605,446)	1,482,978
Charges for support services	90,109	(101,170)	(11,061)
Total	9,178,533	(7,706,616)	1,471,917
	Turnover	Operating expenditure	Operating surplus / (deficit)
	£	£	£
2020			
Social housing lettings	9,182,392	(6,748,392)	2,434,000
Charges for support services	88,954	(104,123)	(15,169)
Total	9,271,346	(6,852,515)	2,418,831

3. Particulars of turnover and operating expenditure from social housing lettings

	2021	2021	2021	2020
	General Needs	Supported	Total	Total
	£	£	£	£
Turnover				
Rent receivable net of identifiable service charges and net of voids	6,725,055	199,377	6,924,432	6,770,400
Service charge income	1,966,805	42,903	2,009,708	2,110,842
Amortised government grants	4,934	-	4,934	102,234
Other grants	4,600	-	4,600	36,646
Other income from social housing lettings	141,358	3,392	144,750	162,270
Total turnover from social housing lettings	8,842,752	245,672	9,088,424	9,182,392

Notes to the Financial Statements (continued)

3. Particulars of turnover and operating expenditure from social housing lettings (continued)

	2021	2021	2021	2020
	General Needs	Supported	Total	Total
	£	£	£	£
Operating Expenditure				
Management	(1,139,149)	(42,117)	(1,181,266)	(1,283,161)
Service charge costs*	(3,109,152)	(114,951)	(3,224,103)	(2,201,024)
Routine maintenance	(1,972,614)	(85,994)	(2,058,608)	(1,984,792)
Planned maintenance	(82,659)	(10,283)	(92,942)	(279,915)
Major repairs	(7,490)	-	(7,490)	(2,851)
Bad debts	(148,083)	(2,962)	(151,045)	(90,717)
Lease costs	(5,799)	(214)	(6,013)	(6,895)
Depreciation of housing properties	(693,893)	(67,459)	(761,352)	(702,616)
Community engagement	(118,255)	(4,372)	(122,627)	(196,421)
Total operating expenditure from social housing lettings	(7,277,094)	(328,352)	(7,605,446)	(6,748,392)

*Service charge costs include an accrued expense of £787,000 for settlement of obligations arising under Byker district heating agreements. BCT agreed to make immediate payment if the transfer of engagements to Karbon Homes was executed. Settlement was duly made on 1 April 2021.

Total operating surplus from social housing lettings	1,565,658	(82,680)	1,482,978	2,434,000
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(118,891)	(13,097)	(131,988)	(120,910)

	2020	2020	2020
	General Needs	Supported	Total
	£	£	£
Prior year operating surplus from social housing lettings	2,374,286	59,714	2,434,000

Notes to the Financial Statements

(continued)

4. Accommodation owned, managed and in development

	General Needs (Social Rent)	General Needs (Affordable Rent)	Supported Housing (Social Rent)	2021 Total	2020 Total
Owned					
At start of the year	1,694	14	71	1,779	1,783
Properties acquired	-	-	-	0	1
Properties developed	-	-	-	0	0
Properties sold	(3)	(1)	-	(4)	(5)
Total	1,691	13	71	1,775	1,783
Managed					
At start of the year	1,694	14	63	1,771	1,775
Properties acquired	-	-	-	0	1
Properties developed	-	-	-	0	0
Properties sold	(3)	(1)	-	(4)	(5)
Total	1,691	13	63	1,767	1,775

Notes to the Financial Statements (continued)

5. Gain on disposal of fixed assets		
	2021	2020
	£	£
Housing properties		
Proceeds of housing property sales	168,230	173,200
Less: costs of sales	(3,013)	(7,096)
Gain on housing property disposals	165,217	166,104
Other fixed assets	£	£
Loss on disposal of other fixed assets	(30,844)	-
Development costs written off	(26,661)	-
Total gain on disposal of other fixed assets	(57,505)	-
Total gain on disposal of fixed assets	107,712	166,104

6. Interest receivable		
	2021	2020
	£	£
Interest receivable and similar income on financial assets measured at amortised cost:		
Interest receivable from short term deposits	9,501	43,342
Total	9,501	43,342

7. Interest payable and financing costs		
	2021	2020
	£	£
Interest payable and financing costs on financial liabilities measured at amortised cost:		
Interest paid on net pension liability	13,000	10,000
On loans payable within five years	408,286	-
On loans wholly or partly repayable in more than five years	-	399,359
Loan breakage costs	510,000	-
Interest payable capitalised on housing properties under construction	(448)	-
Total	930,838	409,359
Capitalisation rate used to determine the finance costs capitalised during the period	3.66%	-

Notes to the Financial Statements (continued)

8. Surplus on ordinary activities

	2021	2020
	£	£
The operating surplus is stated after charging:		
Auditors remuneration (excluding VAT) - audit of the financial statements	9,350	9,350
Other audit fees (tax compliance)	1,250	-
Depreciation of housing properties	761,352	702,616
Depreciation of other fixed assets	63,201	59,558
Development costs written off	26,661	
Loss of disposal of other fixed assets	30,844	-
Operating lease rentals	6,013	6,895

9. Operating lease commitments

	2021	2020
	£	£
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 and equipment:		
Within one year	-	6,895
Total	-	6,895

Notes to the Financial Statements (continued)

10. Key Management Personnel remuneration

	2021	2020
	£	£
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive Directors	16,000	14,354
The aggregate emoluments paid to or receivable by executive Directors and former executive Directors	394,589	340,705
The emoluments paid to the highest paid Director excluding pension contributions	98,247	92,000
The aggregate amount of Directors' or past Directors' pensions, excluding amounts payable under a properly funded pension scheme	54,792	53,197

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 £18,388 (2020: £18,302) 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:		2021	2020
Name	Position	£	£
G Kay	Chair of the Board	5,000	3,608
J Coulter	Chair of the Board (to 23.9.2019)	-	2,333
A Patten	Committee chair	2,000	2,000
V Beattie	Board member	1,500	1,500
A Itiat	Board member	1,500	1500
N Emmerson	Board member	1,500	1000
K Tallintire	Board member	1,500	804
N Snowdon	Board member	1,500	804
C Prince	Board member	1,500	804
Total for board members receiving remuneration		16,000	14,354

Notes to the Financial Statements (continued)

11. Related parties

BCT's related parties are the tenant members of the Board.

Board members include three BCT tenants and one leaseholder who hold tenancy agreements on normal terms and cannot use their position to their advantage. Charges to current and former Board members was £17,140 (2020: £18,035). At the reporting period end BCT held a cumulative debtor of £544 (2020: £47) in relation these tenancies.

Related party balances are not secured.

12. Employee Information

	2021	2020
	No.	No.
The average number of persons employed during the year expressed in full time equivalents (37 hours per week)		
Office staff	21.4	22.8
Staff Costs	£	£
Wages and salaries	814,439	824,278
Social security costs	79,669	80,685
Other pension costs	144,778	142,390
Total staff costs	1,038,886	1,047,353
	2021	2020
	No.	No.
Aggregate number of full time staff whose remuneration exceeded £60,000		
£60,000-£70,000	-	-
£70,000-£80,000	1	3
£80,000-£90,000	2	-
£90,000-£100,000	-	-
£100,000-£110,000	-	-
£110,000-£120,000	1	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 2021 were £71,001 (2020: £69,025), of which employer's contributions totalled £47,073 (2020: £45,841) and employees' contributions totalled £23,928 (2020: £23,184). 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 2020 updated to 31 March 2021 by a qualified independent actuary.

	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019
Rate of increase in salaries	4.20%	3.40%	3.60%
Rate of increase for pensions	2.70%	1.90%	2.10%
Discount rate for scheme liabilities	2.10%	2.30%	2.50%
Inflation assumption (CPI)	2.70%	1.90%	2.10%

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

Notes to the Financial Statements (continued)

13. Pension obligations (continued)

Principal actuarial assumptions (continued)

The mortality assumptions at the accounting date are based on actual experience within the fund, as analysed in 2019 and allowing for expected future mortality improvements. Assumed life expectancies at age 65 in normal health are shown below:

	As at 31 March 2021	As at 31 March 2020
	Years	Years
Males	21.9	21.8
Females	25.1	25
Retiring in 20 years		
Males	23.6	23.5
Females	26.9	26.8

Analysis of other amounts charged to operating costs in the Statement of Comprehensive Income for the year ended 31 March 2021

	2021	2020
	£	£
Employer service cost (net of employee contributions)	76,000	74,000
Total operating charge	76,000	74,000

Analysis of pension finance costs

Interest on net defined liability	13,000	10,000
Total amounts charged to financing costs	13,000	10,000

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

Actuarial gains/(losses) on pension scheme assets	232,000	(105,000)
Actuarial losses on pension scheme liabilities	(562,000)	(75,000)
Total actuarial (loss) recognised	(330,000)	(180,000)

Movement in deficit during year

Deficit in scheme at beginning of the year	609,000	392,000
Movement in year:		
Employer service cost (net of employee contributions)	76,000	74,000
Employer contributions	(47,000)	(47,000)
Interest on net defined liability	13,000	10,000
Remeasurements	330,000	180,000
Deficit in scheme at 31 March 2021	981,000	609,000

Notes to the Financial Statements (continued)

13. Pension obligations (continued)

Asset and liability reconciliation

	2021	2020
	£	£
Reconciliation of liabilities		
Liabilities at start of period	2,162,000	1,757,000
Current service cost	76,000	74,000
Interest cost	50,000	47,000
Employee contributions	24,000	23,000
Remeasurements	562,000	75,000
Benefits paid	(1,000)	186,000
Liabilities at end of period	2,873,000	2,162,000
Reconciliation of assets		
Assets at start of period	1,553,000	1,365,000
Return on plan assets	37,000	37,000
Remeasurements	232,000	(105,000)
Employer contributions	47,000	47,000
Employee contributions	24,000	23,000
Benefits paid	(1,000)	186,000
Assets at end of period	1,892,000	1,553,000
Net liability at end of period	(981,000)	(609,000)

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
	£	£	£
Cost:			
At 1 April 2020	20,437,716	4,329,126	24,766,842
Additions:			
Development of new properties	-	222,822	222,822
Capitalised interest	-	448	-
Works to existing properties	175,460	3,268,285	3,443,745
Schemes completed	7,452,527	(7,452,527)	-
Recovery of VAT on fixed assets	(72,397)		(72,397)
Disposals:	(3,239)	(26,661)	(29,900)
As at 31 March 2021	27,990,067	341,493	28,331,560
Depreciation and impairment:			
At 1 April 2020	(2,387,271)	-	(2,387,271)
Depreciation charged in year	(761,352)	-	(761,352)
Disposals:	226		226
As at 31 March 2021	(3,148,397)	-	(3,148,397)
Net book value			
As at 31 March 2021	24,841,670	341,493	25,183,163
At 1 April 2020	18,050,445	4,329,126	22,379,571
		2021	2020
		£	£
Housing properties comprise:			
Freeholds		25,183,163	22,379,571
		2021	2020
		£	£
Expenditure on works to existing properties:			
Components capitalised		998,776	4,015,990
Improvements works capitalised		2,444,969	1,680,476
Total		3,443,745	5,696,466

Notes to the Financial Statements (continued)

14b. Fixed assets - other fixed assets

	Office improvements £	IT infrastructure £	Total £
Cost:			
At 1 April 2020	98,871	199,329	298,200
Additions	4,044	-	4,044
Disposals	-	(131,766)	(131,766)
As at 31 March 2021	102,915	67,563	170,478
Depreciation and impairment:			
At 1 April 2020	(59,324)	(104,938)	(164,262)
Depreciation charged in year	(20,111)	(43,090)	(63,201)
Disposals	-	100,923	100,923
As at 31 March 2021	(79,435)	(47,105)	(126,540)
Net book value			
As at 31 March 2021	23,480	20,458	43,938
At 1 April 2020	39,547	94,391	133,938

15. Trade and other debtors

	2021 £	2020 £
Amounts falling due within one year		
Rent arrears	1,427,930	1,346,789
Less provision for bad debt	(1,027,917)	(952,576)
Other debtors	174,551	683,760
Prepayment and accrued income	70,362	99,405
Debtors due within one year	644,926	1,177,378
Amounts falling due after more than one year		
Pension guarantee bond	179,200	179,200
Debtors due after more than one year	179,200	179,200

Notes to the Financial Statements (continued)

16. Investments

	2021	2020
	£	£
Investments at valuation	1,538,820	2,530,420
Total investments	1,538,820	2,530,420

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

17a. Cash and cash equivalents

	2021	2020
	£	£
Cash at bank and in hand	3,303,398	2,960,511
Total cash and cash equivalents	3,303,398	2,960,511

17b. Cash flow from operating activities

	2021	2020
	£	£
Surplus for the year	658,292	2,218,918
<i>Adjustments for non-cash items:</i>		
Depreciation of housing properties	761,352	702,616
Depreciation of other fixed assets	63,201	59,558
Grants recognised in income	(4,934)	(102,234)
Pension costs less contributions payable	29,000	27,000
Non-equity shares cancelled	(1)	(4)
<i>Movements in working capital</i>		
Decrease/(Increase) in trade and other debtors	480,230	(591,053)
Increase in trade and other creditors	163,299	428,355
<i>Adjustments for investing or financing activities:</i>		
Net gain on sale of fixed assets	(107,712)	(166,104)
Interest payable	930,838	409,359
Interest received	(9,501)	(43,342)
VAT reclaim (see Note 14)	72,397	
Non-equity shares issued	-	6
Cash flows from operations	3,036,461	2,943,075

Notes to the Financial Statements (continued)

18. Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	785,415	907,863
Deferred income	102,961	132,342
Other creditors	33,286	34,368
Accruals	1,769,580	889,301
Rents and service charges paid in advance	251,383	209,182
Loans due within one year	10,000,000	-
Total creditors: amounts falling due within one year	12,942,625	2,173,056

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

	Note	2021	2020
		£	£
Loans	19b, 19c	-	10,000,000
Deferred capital grant	24	805,683	743,116
Total creditors: amounts falling due after more than one year		805,683	10,743,116

19b. Debt analysis

	2021	2020
	£	£
Loans not repayable by instalments:		
In less than one year	10,000,000	-
In five years or more	-	10,000,000
Total loans	10,000,000	10,000,000

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.

On the 1 April 2021, BCT transferred its engagements to Karbon Homes Ltd. On that date, the £10m of loans became due for immediate repayment.

Notes to the Financial Statements (continued)

19c. Interest rate profile

	Total £	Fixed rate £	Weighted average rate %	Weighted average term Years
The interest rate profile of BCT at 31 March 2021 was:				
Non-instalment loans	10,000,000	10,000,000	3.66	3.78
The interest rate profile of BCT at 31 March 2020 was:				
Non-instalment loans	10,000,000	10,000,000	3.66	4.78
				£
At 31 March 2021 BCT had the following borrowing facilities:				
Total agreed facilities				26,000,000
Facilities available to be drawn				20,000,000
Of which: drawn facilities				10,000,000
At 31 March 2020 BCT had the following borrowing facilities:				
Total agreed facilities				26,000,000
Facilities available to be drawn				18,000,000
Of which: drawn facilities				10,000,000

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

	At 1 April 2020	Moves to/ from investments	Other activities	At 31 March 2021
	£	£	£	£
Cash and cash equivalents	2,960,511	991,600	(648,713)	3,303,398
Investments	2,530,420	(991,600)	-	1,538,820
Loans due within one year	-	-	-	(10,000,000)
Loans due after one year	(10,000,000)	-	-	-
Net debt	(4,509,069)	-	(648,713)	(5,157,782)

Notes to the Financial Statements (continued)

20. Provision for liabilities and charges

	Pension
	£
At 1 April 2020	609,000
Re-measurement changes	330,000
Difference between contributions payable and pensions costs	42,000
At the end of the year	981,000

21. Non-equity share capital

	2021	2020
	No.	No.
Allotted Issued and fully paid	29	27
Issued during the year	-	6
Redeemed during the year	(1)	(4)
At the end of the year	28	29

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

	2021	2020
	£	£
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	3,553,480	5,002,091
Capital expenditure that has been authorised by the Board but has not yet been contracted for	1,454,250	706,610
At the end of the year	5,007,730	5,708,701
BCT expects these commitments to be contracted within the next year and to be financed by:		
Capital grants and contributions	22,500	-
Committed loan facilities and cash balances	4,985,230	5,708,701
Total	5,007,730	5,708,701

Notes to the Financial Statements (continued)

23. Financial instruments

	2021	2020
	£	£
Financial assets that are debt instruments measured at amortised cost:		
Cash at bank and in hand	3,303,398	2,960,511
Trade debtors	400,013	394,213
Other debtors	174,551	683,760
Prepayments and accrued income	70,362	99,405
Investments	1,538,820	2,530,420
Pension guarantee bond	179,200	179,200
Total	5,666,344	6,847,509
Financial liabilities measured at amortised cost:		
Loans	10,000,000	10,000,000
Trade creditors	785,415	907,863
Other creditors	33,286	34,368
Accruals	1,769,580	889,301
Deferred income	102,961	132,342
Rents and service charges paid in advance	251,383	209,182
Deferred grant income	805,683	743,116
Total	13,748,308	12,916,172

Notes to the Financial Statements (continued)

24. Deferred grant income

	Social Housing Grant £	Other Capital Grants £	Total £
Total accumulated grants received			
At 1 April 2020	395,200	730,000	1,125,200
Grants received in year	67,500		-
Grants recycled to/from RCGF (note 25)	-		
As at 31 March 2021	462,700	730,000	1,192,700
Accumulated amortisation			
At 1 April 2020	(36,084)	(346,000)	(382,084)
Released to Income Statement in the year	(4,933)		(4,933)
As at 31 March 2021	(41,017)	(346,000)	(387,017)
Net book value			
As at 31 March 2021	421,683	384,000	805,683
At 1 April 2020	359,116	384,000	743,116

25. Recycled capital grant fund

	2021 £
At 1 April 2020	-
Grants recycled into fund	25,000
Recycling of grant: new build	(25,000)
At 31 March 2021	-
Amount of grant due for repayment	-

Notes to the Financial Statements (continued)

26. Post balance sheet events

On the 1 April 2021, BCT transferred all of its assets, liabilities and operations to Karbon Homes Limited (Karbon). Karbon is a Community Benefit Society (registration 7529) and, like BCT, is a private registered provider of social housing.

The Financial Statements have been prepared on a going concern basis, reflecting Karbon's intention to continue existing operations and honour existing liabilities and contracts.

Prior to the year end, BCT committed to two significant transactions which would be executed if and when the transfer of engagements took place. The first commitment was to make early repayment of BCT's £10m loan facility to YBS. The Financial Statements include a committed cost of £510,000 to break the loan arrangement, and the loan balance has been moved from long-term to short-term creditors. The loan and break costs were paid by Karbon on 1 April 2021.

The second item related to settlement of costs arising from the operation of the Byker district heating scheme. Prior to the year end, BCT and NCC agreed that, should the Transfer take place, existing agreements on this matter would be rescinded in favour of new agreements which included an obligation for BCT/Karbon to make immediate payment of £787,000. The payment was duly made on 1 April 2021, and the cost is shown as a service charge cost in operating expenditure.