Company No. 07873964

# TheBarnetGroup Limited

## Annual Report and Financial Statements

## Year ended 31 March 2020

**Contents**

## 1. Company Information

**Directors**

| | |
|---|---|
| Eamon McGoldrick (Chair) | (appointed 1 August 2019) |
| Terry Rogers (Chair) | (resigned 1 August 2019) |
| Nigel Turner<br>(Chair, Governance and Remuneration Committee) | |
| John Stephen<br>(Chair, Audit and Risk Committee) | |
| Ursula Bennion<br>(Chair, TBG Open Door Limited) | |
| Washington Ainabe | (appointed 1 August 2019) |
| Jeffrey Baker | (resigned 1 August 2019) |
| Councillor Ross Houston | |
| Councillor Laithe Jajeh | (appointed 11 June 2020) |
| Tim Mulvenna | |
| Angela Purcell | (appointed 1 August 2019) |
| June Riley | (appointed 1 August 2019) |
| Councillor Shimon Ryde | (resigned 27 November 2019) |
| Rebecca Toloui-Marks | |
| Robert Webber | (appointed 1 August 2019) |
| Patrick Wright | (resigned 1 August 2019) |

**Chief Executive Officer** Tim Mulvenna

**Executive Officers**

| | |
|---|---|
| Mike Gerrard | Group Resources Director (resigned 18 October 2019) |
| Shaun McLean | Group Resources Director (appointed 2 January 2020) |
| Julie Riley | Director of Care & Support |
| Derek Rust | Director of Growth |
| Elliott Sweetman | Director of Operations |

**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** 07873964

**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 is pleased to present the financial statements of TheBarnetGroup Limited for the year ended 31 March 2020.

**Principal activities**
TheBarnetGroup Limited (the 'Company') is a Local Authority Trading Company (LATC) created in 2012 and has four subsidiary organisations, being Barnet Homes Limited, an Arms' Length Management Organisation (ALMO), Your Choice (Barnet) Limited, another LATC, TBG Flex Limited, a company for the recruitment and employment of staff and Bumblebee Lettings Limited, a private lettings agency. In addition, Barnet Homes Limited has a subsidiary organisation, TBG Open Door Limited, a registered provider with the Regulator of Social Housing.

**Barnet Homes Limited** is owned indirectly by the London Borough of Barnet (the 'Council') through TheBarnetGroup Limited, and commenced its operations on 1 April 2004. The Council has delegated the management of its housing stock to Barnet Homes Limited under Section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993). Under that delegation Barnet Homes Limited 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 certain aspects of the Housing Revenue Account (HRA); and
- 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 provisional Heads of Terms for a new ten-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 the 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.

**Your Choice (Barnet) Limited** is a Local Authority Trading Company (LATC) ultimately owned by the London Borough of Barnet (the 'Council') via TheBarnetGroup Limited, that commenced its operations on 1 February 2012 delivering specialist care and support services to adults with a range of physical and learning disabilities. These services were transferred in order to enable the company to become more cost effective and compete in the Adult Social Care marketplace.

**The services include:**

- **Rosa Morison Day Service** for adults who have profound and multiple learning and physical disabilities (PMLD);

- **Flower Lane Autism Service** providing support to adults who are on the autistic spectrum and have additional complex behaviour support needs;

- **Valley Way Respite Centre** for adults with PMLD, physical disabilities, autism and complex behaviour support needs;

- **CommunitySpace Day Service** offering community support for adults who have a wide range of learning disabilities;

- **Supported Living Service** supporting people with learning disabilities to live as independently as possible in their own home;

- **Barnet Independent Living Service** for adults with a range of physical and sensory impairments;

- **PA Choices** a matching service for people who are on direct payments and who require a personal assistant to provide them with support with their daily activities, set up in January 2016.

- **Ansell Court Extra Care Service** a new-build scheme handed over to Your Choice (Barnet) in February 2019 made up of 53 self-contained flats designed to enable older people, some of whom may have dementia, to remain as independent as possible.

On 7th July 2019, 3 residential care schemes and 2 day-centres for older people were transferred to Your Choice Barnet along with 270 staff under TUPE regulations. Details of the transfer are found later in the report under 'Risks and Uncertainties'

- **Apthorp Care Centre** a residential care home that is currently registered with the Care Quality Commission to provide 82 en-suite bedrooms for older people some of whom have dementia. The care home provides a block contract of 58 beds to the London Borough of Barnet and the remaining 24 beds are marketed privately. Apthorp Care Centre also provides a day care facility for up to 25 older people who are not resident of the care home.

- **Dell Field Court** a residential care home that is currently registered with the Care Quality Commission to provide 40 en-suite bedrooms for older people some of whom have dementia. The care home provides a block contract of 20 beds to the London Borough of Barnet and the remaining 20 beds are marketed privately.

- **Meadowside** a residential care home that is currently registered with the Care Quality Commission to provide 68 en-suite bedrooms for older people some of whom have dementia. The care home provides a block contract of 38 beds to the London Borough of Barnet and the remaining 30 beds are marketed privately. Meadowside also provides a day care facility for up to 38 older people who are not resident of the care home. This day care facility is open 7 days a week.

Your Choice (Barnet) Limited is part of the Group's Care & Support Directorate, which brings together all the services within Your Choice (Barnet) Limited and the Assist, Sheltered Housing and Floating Support services within Barnet Homes Limited. This enables working together, sharing best practice, allowing opportunities for synergies and ensures the Group provides a seamless 'wrap-around' service where required.

**TBG Flex Limited** is a company within the Barnet Group structure for the recruitment and employment of staff. TBG Flex Limited will be the Group's preferred vehicle for employing new permanent and temporary staff, when needed, and will be fundamental to making our business growth strategies commercially viable in the future.

TBG Flex Limited offers flexible benefits for all its employees.

**TBG Open Door Limited** is a Community Benefit Society within the Barnet Group structure and subsidiary of Barnet Homes for the development and management of affordable housing. The Company was registered with the Regulator of Social Housing as a registered provider of social housing on 7th March 2017.

The services offered by TBG Open Door Limited will strongly support the London Borough of Barnet in the delivery of its new Housing Strategy 2015 – 2025 by seeking to:

- Increase the housing supply, thereby preventing homelessness, including making a financial contribution towards general fund pressures arising from homelessness demand;
- Provision of homes that people can afford;
- Support vulnerable people and
- Provide efficient and effective housing services.

**Bumblebee Lettings Limited** is a company within TheBarnetGroup for lettings in the private rented sector. The Company was incorporated on 13 September 2017.

**Group results for the year**
The Group recorded a deficit of £4,615,000 *(2019: £3,002,000 deficit)* before the actuarial gain on the pension scheme of £4,728,000 *(2019: £8,014,000 actuarial loss).*

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

**3rd party indemnity provision for Directors**
Directors are provided with indemnity insurance procured through TheBarnetGroup Limited for Personal Accident and Directors' and Officers' liability.

**Disabled persons**
TheBarnetGroup Limited and its subsidiary companies are 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 the people we support have equal opportunities.

For the people we support, we:
- Treat 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 they 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, 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.

The above and other actions the Group is taking regarding employees is covered in greater detail in the People Strategy 2019-21 document that has been shared with all staff. The three key priorities of the strategy are:
- Being the best we can, to each other and our customers;
- A workplace where challenge and initiative are valued and collaboration is real; and
- A culture which nurtures our individual and collective potential to make even more of a difference.

**Charitable donations**
No charitable donations were made by the Group or 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 18 days of receipt of the invoice *(2019: 22 days).*

**Directors' Remuneration Report**
The Directors are defined as being the Board members of TheBarnetGroup 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. Directors' remuneration is disclosed in note 20 to the financial statements.

**Code of Governance**
The Group has adopted and complied with the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition)'. An annual review of compliance is performed by the Board, with the most recent review in June 2020 demonstrating that the Group complies with the new code apart from one technical instance of non-compliance in relation to the overall length of service as a Board member within the Group. This dates back to before the code was adopted and at that time was compliant with the code of governance then in use:

- One of the Council nominees who joined the Group Board in 2012 had previously served on the Barnet Homes Limited Board between 2007 and 2012. This member was assessed before joining the Board in 2012, and found to have the requisite skills, experience, and the ability to contribute to the work of the Board. During the year, The Group Board has agreed with its shareholder, The London Borough of Barnet, that the member possesses valuable skills and experience and will remain on the Board for the foreseeable future.

**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 and Group 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:

- as 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.

The Companies Act 2006 sets out a number of general duties which directors owe to the company. New legislation has been introduced to help shareholders and other stakeholders better understand how directors have discharged their duty to promote the success of the company, while having regard to the matters set out in section S172(1) (a) to (f) of the Companies Act 2006 (s172 factors). In the year ended 31 March 2020, the directors continued to exercise all their duties, while having regard to these and other factors as they reviewed and considered proposals from senior management and governed the company on behalf of its shareholder through TheBarnetGroup board.

Further information as to how the board has had regard to the s172 factors:

| Section 172 factor | Examples | Page number |
|---|---|---|
| (a) the likely consequences of any decision in the long-term | -transfer of repairs service from contractor to Direct Labour Organisation; below and page<br>- future developments | 14<br>18,21,22 |
| (b) the interests of the group's employees | -Employee information and disabled employees<br>- gender pay gap described below<br>- People Strategy | 5<br><br>5 |
| (c) the need to foster the group's business relationships with suppliers, customers and others | -customer involvement via PAG and QuAG described below<br>- community work helping with homelessness<br>- payment policy<br>- regulatory bodies<br>- customer health and safety | <br>13<br>5<br>6,14,16,20<br>11,14,16,20 |
| (d) the impact of the group's operations on the community and the environment | -environmental impact described below<br>- housing resident's repairs satisfaction<br>- homelessness reduction<br>- care and support service quality | <br>13, 20<br>12<br>16 |
| (e) the desirability of the group maintaining a reputation for high standards of business conduct | - governance<br>- payment policy<br>- regulatory bodies | 6<br>5<br>6,14,16,20 |
| (f) the need to act fairly as between members of the group | - stakeholder engagement<br>- services provided and to whom | 3,9<br>3,4 |

**Gender Pay Gap**

In April 2019, in common with all other companies with over 250 employees, gender pay gap data was published as required, covering the period to 31 March 2018. Compared to other large employers, TheBarnetGroup has a relatively small gender pay gap, reflecting the work that has been done over the years to ensure the Group is free from gender bias. The data showed a median gap of 4.5% between men and women, down from 4.6% the year before. The data for the period to 31 March 2019 has not been published as yet as the deadlines have been extended due to the pandemic.

**Sustainability**

A key objective for TheBarnetGroup is to ensure all the homes that we own or manage are energy efficient. One of London Borough of Barnet's 2019-2014 Housing Strategy objectives is to ensure all homes are 'Safe and Secure' which includes investment in the existing stock. Our current focus is on improving the existing homes so they all achieve a minimum EPC rating of C (EPC score of 69) or above by March 2023. The current average is an EPC score of 66, which is a rating of D. The focus on alder properties is that new build properties all have higher EPC ratings at construction. This aim will also support achieving the aim of reducing fuel poverty. Fundamental to achieving this is investing in transforming older homes with improved insulation and more efficient heating systems as part of the planned investment program, which London Borough of Barnet have agreed is necessary and will fund, to make them fit for the future.

**Customer involvement**
TheBarnetGroup has a Performance Advisory Group (PAG) made up of residents who want to be involved in making a difference to the housing services delivered within the Group.
2019/20 was a productive and busy year for PAG as there are many changes on the horizon including transitioning from a 'scrutiny group' to a 'resident board'.
Their involvement in bringing the repairs and gas services back in house has been high on the agenda. The members have stepped up to the challenges and have grown in strength and confidence. It was another positive annual review, with PAG providing a 100% overall satisfaction on the support, involvement and engagement they receive from TheBarnetGroup.
Activities included:

- Consulted on and contributed to London Borough of Barnet's draft Homeless Strategy
- Consulted on, contributed to and made recommendations on the repairs service and discussions regarding the Board's decision to return to a Direct Labour Organisation (DLO). A resident sub-group will be established to monitor performance and resident satisfaction once the DLO is mobilised
- Consulted on proposals to returning the gas servicing as a DLO
- Contributed feedback to the Housemark Benchmarking data
- Consulted and contributed to the development and process of PAG becoming a Resident Board

TheBarnetGroup also has a user group made up of service users, relatives of service users and carers, in the care and support operations (generally provided via Your Choice (Barnet) Limited. This review group, Quality Assurance Group (QuAG), help to set and monitor standards, review customer satisfaction results, take part in quality assurance audits and feedback on the results of these as well as advising management on its policies and procedures. This group supplement the work done by the Care Quality Commission.
Their involvement continues to provide valuable feedback and helps to shape the way services are provided.
Recommendations made included:

- Where a scheme review is being reported to QuAG, the relevant scheme manager to attend that meeting,
- 'new starter' packs reviewed and to be issued to all new service users or their relative/carer, and
- At Ansell Court when it was opened, recommended that more work was done to introduce the residents to each other as they were all new to the scheme.

**Going Concern**
The group'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 group 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 group 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 group 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 group's pension deficit is recognised in full in the Statement of Financial Position and this is stated at £41.178m at 31 March 2020 *(2019: £41.126m)*. However, the London Borough of Barnet has fully guaranteed the pension deficits at the point of Barnet Homes incorporation (on 1 April 2004) as well as pension deficits at the point the employees were transferred to the group on 1 February 2012 and 7 July 2019 within the Your Choice (Barnet) business. 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 if the forecasts are materially inaccurate.

The Directors have reviewed the Group'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 Group and subsidiaries and understanding the operations and financial position of the Group. 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

**Review of Group results**
The year to 31 March 2020 was the eighth year of operation for the Group. The Group recorded a net loss after tax of £4,615,000 *(2019: £3,002,000 deficit)* before the actuarial gain on the pension scheme of £4,728,000 *(2019: £8,014,000 actuarial loss).*

Accumulated revenue reserves, before the pension liability, now stand at £6,000 *(2019: £1,213,000)* and total assets at £94,989,000 *(2019: £43,707,000).*

The principal risks and uncertainties and key performance indicators for TheBarnetGroup Limited reflect those in the subsidiary companies, Barnet Homes Limited, Your Choice (Barnet) Limited, TBG Flex Limited, TBG Open Door Limited and Bumblebee Lettings Limited.

**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 TheBarnetGroup, 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 impact on services 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 1st 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). Service delivery in Your Choice (Barnet) has been significantly impacted, with two of the day centres being closed and very few service users attending the third. This has reflected the service user's parents and carers deciding on what is best for the person in their care. Services at the care homes have continued, but with significant restrictions on resident's movements to try and ensure the health and safety of the residents.

The financial impact on the Group is not expected to be as significant as it will be for many other businesses. The impact on the 'core' property management contract and the care services provided by Your Choice (Barnet) will be minimal as these revenue sources are generally fixed and not dependent on demand. Additional costs are being incurred to ensure these services continue to operate, but these additional costs will almost entirely be covered by London Borough of Barnet.

The financial impact of the other services Barnet Homes provides such as development services and managing housing acquisition programs for 3rd parties is likely to be much more significant. Depending on the length of the 'lockdown' and even once that has ended, what the level of housing availability to buy 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 now as some of the impacts during the 'lockdown' may be mitigated by improved performance later in the financial year. Bumblebee Lettings will also be affected by the general housing market, but any impact would be generally immaterial to the Group as Bumblebee has a number of long-term leases from which it derives its revenue and no additional growth would be low value.

The Board though believes that the business has sufficient operational reserves for the business to continue as a going concern as much of the revenue lost will be recovered in future years.

**Barnet Homes Limited**
**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 kitchesns, 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 beeshown.

### 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 3rd 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.

**Your Choice (Barnet) Limited**
Your Choice (Barnet)'s principal source of income is the fees from services that are commissioned by the London Borough of Barnet, which are paid monthly in arrears and based on an hourly, daily or nightly rate. The services are also commissioned by other local authorities, Clinical Commissioning Groups, through direct payments, and private users. These fees not charged to London Borough of Barnet account for 22% of the total income.

The Adult Social Care marketplace continues to be extremely challenging and it is important for Your Choice (Barnet) Limited to provide services that people will access and that the Council wants to commission.

The principal challenge continues to be the balance of providing good quality services that are financially viable whilst also providing value for money services to the Council.

The priority in past years has been the growth of the service provision to enable the spread of the overheads. The transfer of the 3 care homes and 2 day services in July 2019 has contributed to this, however due to the details of the contract this may not be a long term arrangement.

The contract agreed prior to transfer is for YCB to run the services on a caretaker basis on behalf of the Council until October 2021 to ensure that Apthorp Care Centre can be brought up to a standard rated as 'Good' by the Care Quality Commission and to make some changes in order for the service to break even. If these two conditions can be realised then there is the opportunity for the contract to be extended by mutual agreement a further 3 years.

In 2015 YCB made a commitment to pay at least the London Living Wage (LLW) as a minimum to all staff, on the condition that this remained affordable. YCB will need to consider the affordability for the staff in the care homes to also be paid at this level.

There is a risk to the extra care service model which welcomed its first tenant in April 2019. It has however, run at a loss this financial year, this is due to people not moving into the flats as quickly as planned, there are a number of reasons for this such as the individual's care needs, the stage of their dementia and notice periods on their current properties. At the end of March 2020 there were 6 vacant flats.

The legacy YCB services have been reviewed over the years and transformed as necessary. The CommunitySpace model depends upon large numbers of referrals into the employment and community access model; referrals have not been as high-volume as demand had first suggested which results in risks that the level of efficiencies through cost avoidance discussed with the Council at the time of the contract renewal will not be achieved.

Similarly, the supported living model has also been based upon referrals of people who have complex needs to the vacancies, the uptake of the voids has again been slower than anticipated.

**Key performance indicators (KPIs)**
There are ten KPIs reported to the Council and an additional nine KPIs to the YCB Board.

Of the nineteen KPIs, ten are rated either red, amber or green. The other measures are not rated but reported against the prior year or target.

The results for Quarter 4 19/20 show that five (50%) of the performance indicators are rated green, four are amber (40%) and one is red (10%).

The amber performance indicators relate to:

- service utilisation was 91.9% against a target or 96%;
- staff sickness of 10.9 days against a target of 10 days;
- services rated Good or Outstanding by the Care Quality Commission was 86% against a target of 100%; the scheme that was below this target was the one of the new care homes taken over during the year; and
- service users who moved to a lower service level was 3 against a target of 5.

The red performance indicator relates to:

- The number of service users who have been supported to find employment where the actual was 4.9% against a target of 7%.

**Building resilience in residents and managing demand**

| | Q4 2019/20 | Q4 2018/19 | Target (qtrly) |
|---|---|---|---|
| % of services rated good or outstanding by the Care Quality Commission at the most recent inspection | 86% | 100% | 100% |
| % of service users in employment for 2 hours or more (BILS & CommunitySpace) | 4.9% | 8.6% | 7% |
| Number of service users supported to retain employment (Day Services) | 8 | 11 | 7 |
| % of tenancies that breakdown during reporting period (Supported Living Services) | 0% | 0% | 0% |
| % of service users with a return to home plan and service end date (Respite Services). | 100% | 100% | 99% |
| Service Users moved on from a service level to a lower service level | 3 | 6 | 5 |
| | **Q1-Q4 2019/20** | **Q1-Q4 2018/19** | **Target (yearly)** |
| Number of Safeguarding concerns. **(see table below)** | 36 | 46 | Tracking |

- There are seven Care Quality Commission registered services within the business. Ansell Court has not been inspected by the Care Quality Commission as yet and is counted as complying for KPI purposes.

  The current ratings are as follows:

| | |
|---|---|
| Supported Living | Outstanding |
| Valley Way | Good |
| Enablement | Good |
| Dell Field Court | Good |
| Meadowside | Good |
| Apthorp Care Centre | Requires Improvement |
| Ansell Court | Not yet Inspected |

Dell Field Court, Meadowside and Apthorp Care Centre were transferred in July 2019. At the time of transfer they were rated Good, Good and Inadequate respectively.

- Four service users lost their employment during Q4 and were not replaced with the successful placement of others. Three resigned from their roles for various reasons and one reached the end of their contract which was not renewed.

**Safeguarding**

| | Indicator description | Q1-Q4 2019/20 | Q1-Q4 2018/19 |
|---|---|---|---|
| **Safeguarding concerns raised by YCB staff about YCB issues** | Concerns escalated to Section 42 enquiry | 3 | 4 |
| | Section 42 enquiries still under investigation | 0 | 2 |
| | Section 42 enquiries closed and not upheld | 1 | 2 |
| | Section 42 enquiries closed and upheld | 4 | 0 |
| | Total concerns raised | 21 | 28 |
| **Safeguarding concerns raised by YCB staff about relative/relative/another agency** | Concerns raised | 12 | 13 |
| **Safeguarding concerns raised by YCB staff about unknown causes** | Concerns raised | 3 | 5 |
| **Total concerns raised NOT about YCB** | | 15 | 18 |
| **Total concerns raised** | | **36** | **46** |

- Safeguarding concerns raised by the care homes are included since Q2 when the services transferred to YCB (totalling 6 concerns).
- Two of the Section 42 enquiries closed and not upheld within the year were originally raised in Q2 2018/19 and closed in Q1 2019/20.

**Delivering Quality Services**

| | Q1-Q4 2019/20 | Q1-Q4 2018/19 | Target (yearly) |
|---|---|---|---|
| Number of unresolved complaints for Supported Living, Day Care and Respite Services | 0 | 0 | 0 |
| | **Q4 2019/20** | **Q4 2018/19** | **Target (qtrly)** |
| % staff attending or who have completed the provider's staff development training programme (Supported Living, Day Care and Respite Services) | 95% | 100% | 95% |
| % staff who have successfully completed accredited training where a bespoke training need has been identified to meet service user needs (Supported Living, Day Care and Respite Services) | 100% | 100% | 95% |

Staff learning and development has been a priority as services transform the model of support they provide and all new team members undertake an induction programme which includes mandatory training. In addition to this, staff in services that provide specialist support are provided with specialist training.

**Additional Indicators as requested by the Board**

The level of utilisation varies across the schemes, with all services below target except for Supported Living; this is having a negative impact on the financial position.

With the exception of Rosa Morison, all services have seen an improvement in utilisation since 2018/19. Q4 was the first quarter to see Rosa Morison's utilisation drop below 90%, with absences peaking at 15% from a low of 7.3% in Q2, mostly due to service user sickness or Covid-19 closure towards the end of the year.

Both BILS and CommunitySpace saw improvement from Q1 to Q2 which tailed off in Q3 due in part to Christmas absences, and again in Q4 due to New Year absences and the closure due to Coid-19. The general low utilisation is due to the continuing support to people to increase their skills and levels of independence, thus reducing their need for a paid service. This accounted for up to 17% of the commissioned hours not being delivered at CommunitySpace.

| Scheme utilisation | 19/20 | 18/19 | Target |
|---|---|---|---|
| **Barnet Independent Living Service** | 87% | 76% | 96% |
| **CommunitySpace** | 83% | 80% | 96% |
| **Flower Lane** | **91%** | **90%** | 96% |
| **Rosa Morison** | **90%** | **94%** | 96% |
| **Supported Living** | **100%** | **100%** | 96% |
| **Utilisation KPI** | **90%** | 88% | 96% |
| | | | |
| **Valley Way** | 92% | **NEW** | 90% |

The manager of Valley Way has been proactively promoting the service amongst professionals in Barnet and other local authorities, with great success.

| | Q1-Q4 2019/20 | Q1-Q4 2018/19 | Target (yearly) |
|---|---|---|---|
| % FTE agency staff | 6% | 7% | 10% |
| Sickness: average days sickness per FTE | 10.9 days | 13.1days | 10 days |
| [redacted] | | | |
| Number of RIDDOR reportable incidents – staff | 0 | 1 | n/a |
| Number of RIDDOR reportable incidents – service users | 0 | 0 | n/a |
| Number of Regulatory / Statutory Enforcement Notices | 0 | 0 | n/a |
| [redacted] | | | |
| Income from outside Barnet Council | 22% | 22% | n/a |
| Complaints received | 0 | 3 | n/a |
| Compliments received | 12 | 45 | n/a |

Staff sickness was at 10.9 days in 2019/20 which is an improvement on the 13.1 days in 2018/19 and much closer to the target of 10 days. Sickness continues to be monitored closely with the appropriate management action taken when necessary.

**Future Developments – Your Choice (Barnet) Limited**
Your Choice Barnet will agree with the Council the future arrangements for the running and the financing of the care homes after October 2021, this will need to be agreed by October 2020 as the contract requires a 1-year notice period.

The onus on YCB is to ensure that the service provision at Apthorp Care Centre moves from what was the Care Quality Commission rating of 'Inadequate' when the service transferred, to a service that is rated as 'Good'.

At March 2020 the rating had increased from 'Inadequate' to 'Requires Improvement' It is usually expected that a service that requires improvement will be revisited within 6-months of the last inspection, however the outbreak of the Coronavirus means that this timescale could be extended.

There are substantial maintenance and repairs that need to be carried out at all the care homes and whilst this programme of works has begun in 2019/20, there is still a significant amount of works that will need to be carried out during 2020/21 to ensure compliance, the continued safety of residents and good quality environments that can be sustained.

A strategic plan is being developed with the Council, reviewing the current demand and the areas of this demand that YCB may be able to meet within the current parameters of the contract it has with the Council.

YCB will continue to develop the transformed operating models for CommunitySpace and Flower Lane day services, there is scope to support more people with learning disabilities into employment and the outreach service for people with autism will continue to successfully support people who have complex needs to access their community.

In addition, these two services will work together to develop a community based service for older people, providing a more tailored service to people already supported who wish to access different opportunities more appropriate to their needs as older clients.

The two services that are due to be inspected in 2020/21 are Ansell Court which as a new service has not yet been inspected and Apthorp Care Centre which has a current rating of 'Requires Improvement'. Both these services, as well as any of the others that are inspected, are expected to achieve an overall rating of 'Good'.

**TBG Open Door Limited**

The Association's principal source of income is the future rent from newly built or acquired properties. The main risks to income are variations in the permitted rent increases set by the government and an increase in losses from bad debts, potentially from the impact of Welfare Reform.

The financial impact of COVID-19 in the March 2021 financial year should not be too significant due to the limited number of properties being let. The main risk is delays to those schemes under development at the time of the lockdown (including because the contractor may suffer financial difficulties and thus not be able to complete a scheme). These delays may lead to additional costs that mean the scheme becomes less viable than anticipated and so impairments of schemes may be required. The initial lockdown period was only for 4-5 weeks so is not expected to result in any impairments. If further lockdowns or other issues are experienced later, this may affect the financial position. 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 mimimise this, but these cannot guarantee compliance. Other financial metrics like arrears will likely be affected (example not being able to evict tenants during the lockdown period and so rent arrears increasing), but this will not be too material on only 56 properties. The longer-term economic effect of COVID-19 and its impact on current and future customers is unknown and may be more material in the longer-term.

The initial programme of 320 units (and now 341) units in Barnet is part of a long-term strategy to position TBG Open Door Limited as a growing provider of affordable housing in the borough.

In the construction of the properties, the Association has made reasonable assumptions of costs across the whole programme to ensure all the units can be completed with the available funds. In addition, the association 'buys in' the services of skilled staff to ensure the timely completion of the schemes.

In terms of funding, the Association is partially funded by a loan facility of up to £66.7m for which interest is charged at the prevailing Public Works Loan Board rate, less 0.2% certainty discount (where applicable) plus 1.24%. This rate is fixed from drawdown through to repayment and the Association will ensure the development programme is completed to time to reduce the possibility of significant variations in interest cost.

Modelling of the business plan and stress testing has demonstrated contingency to accommodate some variation in interest rate. The Association will benefit from £23.9m of grant funding which significantly contributes to the viability of each scheme.

The health and safety of residents is of prime importance to the Association. The risks of non-compliance and thus a potential impact on the safety of residents is a significant risk for the Association. 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 TBG Open Door, 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 the construction of the properties in progress 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 Association's risk register.

**Post Year-end event**

The Association has signed two loan agreements totalling up to £215 million with London Borough of Barnet. These loans are to fund acquisition projects. The first will see Open Door Homes acquire 156 already let properties from London Borough of Barnet. The second is to acquire 500 homes on the 'open market' and then rent these homes to people nominated by London Borough of Barnet. Both these projects have Board approval but have compliance and other controls in place to ensure the projects deliver to the financial returns in the business case. Both these loans can be drawn down in tranches, they do not need to be drawn in full in a single transaction.

**Key performance indicators**

By the end of the year, a total of 56 homes were occupied by tenants. This has been the first full year of properties being occupied and so a number of key performance measures are tracked; below are the key ones:

| | **31 March 2020** |
|---|---|
| Properties with a current LGSR certificate | 100% |
| Properties surveyed for electrical safety within the last 5 years | 100% |
| Overall tenant satisfaction with ODH as a landlord | 92.6% |
| Number of FRA remedial actions overdue | 0% |
| Arrears as a percentage of the rent debit | 1.0% |

**Value for Money**

The Association was established to deliver new homes that people can afford, contribute to the Council's General Fund pressures and establish a viable, asset-owning subsidiary of TheBarnetGroup.

The Association began construction of its first properties in the prior periods and the first lettings to tenants took place during 2018/19. As a result, the assessment of value for money (and the performance of these metrics) using the Regulator of Social Housing standard VFM measures was not appropriate in prior years. These standard measures are now monitored by the Executive Team and the Board and targets set by the Board. Performance is shown below:

| | | 31-Mar-2019 Actual | 31-Mar-2019 Sector | 31-Mar-2020 Actual | 31-Mar-2020 Budget | 31-Mar-2021 Budget | 31-Mar-2022 Forecast |
|---|---|---|---|---|---|---|---|
| Metric 1 | Reinvestment | 62.0% | 6.2% | 56.4% | 84.0% | 54.0% | 27.0% |
| Metric 2a | New supply delivered (social housing ) | 100.0% | 1.5% | 33.9% | 52.0% | 86.3% | 33.5% |
| Metric 2b | New supply delivered (non- social housing ) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Metric 3 | Gearing | 67.0% | 43.4% | 65.8% | 76.0% | 81.3% | 87.1% |
| Metric 4 | EBITDA-MRI Interest Cover | -46% | 184% | -4% | 51% | 63% | 81% |
| Metric 5 | Headline Social Housing Cost Per Unit | £8,270 | £3,690 | £10,857 | £4,723 | £2,290 | £2,910 |
| Metric 6a | Operating margin (social housing lettings) | -28.0% | 29.2% | 39.0% | 34.0% | 54.9% | 60.6% |
| Metric 6b | Operating margin (overall) | -38.0% | 25.8% | -27.6% | 34.0% | 54.9% | 60.6% |
| Metric 7 | Return on Capital employed | -0.4% | 3.8% | -0.3% | 1.0% | 1.2% | 2.2% |

The above table shows how as a new organisation the standard metrics have significant fluctuations year to year as units complete, but also the significant impact of cost incurred on schemes that are unable to progress once feasibility work is completed. The £307,000 of such 'abortive' costs in the current year explain the very high Cost per unit and also the overall negative operating margin, whilst the housing property operating margin was strong. As the acquisition programs move forward and the current schemes on site begin to complete, this is what accounts for the improved results of most metrics in the future years.

The Association has a Value for Money strategy and will continue to monitor compliance using the regulatory requirements of the Regulator of Social Housing, including amending the measures used to reflect the growth of the business.

**Future Developments – TBG Open Door Limited**

The discussions within the Group regarding the future of the TBG Open Door Limited services have provided the opportunity for achieving the following objectives as outlined in the TBG Open Door Limited Business Plan:

- Develop quality new housing, including new types of construction and to deliver alternative tenure types
- Access grant opportunities and alternative funding streams
- Become asset owning and to use those assets over time to leverage further development and business opportunities
- Support the Council in delivering its housing strategy
- Support the Council in reducing or cross subsidising homelessness costs

This ambition, aimed at further supporting the Council in its strategic objectives, is also in keeping with TheBarnetGroup's mission to operate with a "Public sector ethos but with a private sector commercial focus".

**TBG Flex Limited**

TBG Flex's principal source of income is fees from group members for the employment of staff. As such the Company is dependent on the level of activity of other group companies. The recent and possible continued rise in the London Living Wage will mean increased employment costs for the Company.

Other members of TheBarnetGroup are charged a 4% annual fee by TBG Flex for the employment of staff. The margin will be kept under review to ensure that it contributes to a viable surplus for TBG Flex.

Staff employed through TBG Flex are entitled to a benefits package of between 5% and 10% depending on their role, which can be used flexibly, including for pension contributions.

TBG Flex employs many people at or slightly above the London Living Wage (LLW). As such the Company may be exposed to changes to the economy and wage levels arising from Brexit. In mitigation, payment at LLW puts the company among the highest payers locally, meaning it is less likely to suffer than comparable businesses paying lower wages. During the current year, the Company has continued to fill vacancies arising from staff turnover and new posts.

The number of staff employed through TBG Flex is as follows:

| **Employees at 31 March 2020 (2019 in brackets)** | |
|---|---|
| Barnet Homes Limited | 187 (155) |
| Your Choice (Barnet) Limited | 174 (160) |
| Total | 361 (315) |

**Future Developments – TBG Flex Limited**
Numbers of staff employed have increased substantially in the year and there are plans to further increase the number of employees within the Barnet Group employed by TBG Flex over the five-year budget period as follows:

| TBG Flex staff | Figure at 31 March 2020 | Annual increase | | | | |
|---|---|---|---|---|---|---|
| | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Conversion of agency staff | 361 | 25 | 10 | 0 | 0 | 0 |
| Permanent appointments | | 25 | 15 | 15 | 15 | 15 |
| Total | | 411 | 436 | 451 | 466 | 481 |

**Bumblebee Lettings Limited**
Bumblebee Lettings Limited's principal source of income is fees from the lettings and management of properties in the private rented sector.

Key risks and uncertainties include growing the business to deliver the assumed level of lettings in the business plan, both in terms of volume of transactions and the fee paid by customers.

The lettings market has faced increased challenges during the year, with greater competition from the established agencies meaning that margins are under pressure as agents compete for the business of landlords. Though it has been confirmed that the UK will leave the EU on 31 December 2020, the exact process details of this are not known and so the impact of leaving the EU cannot be predicted with certainty but in response to current market conditions, Bumblebee has grown its product portfolio to include an acquisition and lettings service.

Taken together, the two areas of activity are performing as expected, which will enable it to eventually repay the loan to its fellow group company, Barnet Homes.

Other principal risks facing the company include a bad debt risk, which has been partially mitigated through the acquisition of rent guarantee insurance.

**Key performance indicators**

| | Actual | Target |
|---|---|---|
| Units let | 123 | 110 |
| Units in management | 131 | 121 |
| Retention rate | 71% | 66% |
| Units let by let2barnet | 674 | 625 |

**Future Developments – Bumblebee Lettings Limited**
The Company's business plan for the first five years contains growth assumptions including:

- Average annual rent inflation of 4% from 2018 to 2022
- An average business retention rate of 66% from 2019

The above assumptions are based on long-term averages of the housing market and the performance of the Company will continue to be closely monitored during its growth phase.

**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 TheBarnetGroup Limited**
**Opinion**

We have audited the financial statements of TheBarnetGroup Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flow, Consolidated Statement of Changes in Equity, Company Statement of Comprehensive Income, Company Statement of Financial Position, Company Statement of Cash Flow, Company 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 group's and of the parent company's affairs as at 31 March 2019 and of the group's loss and the parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 group and the parent 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.

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.

**Independent auditor's report to the members of TheBarnetGroup Limited (continued)**
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' have 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 group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 7, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

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

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

**Who we are reporting to**

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

| | Notes | 2020<br>£'000 | *2019*<br>*£'000* |
|---|---|---|---|
| Revenue | 3 | 83,098 | *71,711* |
| Employee benefits expense | 12.1 | (29,863) | *(23,289)* |
| Depreciation | 7,7.1 | (1,820) | *(205)* |
| Amortisation | 8 | (611) | *(506)* |
| Net impairment losses on financial assets and contract assets | | (169) | (11) |
| Other expenses | 4 | (53,636) | *(49,770)* |
| **Operating loss** | 5 | (3,001) | *(2,070)* |
| Finance income | 6 | 1,901 | *1,899* |
| Finance costs | 6 | (3,468) | *(2,770)* |
| **Loss before tax** | | (4,568) | *(2,941)* |
| Income tax expense | 18 | (47) | *(61)* |
| **Loss after tax** | | (4,615) | *(3,002)* |
| **Other comprehensive income** | | | |
| Actuarial gain / (loss) on defined benefit pension scheme | | 4,728 | *(8,014)* |
| **Total comprehensive income for the year** | | **113** | ***(11,016)*** |
| **Total comprehensive income is attributable to:** | | | |
| London Borough of Barnet | | 113 | *(11,016)* |

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

**THEBARNETGROUP LIMITED**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**as at 31 March 2020**

| | Note | 2020 £'000 | *2019 £'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Tangible Assets** | | | |
| Property, plant and equipment | 7 | 52,724 | *23,358* |
| Right of Use assets | 7.1 | 7,496 | *-* |
| **Intangible Assets** | | | |
| Computer software & development | 8 | 1,845 | *1,823* |
| | | 62,065 | *25,181* |
| **Current assets** | | | |
| Trade and other receivables | 9 | 36,813 | *10,366* |
| Current tax debtors | 18 | - | *-* |
| Cash and cash equivalents | 10 | 3,870 | *8,160* |
| | | 40,683 | *18,526* |
| **Total assets** | | 102,748 | *43,707* |
| **EQUITY and LIABILITIES** | | | |
| **EQUITY** | | | |
| Retained earnings | | (41,172) | *(39,913)* |
| **Total Equity** | | (41,172) | *(39,913)* |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Pension and other employee obligations | 12.3 | 41,178 | *41,126* |
| Lease liabilities | 14 | 5,577 | *-* |
| Provisions | 13 | 44 | *44* |
| Loans | 15 | 33,652 | *14,995* |
| Deferred income | | 17,139 | *10,352* |
| | | 97,590 | *66,517* |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 44,101 | *17,042* |
| Lease liabilities | 14 | 2,182 | *-* |
| Current tax liabilities | 18 | 47 | *61* |
| | | 46,330 | *17,103* |
| **Total liabilities** | | 143,920 | *83,620* |
| **Total equity and liabilities** | | 102,748 | *43,707* |

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: 07873964**

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

**THEBARNETGROUP LIMITED**
**CONSOLIDATED STATEMENT OF CASH FLOW**
**FOR THE YEAR ENDED 31 MARCH 2020**

| | Note | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total comprehensive income for the year | | 113 | (11,016) |
| Interest paid | | 317 | - |
| Interest received | | (7) | - |
| Depreciation of property, plant and equipment | | 1,820 | 205 |
| Amortisation of intangible assets | | 611 | 506 |
| Grant amortised | | (32) | - |
| Loss on disposal of fixed assets | | 44 | - |
| Net Impairment Losses on financial assets and contract assets | | 169 | 11 |
| (Increase)/decrease in trade and other receivables | | (26,620) | 2,062 |
| Increase/(decrease) in trade and other payables | | 27,059 | (4,072) |
| Increase in pension liability | 12.3 | 52 | 10,251 |
| Effect of business transfer | | (1,136) | - |
| Tax provision | | 47 | 61 |
| Taxes paid | | (61) | (41) |
| **Net cash from operating activities** | | 2,376 | (2,033) |
| **Cash flows from investing activities** | | | |
| Interest received | 6 | 7 | - |
| Construction of housing properties | 7 | (29,660) | (14,339) |
| Grant receipts | | 6,823 | 7,620 |
| Purchase of fixed assets | 7 | (19) | (4) |
| Addition of intangibles | 8 | (633) | (534) |
| **Net cash used in investing activities** | | (23,482) | (7,257) |
| **Cash flows from financing activities** | | | |
| Loans | | 18,340 | 11,912 |
| Principal element of lease payments | | (1,524) | - |
| **Net cash from financing activities** | | 16,816 | 11,912 |
| Net (decrease) / increase in cash and cash equivalents | | (4,290) | 2,622 |
| Cash and cash equivalents at beginning of year | | 8,160 | 5,538 |
| **Cash and cash equivalents at end of year** | 10 | **3,870** | **8,160** |

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

## THEBARNETGROUP LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Revenue Reserve | IAS 19 Pension Reserve | Other Reserve * | *Total retained earnings* |
|---|---|---|---|---|
| | £'000 | £000 | £'000 | ***£'000*** |
| **Balance as at 1 April 2018** | **1,979** | **(30,876)** | - | ***(28,897)*** |
| Loss after tax for the year | (766) | (2,236) | - | *(3,002)* |
| *Other comprehensive income:* | | | | |
| Actuarial loss on pension scheme | - | (8,014) | - | *(8,014)* |
| **Balance as at 31 March 2019** | **1,213** | **(41,126)** | - | ***(39,913)*** |
| **Balance as at 1 April 2019** | **1,213** | **(41,126)** | - | ***(39,913)*** |
| IAS 16 adjustment to opening reserves | (236) | - | - | *(236)* |
| **Adjusted balance as at 1 April 2019** | **977** | **(41,126)** | - | ***(40,149)*** |
| Loss after tax for the year | (971) | (3,644) | - | *(4,615)* |
| Transactions with owners in their capacity as owners: | | | | |
| - Effect of business transfer | - | - | (1,136) | *(1,136)* |
| *Other comprehensive income:* | | | | |
| Actuarial gain on pension scheme | - | 4,728 | - | *4,728* |
| **Balance as at 31 March 2020** | **6** | **(40,042)** | **(1,136)** | ***(41,172)*** |

* Following the transfer of management of 3 residential care homes and 2 day-centres for older people by London Borough of Barnet to Your Choice (Barnet), along with 270 staff under TUPE regulations, these staff transferred with a net pension liability. This has been added to the reserves of the Group, but separately identified in 'Other reserve' above.

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

**THEBARNETGROUP LIMITED**
**COMPANY STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 MARCH 2020**

| | **2020** | ***2019*** |
|---|---|---|
| | £'000 | *£'000* |
| Revenue | - | *-* |
| **Expenses** | | |
| Other expenses | (40) | *(27)* |
| **Operating loss** | (40) | *(27)* |
| Finance income | 4 | *3* |
| Finance costs | - | *-* |
| **Loss before tax** | (36) | *(24)* |
| Income tax expense | - | *-* |
| **Loss after tax** | (36) | *(24)* |
| **Total comprehensive income for the year** | **(36)** | *(24)* |
| **Total comprehensive income is attributable to:** | | |
| London Borough of Barnet | (36) | *(24)* |

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

THEBARNETGROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2020

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | £'000 | £'000 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment | | - | - |
| **Current assets** | | | |
| Trade and other receivables | 9 | 33,997 | *6,413* |
| Cash and cash equivalents | 10 | 842 | *3,079* |
| | | 34,839 | *9,492* |
| **Total assets** | | 34,839 | *9,492* |
| **EQUITY and LIABILITIES** | | | |
| **EQUITY** | | | |
| Revenue reserve | | (209) | *(173)* |
| **Total Equity** | | (209) | *(173)* |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 35,048 | *9,665* |
| | | 35,048 | *9,665* |
| **Total liabilities** | | 35,048 | *9,665* |
| **Total equity and liabilities** | | 34,839 | *9,492* |

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: 07873964**

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

**1. General information and statement of compliance with IFRS**

This is the TheBarnetGroup Limited's eighth accounting period. TheBarnetGroup Limited is a local authority controlled company of the London Borough of Barnet limited by shares. The Company is incorporated and domiciled in England. The address of the registered office is 2 Bristol Avenue, Colindale, London N9 4EW. The Company's registration number is 07873964.

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 Group 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 borrowing rates applied were appropriate to the entity which had the agreement. These varied between 3.5% and 6%.

The Group 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 Group 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.

## 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 | - | 5,388 | 5,388 |
| Lease Liabilities | - | 5,624 | 5,624 |
| Revenue reserve | 1,213 | (236) | 977 |

**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 financial currency is also British Pounds Sterling.

The principal accounting policies of the Group 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.

**Basis of consolidation**

The Company was incorporated on 7 December 2011 and is controlled by the London Borough of Barnet. On 1 February 2012, TheBarnetGroup Limited (the 'Company') was created, it is a Local Authority Trading Company (LATC) and has 5 subsidiary organisations, Barnet Homes Limited, an Arms' Length Management Organisation (ALMO), Your Choice (Barnet) Limited, another LATC, TBG Flex Limited, TBG Open Door Limited, which is registered with the Regulator of Social Housing as a Registered Social Landlord and Bumblebee Lettings Limited, a private lettings agency. Barnet Homes Limited is indirectly owned by the London Borough of Barnet via TheBarnetGroup Limited, which in turn has a management agreement with Barnet Homes Limited.

TheBarnetGroup Limited also holds 100% of the issued share capital of Your Choice (Barnet) Limited, a company which was also incorporated on 7 December 2011. On 1 February 2012, the London Borough of Barnet transferred certain services over to Your Choice (Barnet) Limited under a contract between The London Borough of Barnet and TheBarnetGroup Limited, who in turn have a management agreement with Your Choice (Barnet) Limited.

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

The directors considered the above restructuring to represent a business combination between entities under common control. This is because the London Borough of Barnet remained the ultimate controlling party of Barnet Homes Limited and therefore in substance, no change in control had occurred. Business combinations between entities under common control are outside the scope of IFRS 3 Business Combinations (revised 2008) and therefore acquisition accounting does not apply. The directors are therefore required to develop a suitable accounting policy under which to account for such a transaction.

In preparing these financial statements, the directors have adopted a policy of applying capital reorganisation accounting as this best represents the substance of the transactions which have taken place. In applying the capital reorganisation accounting, the consolidated Statement of Financial Position presented in the financial statements incorporates the assets and liabilities of Barnet Homes Limited at their pre-combination carrying amounts, without any fair value adjustments.

**Going Concern**

The group'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 group 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 group 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 group 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 group's pension deficit is recognised in full in the Statement of Financial Position and this is stated at £41.178m at 31 March 2020 *(2019: £41.126m)*. However, the London Borough of Barnet has fully guaranteed the pension deficits at the point of Barnet Homes incorporation (on 1 April 2004) as well as pension deficits at the point the employees were transferred to the group on 1 February 2012 and 7 July 2019 within the Your Choice (Barnet) business. 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 if the forecasts are materially inaccurate.

The Directors have reviewed the Group'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**

Revenue represents the value (excluding value added tax) of services supplied and management fee to which the Group was entitled in respect of the financial year. The Group's main source of income is the management fee received from London Borough of Barnet in line with the approved management agreement which is fixed and also based on payment by usage for the adult social services arm of the business. The level of the fixed component of the annual management fee has been agreed with the Council for a 5 year period ending in Year 2020/21, and thereafter will be agreed either on an annual basis or over a longer period for the housing management arm of the business.

Sundry income is recognised so as to match revenue to the cost of delivering the relevant services in the same accounting year.

Grants received in respect of resident participation and other projects have been credited to the statement of comprehensive income in the same accounting period as the expenditure to which they relate. Any surplus grant is held in deferred income as a current liability until such time that it is used to pay for future expenditure in relation to that project.

**Interest income**

Interest received on bank deposits is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable. Any interest receivable that is due has been accrued accordingly.

**Operating expenses**

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

**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
Computers: 5 years

Assets purchased are depreciated over a 5-year period and the outstanding balances on existing assets are depreciated over a 3-year period.

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

Any obsolete assets with a net book value will have all costs written off immediately to the Statement of Comprehensive Income. 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.

**Housing Properties**

Housing properties are properties held for the provision of social housing. Properties during construction are stated at cost and included in fixed assets. Properties under construction are transferred to "completed housing properties" when they are available for letting. No depreciation is provided on the properties until they are ready for use.

**Capitalised Development Costs**
Only directly attributable project costs are capitalised in housing property costs. These costs include acquisition, construction, capitalised interest and overheads. Staff costs which are directly attributable in bringing housing properties into working condition for their intended use are capitalised as development allowances.

**Pre-contract costs**

Pre-contract costs are recognised as an asset only if they are directly attributable to bringing the asset to its intended operating condition and specific contract, can be separately identified, measured reliably and when there is virtual certainty that a contract will be obtained and is expected to result in future net cash inflows.

**Government Grants**

Grants are paid by the London Borough of Barnet to subsidise the cost of constructing housing properties. Grants on completed housing properties are accounted for using the accrual model as set out in FRS102 and the Housing SORP 2018. Grants are recognised as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the asset.

Government grants released on sale of property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

**Donated Land**
The difference between the fair value of the donated land and the consideration paid for it is recognised as a government grant and included in the Statement of Financial Position as a liability.

**Interest Payable**
Interest is capitalised on borrowings to finance the development of qualifying assets, to the extent that it accrues in respect of the period of development, if it represents interest on borrowings specifically financing the development programme after deduction of relevant grants received in advance. Other interest payable is charged to income and expenditure in the year.

**Depreciation of Housing Properties**
The Group separately identifies the major components which comprise its housing properties and charge depreciation to write down the cost of each component, to its estimated residual value, on a straight-line basis, over its estimated useful economic life. The estimated useful life of the major components is as follows:

| **Component** | **Lifecycle - years** |
|---|---|
| Main Structure | 100 |
| Roof | 50 |
| Doors and Windows | 40 |
| Gas Heating | 30 |
| Boiler | 15 |
| Kitchens | 30 |
| Bathrooms | 40 |
| Lifts | 20 |
| Electrical | 30 |

Freehold land is not depreciated and Right of Use assets are depreciated over the life of the related lease.

**Other Tangible Fixed Assets**
Other tangible fixed assets are measured at cost less accumulated depreciation. Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives (with no charge in the year of acquisition) as follows:

| | |
|---|---|
| Computers and software | 5 years |

**Leases**
For any new contracts entered into on or after 1 April 2019, the group 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 group 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 group 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 group 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 group, 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 group 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 group also assesses the right of use asset for impairment when such indicators exist.

At the commencement date, the group 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 group's incremental borrowing rate.

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 group 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 sin 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 instruments**
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

**Financial assets**
For the purpose of subsequent measurement, financial assets are classified into categories upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognised in ascertaining the profit or loss or in other comprehensive income.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.
All income and expenses relating to financial assets are recognised in the statement of comprehensive income and are presented within 'finance cost', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'other expenses'.

**Loans and receivables**
All the Groups financial assets are classified as loans and receivables.

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cashflows. Movements in the provision for doubtful debts are recognised in the statement of comprehensive income.

This generally results in their recognition at their nominal value less any allowance for any doubtful debts.

**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 its financial liabilities.
Financial liabilities are contractual obligations to pay cash or other financial assets and are recognised when the Group 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 recorded 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.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 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.

This generally results in their recognition at their nominal value.

### Corporation Tax

The relationship between the Group and the London Borough of Barnet has been recognised as one of mutual trading. Consequently, any activities between the Group 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 Group'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).

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.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits repayable on demand and other short-term liquid resources maturing within 3 months.
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 of short term deposits with financial institutions.

### Short term investment

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 deposits.

### Equity and reserves

Retained earnings include all current and prior period retained profits.

**Transfer of business from owners**

On 7 July 2019, management of 3 residential care schemes and 2 day-centres for older people were transferred by London Borough of Barnet from Fremantle Trust to Your Choice (Barnet) along with 270 staff under TUPE regulations; no responsibility for property leases or service contracts were transferred. In accordance with IFRS 3 (Business Combinations), the directors have elected to account for this transfer as a transfer of a business from common control, i.e. London Borough of Barnet are responsible for the provision of the services and have decided to change provider of the services contract from an independent third party to Your Choice (Barnet) Limited, an entity of which it is the ultimate parent. IFRS 3 has 3 criteria to assess whether the transfer of the contract constitutes a 'business'. Directors are satisfied that these 3 criteria are met as an acquired contract constitutes an input, the staff (who have a specific skill set that would be difficult to replace) who transferred with the contract, perform the substantive process that allows an output to be generated by the contract (contract revenues). Whilst the contract term is only for 2 years and 3 months initially, negotiations are ongoing for Your Choice (Barnet) Limited to retain this contract for a longer period. The directors have then chosen to account for this 'transfer of a business under common control' using what is known as 'predecessor accounting'; meaning that all transferred assets and liabilities are included in the accounting records of Your Choice (Barnet) at historical values. There were no assets assumed from the transfer of the contract (other than the staff to carry out the services) and the only liability related to transferred pension liability form the Local Government Pension Scheme. The net liability of transfer has been added to the company's reserves, separated identified. This has not been done retrospectively.

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

During the year, the Group participated in a contributory defined benefit statutory pension scheme covering its present and past employees. 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 Group's full net pension liability has been recorded in the consolidated statement of financial position of TheBarnetGroup Limited. The Company does not have any employees and therefore does not operate a pension scheme.

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 gain arises when the Group 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.

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.

**Provisions, contingent liabilities and contingent assets**

Provisions and contingent liabilities are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group 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 Group has no contingent assets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

**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.

**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 £41.178m (*2019: £41.126m*) 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. Estimation uncertainties exist as the anticipated assumptions could vary.

**Provisions**
Provisions are mainly in relation to insurance excess on public liability claims, staff redundancy 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.

**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 Group. The carrying amounts are analysed in notes 8 and 9. Actual results, however, may vary due to technical obsolescence, particularly for software and IT equipment.

**Transfer of business**
Director's judgment has been applied in the accounting treatment of the transfer of the 3 care homes and 2 day-centres. The directors have assessed that this meets the criteria to be accounted for as a transfer of a business under common control and used 'predecessor accounting' to create an 'other reserve' within equity.

**Government Grants**

Grants are paid by the London Borough of Barnet to subsidise the cost of constructing housing properties. Grants on completed housing properties are accounted for using the accrual model as set out in FRS102 and the Housing SORP 2018. Grants are recognised as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the asset.
Government grants released on sale of property may be repayable but are normally available to be recycled and are credited to the Recycle Capital Grant Fund and included in the Statement of Financial Position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining in creditors is released and recognised as income in income and expenditure.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### Other Grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Group is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as deferred income.

### Value Added Tax

Value Added Tax The group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

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## 3. REVENUE

**Group**

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

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| **Management fee paid by the London Borough of Barnet in respect of:** | | |
| Barnet Homes Limited housing management, homelessness and support services | 53,922 | 51,990 |
| Barnet Homes Limited repairs and maintenance | 7,550 | 7,550 |
| Property Development | 1,233 | 1,222 |
| Your Choice (Barnet) Limited adult social care services | 10,293 | 5,082 |
| Rental income | 1,575 | 352 |
| Amortised Grant | 32 | 104 |
| **Total fee received from London Borough of Barnet** | 74,605 | 66,300 |
| Capital works carried out directly by Barnet Homes Limited | 1,100 | 1,100 |
| **Total income from the London Borough of Barnet** | 75,705 | 67,400 |
| **Other operating income** | 7,393 | 4,311 |
| **Total revenue** | **83,098** | **71,711** |

There is no revenue arising in the parent company.

## 4. OTHER EXPENSES

**Group**

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Housing, estate, hostel, repairs & maintenance | 10,946 | 8,470 |
| Third party landlord and temporary accommodation costs | 26,605 | 27,505 |
| Agency Staff | 4,433 | 3,575 |
| Information Technology | 1,587 | 1,223 |
| Grounds Maintenance | 876 | 793 |
| Utility | 1,628 | 1,345 |
| Legal | 1,080 | 759 |
| Auditor's remuneration - statutory audit | 91 | 72 |
| Auditor's remuneration - for other services | 58 | 78 |
| Other * | 4,766 | 3,614 |
| Accommodation & Tenant related | 1,566 | 1,896 |
| Rent payable to Landlords | - | 174 |
| Social Housing Lettings | - | 266 |
| | **53,636** | **49,770** |

The other services provided by the auditor relate to a corporation tax compliance and online services to file the statutory accounts with HMRC.

* Other costs include: Consultancy 2020: £812,443 (2019: £340,734), Insurance 2020: £437,936 (2019: £340,158), Provision £246,629 (2019: £53,460), Food £267,000 (2019: £51,000), Re-organisation costs £612,260 (2019: £nil) and Other 2020: £2,389,732 (2019: £2,828,648).

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## 5. OPERATING LOSS FOR THE YEAR

### Group

The loss for the year has been arrived at after charging the following:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| *Depreciation and amortisation of property, plant and equipment and Intangible assets | 2,431 | 711 |
| Employee salaries and benefits | 29,863 | 23,289 |
| Auditors remuneration | | |
| - Fees payable to the Group's auditors for the audit of the financial statements | 91 | 72 |
| - Fees payable to the Group's auditors for other services (see above) | 58 | 72 |

* Depreciation £1,820,000, Amortisation £611,000

## 6. FINANCE INCOME AND FINANCE COST

| Group | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Finance income: | | |
| - bank deposit and short-term investment interest | 11 | 11 |
| - return on retirement benefit scheme assets | 1,890 | 1,888 |
| | **1,901** | **1,899** |
| Finance costs: | | |
| Lease finance costs | (297) | - |
| Loan interest costs | (248) | (30) |
| Interest on retirement benefit obligation and other charges | (2,923) | (2,740) |
| | **(3,468)** | **(2,770)** |

## 7. TANGIBLE ASSETS

### Property, plant and equipment

**Group**

| | Assets under construction | Properties, vehicles, plant & equipment | Furniture, fixtures & fittings | Computer equipment | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Gross carrying amount** | | | | | |
| Balance 1 April 2019 | 15,498 | 7,866 | 393 | 1,703 | 25,460 |
| Additions | 29,660 | 4 | 9 | 6 | 29,679 |
| Disposals | - | - | (284) | (101) | (385) |
| Schemes completed | (5,344) | 5,344 | - | - | - |
| Balance 31 March 2020 | 39,814 | 13,214 | 118 | 1,608 | 54,754 |
| **Depreciation and impairment** | | | | | |
| Balance 1 April 2019 | - | 205 | 343 | 1,554 | 2,102 |
| Charge for year | - | 176 | 10 | 83 | 269 |
| Disposals | - | - | (280) | (61) | (341) |
| Balance 31 March 2020 | - | 381 | 73 | 1,576 | 2,030 |
| Carrying amount 1 April 2019 | 15,498 | 7,661 | 50 | 149 | 23,358 |
| **Carrying amount 31 March 2020** | **39,814** | **12,833** | **45** | **32** | **52,724** |

**Company**

The Company does not have any tangible assets.

### 7.1 TANGIBLE ASSETS

**Right of use assets**

**Group**

| | Vehicles | Leasehold Offices | Office Equipment | Residential Properties | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Gross carrying amount** | | | | | |
| Balance 1 April 2019 | - | - | - | - | - |
| IFRS 16 transition adjustment | - | 4,419 | - | 969 | 5,388 |
| Adjusted Balance 1 April 2019 | - | 4,419 | - | 969 | 5,388 |
| Additions | 217 | - | 408 | 3,034 | 3,659 |
| Balance 31 March 2020 | 217 | 4,419 | 408 | 4,003 | 9,047 |
| **Depreciation and impairment** | | | | | |
| Balance 1 April 2019 | - | - | - | - | - |
| Charge for year | - | 631 | 102 | 818 | 1,551 |
| Disposals | - | - | - | - | - |
| Balance 31 March 2020 | - | 631 | 102 | 818 | 1,551 |
| Carrying amount 1 April 2019 | - | - | - | - | - |
| **Carrying amount 31 March 2020** | **217** | **3,788** | **306** | **3,185** | **7,496** |

**Company**

The Company does not have any right of use assets.

## 8. INTANGIBLE ASSETS

### Group

| | Computer software and development £'000 |
|---|---|
| **Gross carrying amount** | |
| Balance 1 April 2019 | 3,123 |
| Reclassifications | - |
| Additions | 633 |
| Impairment | - |
| Balance 31 March 2020 | 3,756 |
| **Amortisation** | |
| Balance 1 April 2019 | 1,300 |
| Charge for year | 611 |
| Impairment | - |
| Balance 31 March 2020 | 1,911 |
| Carrying amount 1 April 2019 | 1,823 |
| **Carrying amount 31 March 2020** | **1,845** |

| **Summary of Depreciation, amortisation & assets impairment** | **2020** | ***2019*** |
|---|---|---|
| | £'000 | *£'000* |
| Depreciation | 1,820 | *205* |
| Amortisation | 611 | *506* |
| | **2,431** | ***711*** |

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## 9. TRADE AND OTHER RECEIVABLES

### Group

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Amounts receivable within one year: | | |
| Trade receivables, gross | 1,436 | 639 |
| Provision for doubtful debt | (294) | (64) |
| Trade receivables | 1,142 | 575 |
| Amounts due from parent undertaking | 22,675 | 6,268 |
| Provision for doubtful debt | - | - |
| Financial assets | 23,817 | 6,843 |
| Other debtors | 1,247 | 2,619 |
| Contract assets (note 3) | (194) | (25) |
| Prepayments and accrued income | 11,943 | 929 |
| Non-financial assets | 12,996 | 3,523 |
| **Trade and other receivables** | **36,813** | **10,366** |

The trade receivables ageing analysis is as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Current | | |
| 0-30 days | 21,809 | 4,870 |
| 31-60 days | 621 | 61 |
| > 60 days | 1,387 | 1,912 |
| | **23,817** | **6,843** |

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

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## 9. TRADE AND OTHER RECEIVABLES CONTINUED

### Company

| | 2020 | *2019* |
|---|---|---|
| | £'000 | *£'000* |
| Amounts receivable within one year: | | |
| Amounts due from the London Borough of Barnet | 19,787 | *2,152* |
| Amounts due from subsidiaries | 111 | *1,781* |
| Financial assets | **19,898** | ***3,933*** |
| Other debtors | | |
| Prepayments and accrued income from Parent undertaking | 3,148 | *1,562* |
| Prepayments and accrued income from Related Parties | 10,951 | *915* |
| Prepayments and accrued income | - | *3* |
| Non-financial assets | 14,099 | *2,480* |
| Trade and other receivables | **33,997** | ***6,413*** |

The trade receivables ageing analysis is as follows:

| | 2020 | *2019* |
|---|---|---|
| | £'000 | *£'000* |
| Current | | |
| 0-30 days | 17,890 | *2,517* |
| 31-60 days | 621 | *160* |
| > 60 days | 1,387 | *1,256* |
| | **19,898** | ***3,933*** |

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

## 10. CASH AND CASH EQUIVALENTS

**Group**

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Bank accounts | 3,862 | 8,154 |
| Cash in hand | 7 | 6 |
| Short term deposits | 1 | - |
| | **3,870** | **8,160** |

**Company**

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Bank accounts | 842 | 3,079 |
| | **842** | **3,079** |

## 11. EQUITY

### 11.1 Share Capital

TheBarnetGroup Limited is a company limited by shares, with 100 £1 shares owned by The London Borough of Barnet

## 12. EMPLOYEE REMUNERATION

### 12.1. Employee benefits expense

**Group**

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Wages and salaries | 22,133 | 17,398 |
| Social security costs | 2,003 | 1,511 |
| Pensions costs | 5,727 | 4,380 |
| | **29,863** | **23,289** |

**THEBARNETGROUP LIMITED**
**12.1.1 DIRECTOR'S REMUNERATION**

| | 2020 | *2019* |
|---|---|---|
| | £'000 | *£'000* |
| Wages and salaries | 152 | *151* |
| Social security costs | 20 | *21* |
| Pensions costs | 8 | *-* |
| Flex Benefits | 8 | *15* |
| Bonus | - | *13* |
| | **188** | ***200*** |

The highest paid director earned £188,205 *(2019: £199,687)*

In this financial year, wages and salary costs include redundancy costs of £Nil *(2019: £ 65,000).*

**12.2. Employees**
The average number of permanent employees (excluding agency staff) employed by the Group during the year was:

| Service | 2020 | *2019* |
|---|---|---|
| Chief Executive Office | 1 | *1* |
| Growth & Development | 39 | *37* |
| Care & Support | 755 | *413* |
| Operations Directorate | 156 | *163* |
| Non-Executive Directors | 15 | *19* |
| | **966** | ***633*** |

The Operations Directorate represents the permanent employees in both Barnet Homes Limited and Your Choice (Barnet) Limited.

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## 12.3. Pension and other employee obligations

The Group participates 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 Statement of Financial Position 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, Barnet Homes Limited contributed to the Scheme at an equivalent rate of 24.3% of pensionable salaries *(2019: 25.8%)*.

For the year ending 31 March 2020, Your Choice (Barnet) Limited contributed to the Scheme at an equivalent rate of 24.3% of pensionable salaries *(2019: 24.3%)*.

**The financial assumptions used by the actuary were:**

| | **31-Mar-20** | **31-Mar-19** |
|---|---|---|
| | % p.a. | *% p.a.* |
| Salary Increases | 2.6 | *2.8* |
| Pension Increases | 1.9 | *2.5* |
| Discount Rate | 2.3 | *2.4* |

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the IAS19 discount rate.

| **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.

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**12.3. Pension and other employee obligations continued**

| **Net pension liability as at** | **31 March 2020** | ***31 March 2019*** |
|---|---|---|
| | £'000 | *£'000* |
| Present Value of Funded Obligation | (106,908) | *(114,459)* |
| Fair Value of Scheme Assets (bid value) | 66,291 | *73,978* |
| **Net liability** | **(40,617)** | ***(40,481)*** |
| Present Value of Unfunded Obligation | (561) | *(645)* |
| Unrecognised Past Service Cost | | |
| **Net liability in statement of financial position** | **(41,178)** | ***(41,126)*** |

| | **31 March 2020** | **31 March 2019** |
|---|---|---|
| | £'000 | *£'000* |
| Current and past service cost | 5,216 | *3,922* |
| Net interest on net defined liability | 122 | *852* |
| Administration expenses | - | - |
| **Total** | **5,338** | ***4,774*** |
| **Actual return on scheme assets** | **(14,405)** | ***3,239*** |

| **Reconciliation of opening and closing balances of the present value of the defined benefit obligation** | **31 March 2020** | ***31 March 2019*** |
|---|---|---|
| | £'000 | *£'000* |
| **Opening Defined Benefit Obligation** | **115,104** | *100,093* |
| Current service cost | **4,566** | *3,922* |
| Interest cost | **2,923** | *2,740* |
| Change in financial assumptions | **(9,739)** | *9,332* |
| Change in demographic assumptions | **(3,902)** | - |
| Experience gain on defined benefit obligation | **(7,382)** | *33* |
| Estimated benefits paid (net of transfers in) | **(2,015)** | *(1,658)* |
| Past service cost | **650** | - |
| Effect of business combinations | **6,612** | - |
| Contributions by Scheme participants | **677** | *667* |
| Unfunded pension payments | **(25)** | *(25)* |
| **Closing Defined Benefit Obligation** | **107,469** | ***115,104*** |

## 12.3. Pension and other employee obligations continued

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

| | 31 March 2020 | *31 March 2019* |
|---|---|---|
| | £'000 | *£'000* |
| **Opening fair value of scheme assets** | **73,978** | *69,218* |
| Interest on assets | **1,890** | *1,888* |
| Return on assets less interest | **(16,295)** | *1,351* |
| Administration expenses | **25** | *49* |
| Effect of business combinations | **5,476** | - |
| Contributions by employer including unfunded benefits | **2,580** | *2,488* |
| Contributions by scheme participants | **677** | *667* |
| Estimated benefits paid (net of transfers in) | **(2,040)** | *(1,683)* |
| **Fair value of scheme assets at end of period** | **66,291** | *73,978* |

### Re-measurements and Other Comprehensive Income

| | 31 March 2020 | *31 March 2019* |
|---|---|---|
| | £'000 | *£'000* |
| Return on plan assets in excess of interest | (15,309) | *1,351* |
| Other actuarial gains/(losses) on assets | - | - |
| Change in financial assumptions | 9,739 | *(9,332)* |
| Change in demographic assumptions | 2,044 | - |
| Experience (loss) / gain on defined benefit obligation | 8,254 | *(33)* |
| Effect of business combinations | (1,136) | - |
| | **3,592** | ***(8,014)*** |

### Sensitivity analysis

| **Change in assumptions at 31 March 2020:** | **Approximate % increase to Employer Liability** | **Approximate monetary value** |
|---|---|---|
| | | *£'000* |
| 0.5% decrease in Real Discount Rate | 11% | 12,019 |
| 0.5% increase in the Salary Increase Rate | 2% | 2,779 |
| 0.5% increase in the Pension Increase Rate | 9% | 9,663 |

**12.3. Pension and other employee obligations continued**

| **Projections for year to 31 March 2021** | ***Year to 31 March 2021*** |
|---|---|
| | *£'000* |
| Service cost | *(3,467)* |
| Net interest cost | *(957)* |
| Administration | - |
| **Total** | ***(4,424)*** |
| | |
| **Employer contributions** | ***2,566*** |

These projections are based on the actuarial assumptions as at 31 March 2020.

**Assets**

The estimated asset allocation for The Group as at 31 March 2020 is as follows;

| Employer Asset Share - Bid Value | **31 March 2020** £'000 | % | ***31 March 2019*** *£'000* | *%* |
|---|---|---|---|---|
| Equities | - | 0% | *28,160* | *38%* |
| Bonds and Gilts | 7,884 | 12% | *8,028* | *11%* |
| Real Estate | 3,245 | 5% | - | *0%* |
| Investment Funds and Unit Trusts | 54,488 | 82% | *36,743* | *50%* |
| Private Equity | 134 | 0% | - | *0%* |
| Cash | 540 | 1% | *1,047* | *1%* |
| **Total** | **66,291** | ***83%*** | ***73,978*** | ***100%*** |

The bid value of the Fund's assets as at 31 March 2020 is £66,153,000 as provided by the administering authority.

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 £3,245,000. Similarly, a decline in value by 20% would equate to £6,490,000. 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).

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## 13. PROVISIONS

**Group**

| | Insurance claims | Other provision | Total provisions |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Carrying amount at 1 April 2019** | 44 | - | 44 |
| Utilised | - | - | - |
| Released | - | - | - |
| Increase in provisions | - | - | - |
| **Carrying amount at 31 March 2020** | **44** | - | **44** |

Insurance claims are provisions in respect of public liability claims which are outstanding at 31 March 2020. The Group's liability is restricted to the amount of the claim or the policy excess, whichever is the greater. The policy excess is currently £2,500 per claim.

**Company**

The company had no provisions at 31 March 2020 (2019: £nil)

## 14. LEASE LIABILITIES

**Group**

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| IFRS 16 opening balance adjustment | 5,624 | - |
| New finance leases | 3,659 | - |
| Less: Net Present Value of lease payments | (1,524) | - |
| Total finance lease liability | 7,759 | - |
| Finance leases payable in less than one year | 2,182 | - |
| Finance leases payable in more than one year | 5,577 | - |
| | 7,759 | - |

| 31 March 2020 | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
|---|---|---|---|---|---|
| Lease Payments | 2,492 | 2,251 | 1,435 | 2,360 | 8,538 |
| Finance charges | 310 | 200 | 116 | 153 | 779 |
| **Net Present Value** | **2,182** | **2,051** | **1,319** | **2,207** | **7,759** |

| 31 March 2019 | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
|---|---|---|---|---|---|
| Lease payments | 1,186 | 1,175 | 974 | 3,036 | 6,371 |
| Finance charges | 209 | 166 | 124 | 248 | 747 |
| **Net Present Value** | **977** | **1,009** | **850** | **2,788** | **5,624** |

**Company**

The company has no finance lease liabilities

## 15. LOANS

### Group

A loan facility of £66.7m is secured on all the properties of Open Door Homes Limited and the amount outstanding is repayable as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Loans repayable by instalments: | | |
| In five or more years | 33,968 | 15,139 |
| Between two and five years | - | - |
| Between one and two years | - | - |
| | 33,968 | 15,139 |
| In one year or less | - | - |
| | 33,968 | 15,139 |
| Unamortised issue costs | (316) | (144) |
| | 33,652 | 14,995 |

The rate of interest on each loan for each interest period is the prevailing interest rate offered to the lender at the date of utilisation request by the Public Works Loans Board for the relevant period and type of loan plus 1.24% p.a and less any certainty discount applicable.

## 16. GRANT

### Group

Grant received from London Borough of Barnet in respect of housing properties under construction and completed at year end

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| At 1st April | 10,386 | *2,775* |
| Grant received in the year | 6,823 | *7,620* |
| Released to income in the year | (32) | *(9)* |
| At 31st March | 17,177 | *10,386* |
| Amounts to be released within 1 year | (38) | *(34)* |
| Amounts to be released in more than 1 year | 17,139 | 10,352 |

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## 17. TRADE AND OTHER PAYABLES

| Group | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| *Current:* | | |
| Trade payables | 6,724 | 2,041 |
| Amount due to parent undertaking | 12,549 | 3,056 |
| Financial liabilities | 19,273 | 5,097 |
| | | |
| Other payables | 386 | 264 |
| Other taxation and social security | 3,806 | 3,153 |
| Accruals and deferred income | 20,636 | 8,528 |
| | **44,101** | **17,042** |

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

**Company**

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| *Current:* | | |
| Trade payables | - | - |
| Amount due to parent undertaking | 198 | 1,871 |
| Amount owed to subsidiaries | 8,530 | 2,241 |
| Financial liabilities | 8,728 | 4,112 |
| | | |
| Other payables | - | - |
| Other taxation and social security | 3,226 | 3,128 |
| Accruals and deferred income to Parent undertaking | 10,289 | 853 |
| Accruals and deferred income to Related party | 3,148 | 1,562 |
| Accruals and deferred income to 3rd party | 9,657 | 10 |
| | **35,048** | **9,665** |

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## 18. INCOME TAX EXPENSE

| | Current period | | Prior period | |
|---|---|---|---|---|
| | Derived | Accounts | Derived | Accounts |
| | £'000 | £'000 | *£'000* | £'000 |
| **Analysis of tax charge/(credit) for the period** | | | | |
| **Current tax** | | | | |
| UK corporation tax at 19.00% (PY: 19.00%) | 47 | 47 | 49 | 49 |
| Adjustments in respect of prior periods | - | - | 12 | 12 |
| | 47 | 47 | 61 | 61 |
| **Deferred tax** | | | | |
| Origination and reversal of temporary differences | - | - | - | - |
| **Tax on profit on ordinary activities** | 47 | 47 | 61 | 61 |
| **Provision for deferred tax** | | | | |
| **Deferred tax (asset)/liability not recognised** | (154) | (164) | (103) | (103) |
| **Reconciliation of tax charge** | | | | |
| Loss on ordinary activities before tax | (3,593) | (3,593) | (2,877) | (2,877) |

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## 18. INCOME TAX EXPENSE CONTINUED

| | Current period | | Prior period | |
|---|---|---|---|---|
| | Derived | Accounts | Derived | Accounts |
| | £'000 | £'000 | £'000 | £'000 |
| Tax on loss on ordinary activities at standard CT rate of 19.00% (PY:19.00%) | (683) | (683) | (549) | (549) |
| Income not taxable for tax purposes | - | - | (27) | (27) |
| **Effects of:** | | | | |
| Fixed asset differences | 31 | 31 | 9 | 9 |
| Expenses not deductible for tax purposes | 694 | 634 | 560 | 560 |
| Adjust closing deferred tax to average rate of 19.00% | - | - | 12 | 12 |
| Adjust opening deferred tax to average rate of 19.00% | (10) | (10) | (6) | (6) |
| Income not taxable for tax purposes | (6) | (6) | - | - |
| Adjustments to brought forward values | (50) | - | - | - |
| Adjustment for tax charge in respect of previous periods | - | - | 12 | 12 |
| Deferred tax not recognised | 71 | 81 | 50 | 50 |
| **Tax charge for the period** | 47 | 47 | 61 | 61 |

## 19. FINANCIAL ASSETS AND LIABILITIES

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

**Group**

| | Note | 2020 | *2019* |
|---|---|---|---|
| | | £'000 | *£'000* |
| **Financial assets** | | | |
| Loans and receivables: | | - | - |
| Trade and other receivables | 9 | 23,817 | *6,843* |
| Cash and cash equivalent | 10 | 3,870 | *8,160* |
| | | **27,687** | ***15,003*** |
| **Financial liabilities** | | | |
| Financial liabilities measured to amortised cost: | | | |
| Trade and other payables | 17 | 44,101 | *17,042* |
| Lease liabilities, short-term | 14 | 2,182 | - |
| Lease liabilities, long-term | 14 | 5,577 | - |
| | | **51,860** | ***17,042*** |

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## 19. FINANCIAL ASSETS AND LIABILITIES CONTINUED

**Company**

| | Note | 2020 £'000 | *2019 £'000* |
|---|---|---|---|
| **Financial assets** | | | |
| Loans and receivables: | | | |
| Trade and other receivables | 9 | 19,898 | *3,933* |
| Cash and cash equivalent | 10 | 842 | *3,079* |
| | | **20,741** | ***7,012*** |
| **Financial liabilities** | | | |
| Financial liabilities measured to amortised cost: | | | |
| Trade and other payables | 17 | **35,048** | ***9,665*** |

## 20. RELATED PARTY TRANSACTIONS

### 20.1 Transactions with controlling party/related parties

| | 2020 £'000 | *2019 £'000* |
|---|---|---|
| Invoices to London Borough of Barnet | 156,254 | *164,075* |
| Invoices from London Borough of Barnet | 1,985 | *8,394* |
| Amount owed to London Borough of Barnet | 12,549 | *3,056* |
| Amount owed by London Borough of Barnet | 22,675 | *6,268* |
| Loan and grant receipts from London Borough of Barnet | 50,791 | 25,347 |

The London Borough of Barnet owns 100% of the share capital of TheBarnetGroup Limited. TheBarnetGroup Limited has five subsidiary organisations, being Your Choice (Barnet) Limited, Barnet Homes Limited, TBG Flex Limited, TBG Open Door Limited and BumbleBee Letting Limited. TheBarnetGroup Limited owns 100% of the share capital of Your Choice (Barnet) Limited, TBG Flex Limited and Bumblebee Lettings Limited.

TheBarnetGroup Limited is the sole member and guarantor of Barnet Homes Limited, a company limited by guarantee. Barnet Homes Limited is the sole member and guarantor of TBG Open Door Limited, a community benefit society.

The London Borough of Barnet contracts with TheBarnetGroup Limited for the provision of Adult Social Care Services, Housing Management and Homelessness Services. TheBarnetGroup Limited then contracts on a back to back basis with Your Choice (Barnet) Limited, Barnet Homes Limited, TBG Flex Limited and TBG Open Door Limited in respect of Adult Social Care Services, Housing Management, Homelessness Services and construction of properties. As a result, TheBarnetGroup Limited receives the management fee from The London Borough of Barnet on behalf of Barnet Homes Limited and Your Choice (Barnet) Limited. It also invoices for ad hoc services on behalf of the two companies and for the capital works programme carried out by Barnet Homes Limited on behalf of the London Borough of Barnet. TBG Flex Limited is a company for the recruitment and employment of staff. Barnet Homes has a subsidiary organisation, TBG Open Door Limited, a registered provider with the Regulator of Social Housing.

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**20.1 Transactions with controlling party/related parties continued**

As at 31 March 2020, TheBarnetGroup Limited owed £11,945,000 (2019: £3,056,000) to The London Borough of Barnet in respect of expenses on behalf of Barnet Homes Limited and TBG Open Door Limited. TheBarnetGroup Limited also owed £50,791,000 (2019: £25,347,000) in respect to loans and grants to The London Borough of Barnet.
TheBarnetGroup Limited was owed £22,824,000 (2019: £6,268,000) by The London Borough of Barnet in respect of management and other fees for services provided by the Group.

All outstanding balances with these related parties are due to be settled in cash. None of the balances are secured.

## 20.2 KEY MANAGEMENT PERSONNEL

### 20.2.1 NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are defined as being the members of the Group's Main Board who are not executive officers of the Group. 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 Group;

| | **2020** | ***2019*** |
|---|---|---|
| | £'000 | *£'000* |
| Eamon McGoldrick | 8 | - |
| Terry Rogers | 5 | *12* |
| Nigel Turner | 8 | *8* |
| John Stephen | 8 | *8* |
| Ursula Bennion | 8 | *3* |
| Washington Ainabe | 5 | - |
| Jeffrey Baker | 3 | *7* |
| Councillor Ross Houston | - | - |
| Councillor Laithe Jajeh | - | - |
| Angel Purcell | 5 | - |
| June Riley | 5 | - |
| Councillor Shimon Ryde | - | - |
| Sharon Slotnik | - | *2* |
| Rebecca Toloui-Marks | 8 | *8* |
| Robert Webber | 6 | - |
| Patrick Wright | 2 | *6* |
| | 71 | *54* |

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## 20.2.2 EXECUTIVE DIRECTORS

| | 2020 | *2019* |
|---|---|---|
| | £'000 | *£'000* |
| Salaries | 702 | *628* |
| Performance Bonus | 64 | *58* |
| Honorarium | 9 | *9* |
| Social security costs | 113 | *103* |
| Pensions costs | 102 | *82* |
| | **990** | **880** |

The Executive Directors consists of the Chief Executive Officer, Director of Growth, Director of Resources, Director of Operations and Director of Care and Support (see Company Information - page 2). Three of the executive directors have retirement benefits accruing under the defined benefit pension scheme in respect of qualifying services.

## 21. CONTINGENT ASSETS AND LIABILITIES

At 31 March 2020, a possible liability existed as a result of Connaught Limited going into administration in relation to the Group's pension deficit for staff transferred from Barnet Homes Limited to Connaught Limited in prior years. The Local Authority Pension Scheme could make a claim to Barnet Homes Limited in respect of the pension deficit not met by Connaught Limited.

## 22. CAPITAL COMMITMENTS

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Capital expenditure contracted for but not provided for in the financial statements | 20,107 | 41,281 |
| Capital expenditure authorised by the Board but not yet under contract | 6,018 | 4,927 |

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## 23. FINANCIAL INSTRUMENT RISKS

**Risk management and objectives and policies**

### 23.1 INTEREST RATE SENSITIVITY

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

### 23.2 CREDIT RISK ANALYSIS

The Group's 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. The Group's primary credit risk relates to its fee receivables. The amount presented in the statement of financial position are net of provisions for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on past experience and management's forecasts, is evident of a reduction in the recoverability of the cash flow. See note 2 above for further information on impairment of financial assets that are past due. The Group's risk in relation to its income receivable is low as the main income is receivable from London Borough of Barnet. Placement of liquid funds are currently across three banks and this has helped to lower the risk associated with such placements.

### 23.3 LIQUIDITY RISK ANALYSIS

The Group 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 14 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.

## 24. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group'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 Group is not set up for profit, it continues to strive to maintain a balance between liquidity and provision of value for money services. The main capital making owned by the Group are liquid cash and cash equivalent and cash held in fixed deposit notice accounts. The Group continues to monitor these investments with the Bank to ensure its going concern is not at risk.

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

| | Note | 2020 | *2019* |
|---|---|---|---|
| | | £'000 | *£'000* |
| Cash & cash equivalent | 10 | 3,870 | *8,160* |