

Company No. 04948659

**Barnet Homes Limited**  
**Annual Report and Financial Statements**  
**Year ended 31 March 2020**

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## 1. Company Information

### Directors

Eamon McGoldrick  
Terry Rogers  
Washington Ainabe  
Jeffrey Baker  
Tim Mulvenna  
Angela Purcell  
John Stephen  
Robert Webber

Chair (appointed 1 August 2019)  
Chair (retired 1 August 2019)

resigned 1 August 2019

resigned 1 August 2019

### Chief Executive Officer

Tim Mulvenna

### Executive Officers

Derek Rust  
Elliott Sweetman

### Company Secretary

Mike Gerrard (resigned 18 October 2019)  
Tim Mulvenna (appointed 21 October 2019,  
resigned 23 January 2020)  
Shaun McLean (appointed 23 January 2020)

### Registered Office

2 Bristol Avenue  
Colindale  
London  
NW9 4EW

### Registered Number

04948659

### Auditor

Grant Thornton UK LLP  
Victoria House  
199 Avebury Boulevard  
Milton Keynes  
MK9 1AU

### Bankers

Santander UK PLC  
T54 Ground Floor Ops  
Bridle Road  
Bootle  
Liverpool L30 4GB

## 2. Report of the Directors

The Board of Directors is pleased to present the financial statements of Barnet Homes Limited for the year ended 31 March 2020.

### Principal activities

Barnet Homes Limited (the 'Company') is an Arms Length Management Organisation (ALMO) owned indirectly by the London Borough of Barnet (the 'Council') via TheBarnetGroup Limited, which commenced its operations on 1 April 2004. The Council has delegated the management of its housing stock to the Company under Section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993). Under that delegation the Company is responsible for the following functions:

- Maintenance of the Council's residential stock including stock investment decisions and procurement, planned maintenance and responsive repairs;
- Housing management of the Council's residential stock, including rent collection, leasehold management, enforcement of tenancy and lease conditions, managing voids and estate management;
- Homelessness assessments, acceptances and procurement of property;
- Home ownership services;
- Calculation and collection of leasehold charges;
- Financial management of some aspects of the Housing Revenue Account (HRA);
- Tenant involvement and resident participation.

The original ten year management agreement expired on 31 March 2014 and continuation of the services was agreed via a one year delivery plan for the year 2015/16. In June 2015, the London Borough of Barnet's Housing Committee approved the Heads of Terms for a new 10 year management agreement which came into effect on 1 April 2016.

Barnet Homes Limited is a subsidiary of TheBarnetGroup Limited, a wholly owned local authority trading company of London Borough of Barnet. Barnet Homes Limited became part of TheBarnetGroup Limited on 1 February 2012. TheBarnetGroup Limited acts as an agent for Barnet Homes Limited in transacting with the Council. In substance, the Company operates as an ALMO in line with its original structure on 1 April 2004, but is under the direct ownership of TheBarnetGroup Limited. The London Borough of Barnet is the ultimate controlling party.

### Results for the year

The Company recorded a deficit of £3.221m (2019: £2.174m deficit) before the actuarial gain on the pension scheme of £4.879m (2019: £6.816m actuarial loss).

The reserves of the Company are:

Reserves £000	31 March 2020	31 March 2019
Pension fund	(35,049)	(37,186)
Revenue reserve (excluding IAS 19 provisions)	1,562	2,263
Retained earnings	(33,487)	(34,923)

### Directors

The names of the Directors who served during the year can be found on page 2.

### 3<sup>rd</sup> party indemnity provision for Directors

Directors are provided with indemnity insurance procured through TheBarnetGroup Limited for Personal Accident, and Directors' and Officers' indemnity.

### Disabled persons

Barnet Homes Limited is committed to equality and diversity and our goal is to embed it into our practices and everything we do. We want to ensure that all of the people we support receive the best possible service and that everyone is supported to develop and achieve to the best of their abilities.

Our objective is to ensure that services are provided fairly to all the people we support and that all of the people we support have equal opportunities.

For the people we support, we:

- Treat all of the people we support with dignity and respect;
- Consult and involve the people we support in planning the delivery of services;
- Engage with hard to reach groups to get their views;
- Target our services in a person centred way to ensure our service reflect the needs of the people we support.

### Employee information

We aim to achieve and promote equality of opportunity in all aspects of our recruitment, training, policies and practice and to facilitate a working environment where employees feel safe, supported, able to challenge, feel engaged with the organisation and where any discrimination is dealt with effectively.

As an employer we:

- Take positive action to develop a workforce that reflects the people we support;
- Ensure that all employees are supported to develop and grow to the best of their ability;
- Value the contribution our employees make toward achieving our objectives;
- Ensure that all our existing and future employees have equal opportunities.

### Charitable donations

No charitable donations were made by the Company for the year ended 31 March 2020 (2019: £nil).

### EU Political donations and expenditure

No political donations or expenditure were made for the year ended 31 March 2020 (2019: £nil).

### Donations to non-EU political parties

No political donations or expenditure were made for the year ended 31 March 2020 (2019: £nil).

### Payment policy

The Company pays suppliers where possible within suppliers' credit terms. Payments to suppliers were made on average within 30 days of receipt of the invoice (2019: 22 days).

### **Directors' Remuneration Report**

The Directors are defined as being the Board members of Barnet Homes Limited. The Independent Directors receive emoluments and are entitled to reimbursement of incidental expenses incurred when attending board meetings and other formal events in their capacity as board members. The Independent Directors are not entitled to pension benefits. These are the only transactions with the Independent Directors of the Company. Executive Directors, who are fully employed as officers of the Company, receive pension benefits. Executive Directors' remuneration is disclosed in notes 14.1.1 and 19.2.2 of the financial statements.

### **Code of Governance**

The Company has adopted the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition)' and confirm that the Company complies fully with the Code.

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Report of the Directors, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

### **Going Concern**

The company's business activities, its current financial position and factors likely to affect its future development are set out in the strategic report. In preparing the financial statements on the going concern basis, the Board considered the following:

- Management has prepared forecasts (including monthly cash flows) of expected results (including pension obligations) for the 2020/21 financial year and the following year. These demonstrate that the company has sufficient resources to meet all liabilities as they fall due for the foreseeable future and for at least for the 12 months following the approval of these accounts.
- That in the event of a disorderly Brexit, the company has sufficient liquid resources and suitable mitigating actions available in the short, medium and long-term to manage the impact of increased inflation and potential increased operating costs.
- That in the event the Covid-19 crisis endures for much of the next few months, the company has sufficient liquid resources and suitable mitigating actions available in the short, medium and long-term to manage the impact on operational and financing activities.
- In line with International Accounting Standard 19, the Company's pension deficit is recognised in full in the Statement of Financial Position and this is stated at £35.049m at 31 March 2020 (2019: £37.186m). However, the London Borough of Barnet has fully guaranteed the Company's pension deficit at the point of its incorporation (on 1 April 2004). International Accounting Standard 19 relates to the assessment of the employer's liability in respect of the pension scheme, which has the impact of increasing or reducing the pension deficit on the Statement of Financial Position. This is an accounting rule which shows the current estimate of future pension costs and has no impact on the Company's current liquidity.
- The London Borough of Barnet has confirmed its intention to offer support to TheBarnetGroup Limited if this is required; such support would then allow TheBarnet Group to support Barnet Homes Limited if the forecasts are materially inaccurate.

The Directors have reviewed the Company's forecasts as described above and on this basis, as well as the London Borough of Barnet's stated intention to support TheBarnetGroup, the Board consider preparation of the Financial Statements on a going concern basis to be appropriate.

### **Auditor**

Following a tender process carried out in July 2020, the Board approved the re-appointment of Grant Thornton UK LLP as auditors and Grant Thornton UK LLP has expressed their willingness to remain in office. A resolution to reappoint Grant Thornton UK LLP as auditor will be proposed at the Annual General Meeting.

### **Other information**

The strategic report below and the remainder of these financial statements, includes important information regarding events after the year-end, Covid-19 and other relevant matter pertinent to the Association and understanding the operations and financial position of the Association. As such the entire Annual report and financial statements document should be read, not only the Report of the Directors.

### **Approval and signature**

The report of the Directors was approved by the Board on 22 July 2020 and signed on its behalf by:



**Eamon McGoldrick, Chair**

### **3. Strategic Report**

#### **Principal Risks and Uncertainties**

##### **COVID-19**

Firstly, myself and the entire Board wish to extend our condolences to all staff, residents and members of the communities served by The Barnet Group, who have lost loved ones to Coronavirus. The pandemic has affected our lives in so many ways. Some impacts will be temporary, but others will be longer term and permanent. We will work with all our partners to mitigate the negative impacts and continue to support our most vulnerable service users going forward.

The terrible Coronavirus that forced the lockdown of most of the UK started just before the year-end, meaning that the impact on the results for the financial year ended 31 March 2020 has been minimal. Government rules around services that could remain open and guidance to residents meant that delivering repairs services was amended to 'emergencies only' whilst Barnet Homes continued to deliver its statutory compliance services.

The financial impact on the core property management contract, of the virus in the March 2021 financial year should not be too significant as the company's revenue is a fixed fee from the Council. There may be some additional costs but these will in the main be paid for by the Council. The impact on services however is likely to be significant; customers not wanting service people to enter their homes, along with the use of court powers being limited will likely mean that there will be periods where 100% compliance with all statutory health and safety requirements will not be met. There are contingency plans in place to minimise this, but these cannot guarantee compliance. There will also likely be a significant backlog of repairs that need to be done. The company is fortunate in that it had already decided to cancel its contract with its third-party contractor and to provide this service with newly recruited staff of the organisation. This change was due to happen 1 April 2020, but then postponed to 1 July 2020 due to the virus. Having our staff able to do these works will mean we can schedule jobs in an optimal way and hopefully clear the backlog as fast as practical. Other performance metrics within the Agreement with the Council will also likely be affected by the changes in legislation (example not being able to evict tenants during the lockdown period and so rent arrears increasing).

The financial impact of the other services Barnet Homes provides such as development services and also managing housing acquisition programs for 3<sup>rd</sup> parties is likely to be much more significant. Depending on the length of the 'lockdown' and even once that has ended, what the levels of housing sales in the Barnet area will be will likely mean that revenues from these areas of business will be lower. The value is impossible to estimate at this time as some of the impacts during the 'lockdown' may be mitigated by improved performance later in the financial year. The Board though believe that Barnet Homes has sufficient operational reserves for the company to continue as a going concern as much of the revenue lost will be recovered in future years.

##### **Operations**

The Company's principal source of income is a fixed management fee from the London Borough of Barnet, which is paid monthly in advance in accordance with the Agreement. The fee is set in advance, and the main risk to the Company is that it is not able to deal with inflationary pressures and the contractual efficiencies in the management fee.

The collection of rents and service charge income does not affect the Company directly, as such payments are made to the Council's Housing Revenue Account (HRA), but it is a key performance measure for the Company.

The number of homes managed under the Agreement continues to reduce. The Council's regeneration programme progressed with 50 properties decanted for regeneration purposes in the year (2019: 118). Right to Buy (RTB) sales amounted to 37 units (2019: 41 units).

The continuing high level of demand for housing and the lack of availability of affordable accommodation results in additional General Fund expenditure for temporary accommodation and resource pressures on the Company's services.



The HRA Business Plan has been significantly impacted by the Government Policy of a 1% rent cut each year in the period to March 2020. From April 2020 the Council has elected to increase rents by 2.7% (being CPI + 1%) as permitted in the rent Standard.

The Company has a Registered Provider (RP) subsidiary to deliver the first phase of 341 new homes in the borough. The first 56 properties have been completed with a further 225 on site and due to be completed in the next couple of years. The business plan for the RP has identified risks associated with property development, construction costs, managing a debt facility, inflation and rent increase assumptions.

The health and safety of the council's residents is of prime importance to the company. The risks of non-compliance and thus a potential impact on the safety of residents is a significant risk for the Council and thus the company. Board receives updates on compliance at each Board meeting and management monitor performance on a monthly basis.

There continues to be significant uncertainty as to the terms the UK will have negotiated with the EU once the current transition period of Brexit ends. It is not currently possible to accurately evaluate all the potential impacts on Barnet Homes, its customers, suppliers or the wider economy. Utilising guidance published by the Regulator of Social Housing and other sources, the main areas of risk assessed are supply of materials both for large maintenance works (replacement kitchens, bathrooms and roofing works as examples) to be done to properties but also day to day repairs. Suppliers and contractors have all provided assurance that they have appropriate supply chain mitigations to mitigate this risk. Review of these supply chains and their mitigations are reviewed on an ongoing basis and reflected in the company's risk register.

These risks have been reported to and reviewed by TheBarnetGroup Limited's Audit and Risk Committee during the year.

### Key financial performance indicators

#### Overview

The deficit for the year was £3,221,000 (2019: £2,174,000 deficit).

#### Annual Housemark Benchmarking Exercise

The most recent annual Housemark benchmarking exercise is based on 2018/19 data and compares performance against our peers, including 22 London Councils and Arm's Length Management Organisations (ALMOs). The benchmarking exercise focuses on service area costs, performance and customer satisfaction relating to core housing management functions and does not include aspects of housing options or homelessness or functions considered to be non-core.

#### Cost Per Property Summary

2018/19 (latest data)	Result	Rank	Quartile	2017/18
Housing management cost per property	£364	2	Q1	£323 (Q1)
Repairs and voids cost per property	£616	1	Q1	£584 (Q1)
Estate services cost per property	£261	2	Q1	£231 (Q1)
Leasehold cost per property	£325	1	Q1	£295 (Q1)

## Quality and Performance

2018/19 (2017/18)	Upper Quartile	2nd Quartile	Median	3rd Quartile	4th Quartile
Number of performance indicators	10 (10)	8 (6)	2 (0)	4 (8)	2(2)
% of total	38% (38%)	31% (23%)	8% (0%)	15% (27%)	8% (12%)
	Above Average 69% (61%)		8% (0%)	Below Average 23% (39%)	

### Key non-financial performance indicators

The key performance indicators (KPIs) used to monitor achievement of the Company's main objectives are set out on the following pages. The Board and London Borough of Barnet agree targets each year that are designed to manage and deliver continuous improvement as outlined in the management agreement. Not all the key performance indicators impact on the Company's financial results, as they are delivered by the Company for the Council and are mostly accounted for in the HRA. They are however, the key indicators in determining the Company's performance acting in its role as a provider of services for homelessness and housing management on behalf of the Council. Where targets are agreed, these have been shown.

### Allocations and Lettings

Average re-let times in days	2019/20	2018/19
Routine lettings (2019/20 target 16 days)	15.5	15.6
Major works lettings (2019/20 target 40 days)	78.7	44.3

The above table shows the average re-let times performance for the year 2019/20 compared to performance from the previous year.

Performance for the year on routine lettings was on target and in line with prior year. The performance of major works lettings was well below target mainly due to a number of previously fire damaged properties that have taken years to return to lettable condition as they had to be investigated by the insurers as well as the extent of the works was significant due to the severity of the fire.

### Households in Temporary Accommodation

	2019/20	2018/19
Number of households in Emergency Temporary Accommodation (ETA) (2019/20 target 200)	253	275
Number of Households in Temporary Accommodation (TA) (2019/20 target 2,400)	2,467	2,545

The number of households in emergency temporary accommodation is naturally not where the Council would like it to be, the numbers continue to reduce and has done so by 20% since August 2018. More importantly, it should be noted that the total number of households in all forms of temporary accommodation continued its reduction over the course of the year despite the challenges presented by the implementation of the Homelessness Reduction Act in April 2019.

	2019/20	2018/19
Number of lettings to Barnet Homes managed properties	354	387
Number of regeneration property lettings	66	66
Number of private sector lettings (2019/20 target 625)	676	683

### Homelessness Preventions

	2019/20	2018/19
Number of homelessness preventions (2019/20 target 1,148)	1,221	1,162
Number of regeneration decants	50	118

In 2019/20, 1,221 homelessness preventions were achieved, evidencing an improvement on the 1,162 achieved in 2018/19. This was despite the challenges presented by the implementation of the Homelessness Reduction Act in April 2019.

The Barnet Homes Welfare Reform Task Force and BOOST prevented homelessness in 55 households last year, helped 246 people into work and off the benefit cap, assisted 80 people to move to more affordable accommodation, gave out 915 discretionary housing payments with a total value of £1.72m, helped 117 clients to move onto disability benefits and off the benefit cap, received 440 referrals for help with universal credit and made 1,226 appointments for welfare benefit advice.

### Rent Collection and Arrears

	31 March 20	31 March 19
Number of tenants in arrears	3,553	3,716
Average arrears	£576	£496
Number of tenants more than 7 weeks in arrears	654	614
Arrears as a percentage of the debit (2019/20 target 3.3%)	3.72%	3.20%

Year-end performance was behind target by an equivalent of £200k on an annual rent roll of £57m and just over 0.5% decline over the prior year. Performance during the year has consistently been close to target, but at year-end the impact of the Covid-19 pandemic did impact on customers paying, but also changes with how staff had to work meant that there were some delays and issues before normal collection practices could continue, all of which meant the year-end performance against most of the measures was weaker than the prior year. It is expected that arrears will increase due to the significant economic impact the pandemic will cause. Also, Government has passed legislation meaning that tenants cannot be evicted in the period until June 2020.

The number of current tenants in arrears for 7 weeks or more was 654 (2019: 614). This area of work continues to be targeted with extra resources to support the management of these high-level arrears cases.

### Repairs and Gas servicing

Responsive repairs satisfaction was 84.3% (2019: 95.1%) against a target of 96%. This is arrived at from a combination of contractor surveys and Barnet Homes' internal surveys. Repairs "first time fix" level at 87.3% was well below the target of 92%. These poor satisfaction scores reflect one of the reasons that Barnet Homes had decided to transfer the operations of these services from a 3<sup>rd</sup> party contractor and provide them 'in-house'. A project group was established to manage this transition and many staff from the contractor were due to transfer to Barnet Homes under TUPE regulations with effect from 1 April 2020. The coronavirus pandemic meant that the transfer of these services did not happen on that date but did so on 1 July 2020. The main reason for the postponement was that Barnet Homes could not be assured of access to Personal Protective Equipment and materials to carry out any works required and so could not be assured of the safety of the new staff or the customers.

Gas servicing achieved 100% compliance in 2019/20 (as it also did in 2018/19 and 2017/18) throughout the housing stock of 8,708 properties with a domestic gas supply.

### Major Works Capital Investment Programme

A total of £30.6m (2019: £27.5m) worth of capital investment works were delivered throughout the year, including £10m (2019: £6m) of fire safety improvement works. Resident satisfaction with the major works programme was 99.2% (2019: 96.9%) against a target of 95%.

### Resident Safety (Fire Safety)

	2019/20	2018/19
Scheduled fire risk assessments completed (council housing) on time	100%	100%
Percentage of priority 1 and 2 FRA actions completed in period	100%	100%

The above two resident safety related indicators were introduced to measure the progress and efficiency of ongoing fire safety measures following the Grenfell Tower fire. Both indicators have a target of 100% and achieved 100%.

Good progress was made throughout the year on delivering the £52m fire safety stock improvement programme, with a total of £19.5m being spent by the end of 2019/20. Despite some minor delays towards the end of quarter 4 due to the impacts of Covid19, delivery of the high priority (category one) works programme was good throughout the year. The sprinkler and alarm installation programme to tower blocks and sheltered housing and hostel schemes commenced in quarter 4 as did the flat front entrance door replacement programme.

### Approval and signature

The strategic report was approved by the Board on 22 July 2020 and signed on its behalf by:



Eamon McGoldrick, Chair

## **Independent auditor's report to the members of Barnet Homes Limited**

### **Opinion**

We have audited the financial statements of Barnet Homes Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 company 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.

### **The impact of macro-economic uncertainties on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

### **Conclusions relating to going concern**

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

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

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

## **Independent auditor's report to the members of Barnet Homes Limited**

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors has been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are 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 directors determine 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Independent auditor's report to the members of Barnet Homes Limited**

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

**Victoria McLoughlin BA FCA**  
**Senior Statutory Auditor**  
**for and on behalf of Grant Thornton UK LLP**  
**Statutory Auditor, Chartered Accountants**  
**Leeds**

*16 October 2020*

**BARNET HOMES LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2020 £'000	2019 £'000
Revenue	3	67,834	63,915
<b>Expenses</b>			
Employee benefits	14	(18,892)	(17,222)
Depreciation and amortisation	5	(1,413)	(642)
Net impairment losses on financial assets and contract assets		(44)	117
Other expenses	4	(49,740)	(47,639)
<b>Operating loss</b>	5	(2,225)	(1,471)
Finance income	6	1,627	1,689
Finance costs	6	(2,546)	(2,331)
<b>Loss before tax</b>		(3,174)	(2,113)
Income tax expense	17	(47)	(61)
<b>Loss after tax</b>		(3,221)	(2,174)
<b>Other comprehensive income</b>			
Actuarial gain on defined benefit pension scheme	14	4,879	(6,816)
<b>Total comprehensive income for the year</b>		<b>1,658</b>	<b>(8,990)</b>
<b>Total comprehensive profit/(loss) is attributable to:</b>			
TheBarnetGroup Limited		1,658	(8,990)
<b>Reconciliation of total loss for the year after tax</b>			
		<b>2020</b>	2019
		£'000	£'000
Operational loss for the period		(479)	(369)
Loss from IAS19 pension fund accounting entries		(2,742)	(1,805)
<b>Total loss for the year after tax</b>		<b>(3,221)</b>	<b>(2,174)</b>

The accompanying accounting policies and notes form part of the financial statements.

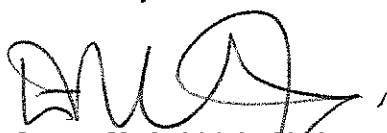
The above results are derived from continuing operations.



**BARNET HOMES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2020**

	Note	2020 £'000	2019 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Loan to associated company	9	2,052	1,751
<b>Tangible Assets</b>			
Property, plant and equipment	7	34	158
Right of use assets	7.1	4,311	-
<b>Intangible Assets</b>			
Computer software and development	8	1,803	1,770
		<u>8,200</u>	<u>3,679</u>
<b>Current assets</b>			
Loan to associated company	9	200	150
Trade and other receivables	10	22,704	8,149
Cash and cash equivalents	11	1,072	1,171
		<u>23,976</u>	<u>9,470</u>
<b>Total assets</b>		<b><u>32,176</u></b>	<b><u>13,149</u></b>
<b>EQUITY and LIABILITIES</b>			
<b>EQUITY</b>			
Revenue reserve (excluding IAS 19 provisions)		1,562	2,263
Pension fund		(35,049)	(37,186)
Retained earnings		(33,487)	(34,923)
<b>Total Equity</b>		<b>(33,487)</b>	<b>(34,923)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Pension and other employee obligations	14	35,049	37,186
Lease liabilities	12	3,732	-
Provisions	15	44	44
		<u>38,825</u>	<u>37,230</u>
<b>Current liabilities</b>			
Trade and other payables	16	25,999	10,781
Lease liabilities	12	792	-
Current tax liabilities	17	47	61
		<u>26,838</u>	<u>10,842</u>
<b>Total liabilities</b>		<b>65,663</b>	<b>48,072</b>
<b>Total equity and liabilities</b>		<b><u>32,176</u></b>	<b><u>13,149</u></b>

The financial statements were authorised and approved by the Board on 22 July 2020 and signed on its behalf by:



**Eamon McGoldrick, Chair**  
**Company Number: 04948659**

The accompanying accounting policies and notes form part of the financial statements.

**BARNET HOMES LIMITED**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £'000	2019 £'000
Total comprehensive income for the year		1,658	(8,990)
Interest income		(4)	(7)
Interer-company loan interest		(159)	(136)
Depreciation of property, plant and equipment		813	136
Amortisation of intangible assets		600	506
Loss on disposal of fixed assets		44	-
Net impairment losses on financial assets and contract assets		44	(117)
(Increase)/ decrease in trade and other receivables		(14,599)	7,327
Increase/(decrease) in trade and other payables		15,218	(7,364)
(Decrease)/increase in pension and other employee obligations	14	(2,137)	8,621
Decrease in provisions	15	-	(20)
Taxes accrued		47	61
Taxes paid		(61)	(41)
<b>Net cash from operating activities</b>		<u>1,464</u>	<u>(24)</u>
<b>Cash flows from investing activities</b>			
Interest received	6	4	7
Inter company loan interest	6	159	136
Purchases of intangible assets	8	(633)	(481)
Loan granted to associated company	9	(351)	(1,389)
<b>Net cash used in investing activities</b>		<u>(821)</u>	<u>(1,727)</u>
<b>Cash flows from financing activities</b>			
Principal element of lease payments		(742)	-
<b>Net cash from financing activities</b>		<u>(742)</u>	<u>-</u>
Net decrease in cash and cash equivalents		(99)	(1,751)
Cash and cash equivalents at beginning of year		1,171	2,922
<b>Cash and cash equivalents at end of year</b>		<u>1,072</u>	<u>1,171</u>

The accompanying accounting policies and notes form part of the financial statements.

**BARNET HOMES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

	Revenue Reserve £000	Pension Reserve £000	Total retained earnings and equity £'000
<b>Balance as at 1 April 2018</b>	2,632	(28,565)	(25,933)
Loss after tax	(369)	(1,805)	(2,174)
Operational loss for the year			
Other comprehensive income for the year	-	(6,816)	(6,816)
Total comprehensive income for the year	(369)	(8,621)	(8,990)
<b>Balance as at 31 March 2019</b>	<b>2,263</b>	<b>(37,186)</b>	<b>(34,923)</b>
<b>Balance as at 1 April 2019</b>	<b>2,263</b>	<b>(37,186)</b>	<b>(34,923)</b>
Adjustment from the adoption of IFRS 16	(222)	-	(222)
Adjusted balance as at 1 April 2019	<b>2,041</b>	<b>(37,186)</b>	<b>(35,145)</b>
Loss after tax	(479)	(2,742)	(3,221)
Other comprehensive income:	-	4,879	4,879
Total comprehensive income for the year	(479)	2,137	1,625
<b>Balance as at 31 March 2020</b>	<b>1,562</b>	<b>(35,049)</b>	<b>(33,487)</b>

The accompanying accounting policies and notes form part of the financial statements.

**BARNET HOMES LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2020**

**1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS**

Barnet Homes Limited is a company established with no share capital and limited by guarantee. The Company is incorporated and domiciled in England and Wales. The address of the registered office is 2 Bristol Avenue, Colindale, London N9 4EW. The Company's registration number is 04948659.

Barnet Homes Limited is a subsidiary of TheBarnetGroup Limited. TheBarnetGroup Limited is a local authority trading company, wholly controlled by London Borough of Barnet. Barnet Homes Limited will continue to operate in the same way as under its previous structure ALMO management agreement with the London Borough of Barnet, albeit under TheBarnetGroup Limited structure.

The financial statements of the Company have been prepared in accordance with the International Financial reporting standards (IFRS) as adopted by the European Union and as developed and published by the International Accounting Standards Board (IASB) and on a historical cost basis.

**Implementation of new accounting standards and policies.**

IAS 8.30 requires entities to disclose Standards issued but not yet effective that they will apply in the future. As part of this disclosure, entities must provide known or reasonably estimable information relevant to assessing the possible impact the new IFRS will have on their financial statements in the period of initial application. For new or amended IFRS or Interpretations that are expected to have a material impact, entities should consider disclosing the title of the new IFRS Standard, the nature of the expected change in accounting policy, the effective date of the Standard, and the date at which the entity intends to first apply the Standard (IAS 8.31). Where there is not expected to be a material impact, it is not necessary to do this, and doing so may actually contribute to disclosure overload. At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

**IFRS 16 'Leases'**

IFRS 16 'Leases' replaces IAS 17 'Leases'. It makes major changes to the previous guidance on the classification and measurement of operating leases.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating lease liabilities. The new Standard has been applied using the modified retrospective approach, with the cumulative retrospective effect of adopting IFRS16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

On transition to IFRS 16, the incremental borrowing rate applied to lease liabilities was 3.5% which is the estimated rate the company could achieve if borrowing funds.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of the initial application of IFRS 16, being 1 April 2019. At this date the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

**BARNET HOMES LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2020**

**1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS CONTINUED**

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 April 2019:

	Carrying amount at 1 April 2019	Reclassification	IFRS 16 carrying amount at 1 April 2019
	£000	£000	£000
Right of use assets	-	4,419	4,419
Lease Liabilities	-	4,641	4,641
Revenue reserve	2,263	(222)	2,041

**Presentation of financial statements**

The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007). The Company has elected to present the statement of comprehensive income in one statement: the 'Statement of Comprehensive Income'.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements are for the year ended 31 March 2020 and are presented in British Pounds Sterling rounded to the nearest thousand. The functional currency is also British Pounds Sterling.

The financial statements have been prepared in accordance with IFRSs as adopted for use in the European Union, and under the historical cost convention.

The principal accounting policies of the Company are set out below and have been consistently applied to all years presented in these financial statements.

The principal accounting policies have remained unchanged from prior year except where stated.

**Going Concern**

The company's business activities, its current financial position and factors likely to affect its future development are set out in the strategic report. In preparing the financial statements on the going concern basis, the Board considered the following:

- Management has prepared forecasts (including monthly cash flows) of expected results (including pension obligations) for the 2020/21 financial year and the following year. These demonstrate that the company has sufficient resources to meet all liabilities as they fall due for the foreseeable future and for at least for the 12 months following the approval of these accounts.
- That in the event of a disorderly Brexit, the company has sufficient liquid resources and suitable mitigating actions available in the short, medium and long-term to manage the impact of increased inflation and potential increased operating costs.
- That in the event the Covid-19 crisis endures for much of the next few months, the company has sufficient liquid resources and suitable mitigating actions available in the short, medium and long-term to manage the impact on operational and financing activities.

## **BARNET HOMES LIMITED**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

- In line with International Accounting Standard 19, the Company's pension deficit is recognised in full in the Statement of Financial Position and this is stated at £35.049m at 31 March 2020 (2019: £37.186m). However, the London Borough of Barnet has fully guaranteed the Company's pension deficit at the point of its incorporation (on 1 April 2004). International Accounting Standard 19 relates to the assessment of the employer's liability in respect of the pension scheme, which has the impact of increasing or reducing the pension deficit on the Statement of Financial Position. This is an accounting rule which shows the current estimate of future pension costs and has no impact on the Company's current liquidity.
- The London Borough of Barnet has confirmed its intention to offer support to TheBarnetGroup Limited if this is required; such support would then allow TheBarnet Group to support Barnet Homes Limited if the forecasts are materially inaccurate.

The Directors have reviewed the Company's forecasts as described above and on this basis, as well as the London Borough of Barnet's stated intention to support TheBarnetGroup, the Board consider preparation of the Financial Statements on a going concern basis to be appropriate.

#### **Revenue**

##### **Housing Management**

The Company's main source of income is the housing management fee received from London Borough of Barnet in line with the approved management agreement. The Company provides certain housing management services to the public, including housing options, tenancy management, repairs and maintenance, on behalf of the Barnet Council. The agreement has a duration of ten years commencing in April 2016 and ending in March 2026. The housing management fee has been agreed with the Council on a fixed basis for the first 5 year period ending in Year 2020/21, subject to annual reviews taking into account factors including five year business plan, any changes in government policy affecting delivery of the services, and the prevailing rate of CPI inflation. The Company satisfies its performance obligations as the housing management services are provided, and charges the Council on a monthly basis. As the monthly invoices reflect the services performed during a particular month, the Company recognises its revenue over time when the invoices are raised.

##### **Adult social services**

The Company's adult social services arm has an agreement with the Council to provide supported living services, day services and respite support services to the public.

The agreement has a duration of five years, commencing in February 2017 and can be extended for a further two years in April 2022. The Company satisfies its performance obligations as the adult social services are provided. The Company recognises its revenue over time using the input method, on the basis of hours incurred in the delivery of services and charging rates as set out in the agreement. The Company determines that the input method is the best method in measuring progress, because there is a direct relationship between the time incurred and the transfer of service to the end customer.

In addition, the Company has a stand-ready obligation to provide rehabilitation services to the public, and charges the Council on a monthly basis. The Company satisfies its performance obligations during the period in which it is standing ready to provide the services, even if those services have not been requested from the Council and provided. On the basis that the Council is obtaining the benefit of the Group standing ready as this stand-ready service is provided, the Group has determined that the revenue arising from providing this stand-ready service should be recognised over time, based on the time spent standing ready.

## **BARNET HOMES LIMITED**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

#### **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at historic cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the costs on a straight-line basis over their expected useful lives (with no charge in the year of acquisition) as follows:

Vehicles, plant & equipment: 5 years

Furniture, fixtures & fittings: 5 years

Mobile devices: 5 years

Computer equipment: 5 years

Right of Use assets are depreciated over the life of the lease.

The profit or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

#### **Intangible assets - computer software**

Acquired computer software is capitalised on the basis of the costs incurred to acquire and to bring into use the specific software. Computer software is depreciated over 5 years (with no charge in the year of acquisition), being the useful economic life of the software. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised as described above.

Computer software and development is amortised over a 5 year period.

#### **Leases**

For any new contracts entered into on or after 1 April 2019, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract or part of a contract, that conveys a right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the company has the right to direct the use of the identified asset throughout the period of use. The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

#### **Measurement and recognition of leases as a lessee**

At lease commencement date, the company recognises a right of use asset and a lease liability on the Statement of Financial Position. The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The company depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The company also assesses the right of use asset for impairment when such indicators exist.

At the commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that is readily available or the company's incremental borrowing rate.

## **BARNET HOMES LIMITED**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are any changes in in-substance lease payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

The company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payment in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the Statement of Financial Position, right of use assets and lease liabilities have been separately identified.

#### **Financial assets**

Financial assets can be classified in the following categories: at amortised cost, at fair value through other comprehensive income, and at fair value through profit or loss. The classification depends on the business model within which the financial asset is held and contractual cash flow characteristics of the financial asset. Management determines the classification of its financial assets at initial recognition.

All income and expenses relating to financial assets are recognised in profit and loss and are presented within 'finance cost', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'other expenses'.

#### **Financial assets at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company holds trade and other receivables at amortised cost.

The Company recognises impairment losses for most financial assets (except for purchased or originated credit-impaired financial assets) on initial recognition at an amount equal to 12-month expected credit losses, which reflect the portion of lifetime cash shortfalls resulting from possible default events within 12 months after the reporting date. However, if there is a significant increase in credit risk since initial recognition, the impairment loss is measured at an amount equal to full lifetime expected credit losses, which reflect the lifetime cash shortfalls resulting from all possible default events over the life of the financial asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses.



## **BARNET HOMES LIMITED**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Loss allowances for the loan to associated company are initially measured at an amount equal to 12-month expected credit losses. If there is a significant increase in credit risk since initial recognition, the impairment loss will be measured at an amount equal to full lifetime expected credit losses.

#### **Financial liabilities**

Financial liabilities include borrowings and trade and other payables.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Financial liabilities are contractual obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in profit or loss. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accruals basis using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### **Contract assets**

If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised when the Company satisfies a performance obligation but does not have an unconditional right to consideration. Contract assets are in contrast to receivables, which represent the Company's unconditional right to an amount of consideration (i.e. only the passage of time is required before payment of the consideration is due).

Contract assets are subject to the impairment requirements under IFRS 9. Consistent with trade and other receivables, the Company measures lifetime expected credit losses for contract assets.

#### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or when consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or when the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company satisfies the performance obligation.

#### **Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost. Generally, this results in their recognition at their nominal value.

#### **Income tax**

The relationship between the Company, TheBarnetGroup and the London Borough of Barnet has been recognised as one of mutual trading. Consequently, any activities between the Company, its parent company and the London Borough of Barnet are not liable to corporation tax. Albeit not under a direct ALMO structure, HM Revenue and Customs states that in substance the Company's trading activities are that of an ALMO, therefore profits and losses incurred as a result, fall outside the scope of Corporation Tax. Income tax expense represents the sum of tax currently payable and deferred tax where applicable. The corporation tax currently payable is based on the taxable profit for the year from taxable ordinary activities, which have been generated from trading with third parties and investment income (interest received).

## **BARNET HOMES LIMITED**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Deferred tax is provided on timing differences that have arisen but not reversed by the statement of financial position date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are not discounted.

#### **VAT**

A proportion of the company's revenue is subject to VAT and gives rise to a partial exemption claim. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. The amount of VAT payable or recoverable at the year-end is included as a current liability or asset.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, deposits repayable on demand and other short term liquid resources. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Short term liquid resources are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. They comprise term deposits with financial institutions.

#### **Short term investments**

Cash invested in fixed deposit accounts to obtain a higher rate of interest, with a notice period, which are not readily convertible to cash and with no maturity date are classified as short term investments.

#### **Equity and reserves**

Retained earnings include all current and prior period retained profits.

#### **Post employment benefits and short term employee benefits**

During the year the Company participated in a contributory defined benefit statutory pension scheme covering its present and past employees. The scheme is administered in accordance with the Local Government Pension Scheme Regulations 2013, is contracted out of State Second Pension and currently provides benefits based on final salary and length of service on retirement. International Accounting Standard 19 (IAS19) requires the net pension asset or liability of a company's pension scheme to be recognised in full on the statement of financial position. Accordingly, the full net pension liability has been recorded in the statement of financial position of Barnet Homes Limited, but the company's pension deficit at the point of incorporation (1 April 2014) has been guaranteed by London Borough of Barnet.

The regular service cost of providing pension benefits to employees during the year, the costs or gain of any benefits relating to past service, together with the loss on settlements and curtailments is charged to "Employee salaries and benefits" in the statement of comprehensive income in the year. Past service costs or gains arise when the Company awards additional discretionary benefits. A change in benefits may result in either a past service cost or a past service gain. Loss on settlements and curtailments arise as a result of some members transferring from another employer over the year, and as a result of the early payment of accrued pensions on retirement on the grounds of redundancy or early retirement.

Interest on the pension scheme liabilities is charged to "Finance costs" in the statement of comprehensive income in the year.

The expected return on the assets of the pension scheme during the year is based on the bid value of the assets at the start of the financial year and is recognised within "Finance income" in the statement of comprehensive income in the year.

## BARNET HOMES LIMITED

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### **Provisions, contingent liabilities and contingent assets**

Provisions and contingent liabilities are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material. The Company has no contingent assets.

#### **Significant management judgements in applying accounting policies**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal estimated results.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below:

#### **Determining the timing of revenue recognition**

Please refer to the paragraphs under the heading "Revenue from contracts with customers" for the significant judgements applied in determining:

- Whether to recognise revenue over time or at a point in time; and
- The method used for measuring revenue over time arising from various service contracts.

Capitalisation and amortisation of contract costs arising from revenue contracts

#### **Defined benefit liability**

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The defined benefit liability of £35,049,000 (2019: £37,186,000) is based on standard rates of inflation and mortality. It also takes into account the Company's specific anticipation of future salary increases.

Assumptions are set with reference to market conditions at the year end. The discount rate has been set whereby a 'Hymans Robertson' corporate bond yield curve is constructed based on the constituents of the iBoxx AA corporate bond index. This basis has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.

Further details of the assumptions used can be found in note 14.

Estimation uncertainties exist as the anticipated assumptions could vary.

#### **Provisions**

Provisions are mainly in relation to insurance excess on public liability claims, staff redundancy and pension strain costs and disrepair claims.

The disrepair provision is based on Management's estimate of all potential outstanding claims at the year end (many of which originated in prior years). The estimate includes potential legal and compensation costs. It is possible that some of the claims may take several years to process through the legal system. Estimation uncertainties exist particularly with regard to the timing and amount of expenditure.

**BARNET HOMES LIMITED**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets to the Company. The carrying amounts are analysed in note 8. Actual results, however, may vary due to technical obsolescence, particularly for software and IT equipment.

**Extension options for leases**

All leases can be extended with both lessee and lessor agreement. Management has not assumed any leases will be extended beyond their contract period.

**Lease borrowing rate**

Management has used the company's incremental borrowing rate when calculating the Right of use asset value and corresponding lease liability.

## BARNET HOMES LIMITED

### 3. REVENUE

Revenue is attributable to the principal activities of the Company and arises solely within the United Kingdom.

	2020	2019
	£'000	£'000
<b>Management fee paid by The Barnet Group in respect of:</b>		
Barnet Homes housing management and support services	53,917	52,102
Repairs and maintenance	7,550	7,550
Property development	1,233	1,222
<b>Total income from The Barnet Group</b>	<u>62,700</u>	<u>60,874</u>
Capital works carried out directly by Barnet Homes	1,100	1,100
<b>Total income from The Barnet Group</b>	<u>63,800</u>	<u>61,974</u>
<b>Other operating income</b>	<u>4,034</u>	<u>1,941</u>
<b>Total revenue</b>	<u><u>67,834</u></u>	<u><u>63,915</u></u>

The management fee income received from TheBarnetGroup relate to the following services: (i) homelessness, (ii) housing management and support services, (iii) repairs and maintenance, (iv) capital works, all provided to The London Borough of Barnet. TheBarnetGroup invoices London Borough of Barnet on behalf of Barnet Homes Limited and the management fee income is payable to Barnet Homes Limited on receipt of invoices.

#### **Assets and liabilities related to contracts with customers**

The Group has recognised the following assets and liabilities related to contracts with customers:

	2020	2019
	£'000	£'000
Contract assets	22,837	8,246
Loss allowance	(133)	(89)
<b>Total Contract assets</b>	<u>22,704</u>	<u>8,157</u>
Contract liabilities	7,156	346

Contract assets have increased due to London Borough of Barnet agreeing to additional advance billing over the year end.

Contract liabilities have increased as management fees were invoiced in advance.

The other operating income includes £1,144,023 (2019: £676,832) of income from other TheBarnetGroup entities.

**BARNET HOMES LIMITED**  
**4. OTHER EXPENSES**

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Housing, estate, hostel repairs & maintenance	10,860	8,252
Third party landlord and temporary accommodation costs	26,605	27,505
Agency staff	3,107	2,818
Information Technology	1,580	1,200
Grounds maintenance	876	793
Utility	1,304	1,299
Legal	1,043	710
Auditor`s remuneration - statutory audit	43	49
Auditor`s remuneration - for other services (i)	12	36
Accommodation and tenant related	1,566	1,896
Other * (ii)	2,744	3,081
	<b>49,740</b>	<b>47,639</b>

(i) The other services provided by the auditors relate to corporation tax compliance and online services to file the statutory accounts with HMRC.

(ii) Other costs include : Consultancy £354,241 (2019: £407,734), Other £1,655,709 (2019: £2,279,648), Insurance £350,935 (2019: £340,158), Provisions £246,628 (2019: £53,460), Re-organisation costs £66,260 (2019: nil) and SLA costs £70,270 (2019: nil )

**5. OPERATING LOSS**

The loss for the year (before pension accounting entries) has been arrived at after charging the following,

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Depreciation and amortisation	1,413	642
Employee salaries and benefits	18,892	17,222
Auditor`s remuneration		
- Fees payable to the company`s auditors for the audit of the financial statements	43	49
- Fees payable to the company`s auditors for other services (see above)	12	36

**BARNET HOMES LIMITED****6. FINANCE INCOME AND FINANCE COST**

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Finance income:		
- bank deposit and short term investment interest	4	7
- interest & charges on loan to group companies	159	136
- return on retirement benefit scheme assets	<u>1,464</u>	<u>1,546</u>
	<b><u>1,627</u></b>	<b><u>1,689</u></b>
Finance cost:		
Lease finance costs	(171)	-
Interest on retirement benefit obligation	<u>(2,375)</u>	<u>(2,331)</u>
	<b><u>(2,546)</u></b>	<b><u>(2,331)</u></b>

The interest and charges income relate to interest on the loan, and the arrangement fee on the loan to Your Choice (Barnet) and Bumblebee Lettings.

**7. TANGIBLE ASSETS****Property, plant and equipment**

	Vehicles, plant & equipment £'000	Furniture, Fixtures and fittings £'000	Computer equipment £'000	<b>Total £'000</b>
<b>Gross carrying amount</b>				
Balance 1 April 2019	144	284	1,686	<b>2,114</b>
Additions	-	-	-	-
Disposals	-	(284)	(101)	<b>(385)</b>
	<u>144</u>	<u>-</u>	<u>1,585</u>	<b><u>1,729</u></b>
<b>Depreciation and impairment</b>				
Balance 1 April 2019	141	276	1,539	<b>1,956</b>
Charge for year	1	2	77	<b>80</b>
Disposals	-	(278)	(63)	<b>(341)</b>
	<u>142</u>	<u>-</u>	<u>1,553</u>	<b><u>1,695</u></b>
<b>Carrying amount 1 April 2019</b>	<b>3</b>	<b>8</b>	<b>147</b>	<b>158</b>
<b>Carrying amount 31 March 2020</b>	<b><u>2</u></b>	<b><u>-</u></b>	<b><u>32</u></b>	<b><u>34</u></b>

**BARNET HOMES LIMITED****7.1 Right of Use assets**

	Vehicles £'000	Leasehold Offices £'000	Office equipment £'000	Total £'000
<b>Gross carrying amount</b>				
Balance 1 April 2019	-	-	-	-
IFRS 16 transition adjustment	-	4,419	-	4,419
Additions	217	-	408	625
Balance 31 March 2020	217	4,419	408	5,044
<b>Depreciation</b>				
Balance 1 April 2019	-	-	-	-
Charge for year	-	631	102	733
Balance 31 March 2020	-	631	102	733
<b>Carrying amount 1 April 2019</b>	-	-	-	-
<b>Carrying amount 31 March 2020</b>	217	3,788	306	4,311

**Capital Commitments**

At the Statement of Financial position date the Company was committed to purchasing 33 additional vehicles on a leased basis. The value of the lease payments will be £698,089 over the period of the lease.

**8. INTANGIBLE ASSETS****Computer software and development**

	Total £'000
<b>Gross carrying amount</b>	
Balance 1 April 2019	3,070
Additions	633
Balance 31 March 2020	3,703
<b>Amortisation</b>	
Balance 1 April 2019	1,300
Charge for year	600
Balance 31 March 2020	1,900
<b>Carrying amount 1 April 2019</b>	1,770
<b>Carrying amount 31 March 2020</b>	1,803

**Summary of depreciation and amortisation**

	2020 £'000	2019 £'000
Depreciation	813	136
Amortisation	600	506
	1,413	642



**BARNET HOMES LIMITED****9. LOAN TO ASSOCIATED COMPANY**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
8 year unsecured loan to Your Choice (Barnet) Limited	970	1,120
2 year revolving unsecured loan to TBG Open Door Limited	1,000	500
5 year unsecured loan to BumbleBee Lettings Limited	290	290
Deferred arrangement fee	(8)	(9)
	<hr/>	<hr/>
	2,252	1,901
Less Amount repayable within 12 months (classified as current asset)	<hr/>	<hr/>
	(200)	(150)
Long Term Loan receivable	<hr/>	<hr/>
	2,052	1,751
	<hr/>	<hr/>

The Your Choice (Barnet) loan and arrangement fee are subject to an interest rate of 6% per annum payable monthly in arrears. In the case of default, the interest rate shall be 8% per annum payable in arrears from the due date for such payment until actual payment is received. The loan agreement includes annual bullet loan repayments from Your Choice (Barnet) Limited which is payable to the Company.

The revolving loan facility to TBG Open Door Limited is subject to an interest rate of 4% per annum payable monthly in arrears.

The five year, £0.29 million loan to BumbleBee Lettings Limited is subject to an interest rate of 6% per annum payable monthly in arrears.

**BARNET HOMES LIMITED**  
**10. TRADE AND OTHER RECEIVABLES**

	<b>2020</b>	<b>2019</b>
	£000	£000
Amounts receivable within one year:		
Trade receivables, gross	275	258
Provision for doubtful debt	(245)	(52)
Trade receivables	30	206
Amounts due from ultimate parent undertaking	-	1,252
Amounts due from parent undertaking	17,245	3,106
Amounts due from fellow group undertakings	3,383	300
Financial assets	20,658	4,864
Other debtors	1,032	2,540
Contract assets (note 3)	(133)	(90)
Prepayments and unbilled income	1,147	835
Non-financial assets	2,046	3,285
Trade and other receivables	<b>22,704</b>	<b>8,149</b>

The ultimate parent undertaking is London Borough of Barnet.

The parent undertaking is TheBarnetGroup Limited.

The fellow group undertakings are Your Choice (Barnet) Limited, TBG Flex Limited and Bumblebee Lettings Limited as well as the Barnet Homes Limited subsidiary, TBG Open Door Limited.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 March 2020 is determined as follows; the expected credit losses below also incorporate forward looking information.

	<b>Current</b>	<b>More than 30 days due</b>	<b>More than 60 days due</b>
<b>31 March 2020 (IFRS 9)</b>			
Expected loss rate	0.66%	1.33%	1.34%
Gross carrying amount (£000)	£12,818	£692	£2,116
Loss allowance provision (£000)	£84	£9	£28
<b>31 March 2019 (IFRS 9)</b>			
Expected loss rate	0.30%	2.86%	4.51%
Gross carrying amount (£000)	£6,070	£418	£1,057
Loss allowance provision (£000)	£18	£12	£48

The Company's management considers that all of the above financial assets that are not impaired or past due dates for each of the reporting dates under review are of good credit quality.

**BARNET HOMES LIMITED****11. CASH AND CASH EQUIVALENTS**

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Bank accounts	1,068	1,167
Cash in hand	3	4
Short term deposit	1	-
	<b>1,072</b>	<b>1,171</b>

Short term deposit represents cash held in a 95 Days Corporate Notice fixed deposit account.

**12. LEASE LIABILITIES**

	<b>2020</b>	<b>2019</b>
	£'000	£'000
IFRS 16 opening balance adjustment	4,641	-
New finance leases	625	-
Less: Net Present Value of lease payments	(742)	-
Total finance lease liability	<b>4,524</b>	<b>-</b>
Finance leases payable in less than one year	792	-
Finance leases payable in more than one year	3,732	-
	<b>4,524</b>	<b>-</b>

<b>Minimum lease payments £000</b>					
<b>31 March 2020</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>More than 3 years</b>	<b>Total</b>
Lease Payments	948	948	841	2,324	<b>5,061</b>
Finance charges	156	128	101	152	<b>537</b>
<b>Net Present Value</b>	<b>792</b>	<b>820</b>	<b>740</b>	<b>2,172</b>	<b>4,524</b>

<b>Minimum lease payments £000</b>					
<b>31 March 2019</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>More than 3 years</b>	<b>Total</b>
Lease Payments	759	759	759	3,036	<b>5,313</b>
Finance charges	162	142	120	248	<b>672</b>
<b>Net Present Value</b>	<b>597</b>	<b>617</b>	<b>639</b>	<b>2,788</b>	<b>4,641</b>

**13. EQUITY****13.1 SHARE CAPITAL**

Barnet Homes Limited became a subsidiary of TheBarnetGroup Limited on 1 February 2012. It is a company established with no share capital and is limited by guarantee. From 1 February 2012, TheBarnetGroup Limited is the sole member of the Company.

TheBarnetGroup Limited is a company limited by shares wholly owned by The London Borough of Barnet. Barnet Homes Limited continues to operate in the same way as under its original ALMO management agreement with London Borough of Barnet, albeit under a group structure. TheBarnetGroup Limited is a local authority controlled trading company under the control of London Borough of Barnet.

**BARNET HOMES LIMITED****14. EMPLOYEE REMUNERATION****14.1. EMPLOYEE BENEFITS EXPENSE**

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Wages and salaries	13,316	12,452
Social security costs	1,368	1,296
Pensions costs	4,208	3,474
	<hr/>	<hr/>
	<b>18,892</b>	<b>17,222</b>
	<hr/> <hr/>	<hr/> <hr/>

Wages and salary costs in this financial year include redundancy costs of £293,500 (2019: £65,008).

**14.1.1 DIRECTOR'S REMUNERATION**

	<b>2020</b>	<b>2019</b>
Eamon McGoldrick	3	-
Terry Rogers	1	2
Washington Ainabe	2	3
Jeffrey Baker	1	2
Tim Mulvenna	195	200
Angel Purcell	3	5
John Stephen	1	3
Robert Webber	3	5
	<hr/>	<hr/>
	<b>209</b>	<b>220</b>
	<hr/> <hr/>	<hr/> <hr/>

Apart from the Chief Executive Officer none of the other Executive Officers were Directors of the company.

Emoluments of the highest paid Director was £ 194,590 (2019: £ 199,687)

Directors' salary costs are included in Employee benefits expense above (14.1).

**14.2. EMPLOYEES**

The average number of permanent employees (excluding agency staff) employed by the Company during the year was:

Service	<b>2020</b>	<b>2019</b>
Growth & Development	39	37
Care and Support	45	45
Operations Directorate	155	162
Non Executive Directors	7	11
	<hr/>	<hr/>
	<b>246</b>	<b>255</b>
	<hr/> <hr/>	<hr/> <hr/>

## BARNET HOMES LIMITED

### 14.3. PENSION AND OTHER EMPLOYEE OBLIGATIONS

The Company participated in a local government pension defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013, as amended. It is contracted out of the State Second Pension. The basis on which the net pension liability is recognised in the financial statements is set out in the accounting policies (Note 2).

A full actuarial funding valuation was carried out at 31 March 2019 and updated to 31 March 2020 by a qualified independent actuary. The actuarial report states that it was prepared in accordance with the International Accounting Standard 19 (IAS 19). This forms the basis of the balance sheet and funding status disclosures to be made in respect of its pension obligations under the Local Government Pension Scheme.

For the year ending 31 March 2020 and 31 March 2019, the Company contributed to the Scheme at a rate of 24.3% of pensionable salaries.

The financial assumptions used by the actuary were:

	31 March 2020	31 March 2019
	% p.a.	% p.a.
Salary Increases	2.6	2.8
Pension Increases	1.9	2.5
Discount Rate	2.3	2.4

The pension increase assumption is set in line with the default Consumer Prices Index (CPI) assumption. As a market in CPI linked bonds does not exist, the actuaries estimate the long-term gap between RPI and CPI in order to derive a CPI assumption for accounting purposes. The default assumed RPI-CPI gap will be 0.9% per annum

Life expectancy from age 65 (years)	31 March 2020	31 March 2019	
Current Pensioners	Males	21.7	21.9
	Females	24.0	24.3
Future Pensioners	Males	22.9	23.9
	Females	25.7	26.5

#### Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC Limits for pre-April 2008 service and 50% of the maximum tax-free cash for post-April 2008 service.

**BARNET HOMES LIMITED**

**14.3. PENSION AND OTHER EMPLOYEE OBLIGATIONS CONTINUED**

<b>Net pension liability as at</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
	£'000	£'000
Present Value of Funded Obligation	(83,597)	(97,043)
Fair Value of Scheme Assets (bid value)	49,109	60,502
<b>Net liability</b>	<b>(34,488)</b>	<b>(36,541)</b>
Present Value of Unfunded Obligation	(561)	(645)
<b>Net liability in statement of financial position</b>	<b>(35,049)</b>	<b>(37,186)</b>

The amounts recognised in the statement of comprehensive Income are as follows:

	<b>31 March 2020</b>	<b>31 March 2019</b>
	£'000	£'000
Service cost	3,333	3,016
Net interest on the net defined liability	911	785
Losses on settlements and curtailments	462	-
<b>Total</b>	<b>4,706</b>	<b>3,801</b>

<b>Actual return on scheme assets</b>	<b>(12,122)</b>	<b>2,631</b>
---------------------------------------	-----------------	--------------

**Reconciliation of opening and closing balances of the present**

**value of the defined benefit obligation**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	£'000	£'000
<b>Opening Defined Benefit Obligation</b>	<b>97,688</b>	<b>85,353</b>
Current service cost	3,333	3,016
Interest cost	2,375	2,331
Change in financial assumptions	(7,674)	7,890
Change in demographic assumptions	(2,973)	-
Experience loss/(gain) on defined benefit obligation	(7,818)	33
Estimated benefits paid (net of transfers in)	(1,710)	(1,427)
Past service cost, including curtailments	462	-
Contributions by scheme participants	500	517
Estimated unfunded benefits paid	(25)	(25)
<b>Closing Defined Benefit Obligation</b>	<b>84,158</b>	<b>97,688</b>

**BARNET HOMES LIMITED**

**14.3. PENSION AND OTHER EMPLOYEE OBLIGATIONS CONTINUED**

**Reconciliation of opening and closing balances of the fair value of scheme assets**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>60,502</b>	<b>56,789</b>
Expected return on scheme assets	-	
Interest on assets	1,464	1,546
Return on assets less interest	(13,586)	1,107
Administration expenses	25	25
Contributions by employer including unfunded benefits	1,939	1,970
Contributions by scheme participants	500	517
Estimated benefits paid plus	(1,710)	(1,452)
Estimated unfunded benefits paid	(25)	-
<b>Fair value of scheme assets at end of period</b>	<b>49,109</b>	<b>60,502</b>

**Sensitivity analysis**

**IAS 19 requires disclosure of the sensitivity of the results to the methods and assumptions used.**

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

<b>Change in assumptions at 31 March 2020:</b>	<b>Approximate % Increase to Employer Liability</b>	<b>Approximate Monetary Amount (£000)</b>
0.5% decrease in Real Discount Rate	10%	8,695
0.5% increase in Salary Increase Rate	1%	1,168
0.5% increase in the Pension Increase Rate	9%	7,438

The approach taken is consistent with that adopted to derive the IAS19 figures provided in this report.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, it has been estimated that a one-year life expectancy would increase the Employer's Defined Benefit Obligations by around 3-5%. Expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%.

**Re-measurements and Other Comprehensive Income**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	£'000	£'000
Return on plan assets in excess of interest	(13,586)	1,107
Change in financial assumptions	7,674	(7,890)
Change in demographic assumptions	2,973	-
Experience (loss)/gain on defined benefit obligation	7,818	(33)
	<b>4,879</b>	<b>(6,816)</b>

**BARNET HOMES LIMITED**

**14.3. PENSION AND OTHER EMPLOYEE OBLIGATIONS CONTINUED**

Projections for year to 31 March 2021	Year to 31 March 2021 £'000
Service Cost	(2,457)
Net interest on the defined liability	(811)
Return on assets	-
<b>Total</b>	<b>(3,268)</b>
Employer's contributions for the period to 31 March 2021	<b>£1,965</b>

**Assets**

The estimated asset allocation for Barnet Homes Limited as at 31 March 2020 is as follows;

	31 March 2020		31 March 2019	
	£'000	%	£'000	%
Employer Asset Share - Bid Value				
Equities	99	0%	23,031	38%
Bonds and Gilts	5,841	12%	6,565	11%
Real Estate	2,404	5%	-	-
Other Funds and Unit Trusts	40,365	82%	30,050	50%
Cash	400	1%	856	1%
<b>Total</b>	<b>49,109</b>	<b>100%</b>	<b>60,502</b>	<b>100%</b>

The breakdown of assets in monetary terms in the table shown to the nearest £1,000.

Covid-19 is expected to have an impact on real estate, both in the UK and internationally, meaning there is uncertainty as to the valuation of the real estate assets within the pension scheme. If the valuation were incorrect by 10%, this would mean the assets are overstated by up to £240,400. Similarly, a decline in value by 20% would equate to £480,800. This would be immaterial to the overall business, particularly as these assets are held for the long-term and market cycles should mean that values return to carrying values (if incorrect).

**15. PROVISIONS**

	Insurance claims £'000	Other provision £'000	Total provisions £'000
<b>Carrying amount at 1 April 2019</b>	<b>44</b>	-	<b>44</b>
Utilised	-	-	-
Increase in provisions	-	-	-
<b>Carrying amount at 31 March 2020</b>	<b>44</b>	-	<b>44</b>

Insurance claims are provisions in respect of public liability claims which are outstanding at 31 March 2020. Barnet Homes Limited's liability is restricted to the amount of the claim or the policy excess, whichever is the lesser. The policy excess is currently £2,500. Disrepair claims are estimates relating to outstanding disrepair cases. The Company has provided for any such challenges where at the end of the year it is more likely than not that there is an obligation to be settled.



**BARNET HOMES LIMITED**  
**16. TRADE AND OTHER PAYABLES**

	<b>2020</b>	<b>2019</b>
	£'000	£'000
<i>Current:</i>		
Trade payables	6,179	1,571
Amounts due to ultimate parent undertaking	139	-
Amounts due to parent undertaking	10,196	2,538
Amounts due to fellow group undertakings	-	8
Financial liabilities	<u>16,514</u>	<u>4,117</u>
Other payables	68	103
Other taxation and social security	337	-
Contract liabilities (note 3)	7,156	346
Accruals	<u>1,924</u>	<u>6,215</u>
	<b><u>25,999</u></b>	<b><u>10,781</u></b>

The Company aims to pay all suppliers within the contract or invoice payment terms and within the limits set by the late payment legislation.

The fellow group undertakings are Your Choice (Barnet) Limited, TBG Flex Limited and Bumblebee Lettings Limited as well as the Barnet Homes Limited subsidiary, TBG Open Door Limited.

**17. INCOME TAX EXPENSE**

**Tax charge per accounts**

	<b>Current period</b>		<b>Prior period</b>	
	<b>Derived</b>	<b>Accounts</b>	<b>Derived</b>	<b>Accounts</b>
	£'000	£'000	£'000	£'000
	£	£	£	£
<b>Analysis of tax charge/(credit) for the period</b>				
<b>Current tax</b>				
UK corporation tax at 19.00% (PY: 19.00%)	47	47	49	49
Adjustments in respect of prior periods	-	-	12	12
	<u>47</u>	<u>47</u>	<u>61</u>	<u>61</u>
<b>Deferred tax</b>				
Origination and reversal of temporary differences	-	-	-	-
	<u>47</u>	<u>47</u>	<u>61</u>	<u>61</u>
<b>Tax on profit on ordinary activities</b>	<u>47</u>	<u>47</u>	<u>61</u>	<u>61</u>

**BARNET HOMES LIMITED****17. INCOME TAX EXPENSE CONTINUED****Provision for deferred tax**

Movement in Provision:

Provision at start of period	-	-
Deferred tax charged in the income statement for the period	-	-
Provision at end of the period	-	-

Deferred tax (asset)/liability not recognised

-	-	-	-
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**Reconciliation of tax charge**

Loss on ordinary activities before tax	(3,174)	(3,174)	(2,176)	(2,176)
Tax on loss on ordinary activities at standard CT rate of 19.00% (PY: 19.00%)	(603)	(603)	(414)	(414)
Effects of:				
Expenses not deductible for tax purposes	650	650	463	463
Adjustment for tax charge in respect of previous periods	-	-	12	12
Deferred tax not recognised	-	-	-	-
Tax charge for the period	47	47	61	61

**18. FINANCIAL ASSETS AND LIABILITIES**

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	Note	2020 £'000	2019 £'000
<b>Financial assets</b>			
Financial assets at amortised cost:			
Loans to fellow Group undertakings	9	2,252	1,901
Trade and other receivables	10	20,658	4,864
Cash and cash equivalent	11	1,072	1,171
		<b>23,982</b>	<b>7,936</b>
<b>Financial liabilities</b>			
Financial liabilities measured to amortised cost:			
Trade and other payables	16	16,514	4,117
Lease liabilities- short term	12	792	-
Lease liabilities – long term	12	3,732	-
		<b>21,038</b>	<b>4,117</b>

## BARNET HOMES LIMITED

### 19. RELATED PARTY TRANSACTIONS

#### 19.1 TRANSACTION WITH CONTROLLING PARTY/RELATED PARTIES

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Invoices to TheBarnetGroup	132,218	123,161
Invoices from TheBarnetGroup	1,554	7,651
Amount owed to TheBarnetGroup	10,196	2,538
Amount owed by TheBarnetGroup	17,245	3,106
Invoices to London Borough of Barnet	130	1,316
Invoices from London Borough of Barnet	177	356
Amount owed to London Borough of Barnet	139	-
Amount owed by London Borough of Barnet	-	1,252
Payments to LBB Pensions	3,053	-
Invoices to Your Choice Barnet Limited	7,583	3,861
Invoices from Your Choice Barnet Limited	55	52
Amount owed to Your Choice (Barnet) Limited	24	9
Amount owed by Your Choice (Barnet) Limited	2,729	150
Loan to Your Choice (Barnet) Limited	962	1,111
Amount owed to TBG Flex Limited	16	-
Amount owed by TBG Flex Limited	6	21
Invoices from TBG Flex Limited	6,421	5,313
Invoices to TBG Flex Limited	70	83
Invoices from TBG Open Door Limited	197	-
Invoices to TBG Open Door Limited	945	1,931
Amount owed by TBG Open Door Limited	491	118
Invoices to Bumblebee Lettings Limited	164	68
Invoices from Bumblebee Lettings Limited	28	-
Amount owed to Bumblebee Lettings Limited	42	-
Amount owed by Bumblebee Lettings Limited	157	11
Loan to Bumblebee Lettings Limited	290	290
Loan to TBG Open Door Limited	1,000	500

Barnet Homes Limited is a local authority controlled company of the London Borough of Barnet established with no share capital and limited by guarantee. The Council has delegated responsibility for overseeing homelessness and allocations, as well as the management and maintenance of its residential stock to Barnet Homes Limited in accordance with the ten-year management agreement effective from 1 April 2004. There is a new 10 year agreement in place from 2016-17. Housing Options, the homelessness and allocations service area for the Council, was transferred into Barnet Homes on 01 April 2012. Barnet Homes Limited became part of the local authority trading company, TheBarnetGroup Limited, from 1 February 2012.

The Council has delegated the responsibility of homelessness, management and maintenance of its residential stock to Barnet Homes through TheBarnetGroup Limited.

TheBarnetGroup is a local authority trading company (LATC) limited by shares, which is 100% owned by London Borough of Barnet.

## BARNET HOMES LIMITED

### 19.1 TRANSACTION WITH CONTROLLING PARTY/RELATED PARTIES CONTINUED

Your Choice (Barnet) Limited is also a subsidiary of TheBarnetGroup Limited.

Barnet Homes Limited continues to operate in the same way as under its original ALMO management agreement with the Council, albeit under a group structure.

From 1 February 2012, the Council pays the management fee, in accordance with that management agreement and any variations approved, to TheBarnet Group, who passes the whole management fee to Barnet Homes Limited. TheBarnetGroup Limited acts as an agent of Barnet Homes Limited in transacting with the Council.

Barnet Homes Limited has invoiced a total of £123,161,000 to TheBarnetGroup which mainly relates to its management fee income received from London Borough of Barnet via the LATC, as well as funding for the homelessness service third party costs for temporary accommodation and private sector lease rentals.

### 19.2. KEY MANAGEMENT PERSONNEL

#### 19.2.1 NON- EXECUTIVE DIRECTORS

The Non-Executive Directors are defined as being the members of Barnet Homes Limited's Board who are not executive officers of Barnet Homes Limited. The Non-Executive Directors received emoluments for the financial year and were entitled to reimbursement of incidental expenses incurred when attending board meetings and other formal events in their capacity as board members. The Non-Executive Directors are not entitled to pension benefits.

These are the only transactions with the Non-Executive Directors of the Company.

	2020 £'000	2019 £'000
Salaries	14	24

#### 19.2.2 EXECUTIVE OFFICERS

	2020 £'000	2019 £'000
Salaries	641	569
Performance Bonus	65	59
Social security costs	97	87
Pensions costs	76	59
Redundancy payments	-	61
	<u>879</u>	<u>835</u>

### 20. Contingent Assets and Liabilities

At 31 March 2020, a possible liability existed as a result of Connaught Limited going into administration on 8 September 2010, in relation to the Company's pension deficit for staff transferred from Barnet Homes to Connaught Limited in prior years. The Local Authority Pension Scheme could make a claim to Barnet Homes in respect of the pension deficit not met by Connaught Limited. The company has been unable to determine the value of any potential liability.

## **BARNET HOMES LIMITED**

### **21. FINANCIAL INSTRUMENT RISKS**

#### **Risk management and objectives and policies**

##### **21.1 INTEREST RATE SENSITIVITY**

Other than cash held in bank accounts, all of the Barnet Homes Limited's cash and cash equivalents are fixed rate, fixed term deposits, and so are not sensitive to variations in interest rates.

##### **21.2 CREDIT RISK ANALYSIS**

Barnet Homes principal financial assets are bank balances, cash and trade and other receivables. Liquid funds are placed with financial institutions with high credit ratings, as assigned by credit rating agencies. Barnet Homes primary credit risk relates to its fee receivables. The amount presented in the statement of financial position is net of credit loss impairment provisions for doubtful receivables. An allowance for impairment lifetime expected credit losses is made where there is an identified loss event which, based on past experience and management's forecasts, is evidence of a reduction in the recoverability of the cash flow for trade receivables and contract assets. See Note 2 above for further information on impairment of financial assets that are past due. Barnet Homes risk in relation to its income receivable is low as the main income is fixed and is receivable from London Borough of Barnet through TheBarnetGroup. Placements of liquid funds are currently across three banks and this spread has helped to lower the risk associated with such placements.

##### **21.3 LIQUIDITY RISK ANALYSIS**

Barnet Homes Limited manages its liquidity by carefully monitoring and reviewing the cash cycle and credit control efficiency. Control of the trade receivables element involves a fundamental trade-off between the cost of providing credit to customers and the additional net revenue that can be earned in doing so. We aim to keep the former to a minimum with effective credit control policies which will require setting and enforcing credit terms, efficient invoicing and statement generation and prompt query resolution, by continuous review of the receivables position by generating an 'aged receivables' report and effective monitoring and collection procedures. The credit periods granted vary between suppliers with usual terms. Cash flows from trade and other receivables are contractually due within 30 days. Trade creditors and other payables are also monitored to ensure that payments are made in a timely manner to avoid any interest charges or penalties. Payment terms range between 7 days to 30 days. A settlement policy is in place so that invoices are properly authorised for payment to ensure they are paid when due. Cash is the controlling element. The first control concerns efficient banking so that all monies received are banked immediately, making payments in the most efficient way and ensuring that any surplus balances are put to interest earning use. The fundamental aspect is cash flow control and ensuring funds are available when needed. This is achieved by preparation of monthly forecasts for comparisons with actual results. The Company is not affected by gearing as it does not owe any money to any financial institutions in the form of debt or borrowings and is therefore highly liquid.

### **22. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's capital management objective is to maintain its assets in order to ensure ability to continue to provide improved quality of service to the residents at an affordable price and sustain itself as a going concern. As the Company is not set up for profit, Barnet Homes Limited continues to strive to maintain a balance between liquidity and provision of value for money services. The main assets owned by Barnet Homes are liquid cash and cash equivalent (short term investments). The Company continues to monitor these investments with the banks to ensure their going concern is not at risk. The Company has subscribed to a treasury management consultancy who provide specialist support in this area.

**BARNET HOMES LIMITED**

**22. CAPITAL MANAGEMENT POLICIES AND PROCEDURES CONTINUED**

The capital for the reporting period under review is as summarised below:

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Cash & cash equivalents	1,072	1,171
	<hr/>	<hr/>
	<b>1,072</b>	<b>1,171</b>
	<hr/>	<hr/>