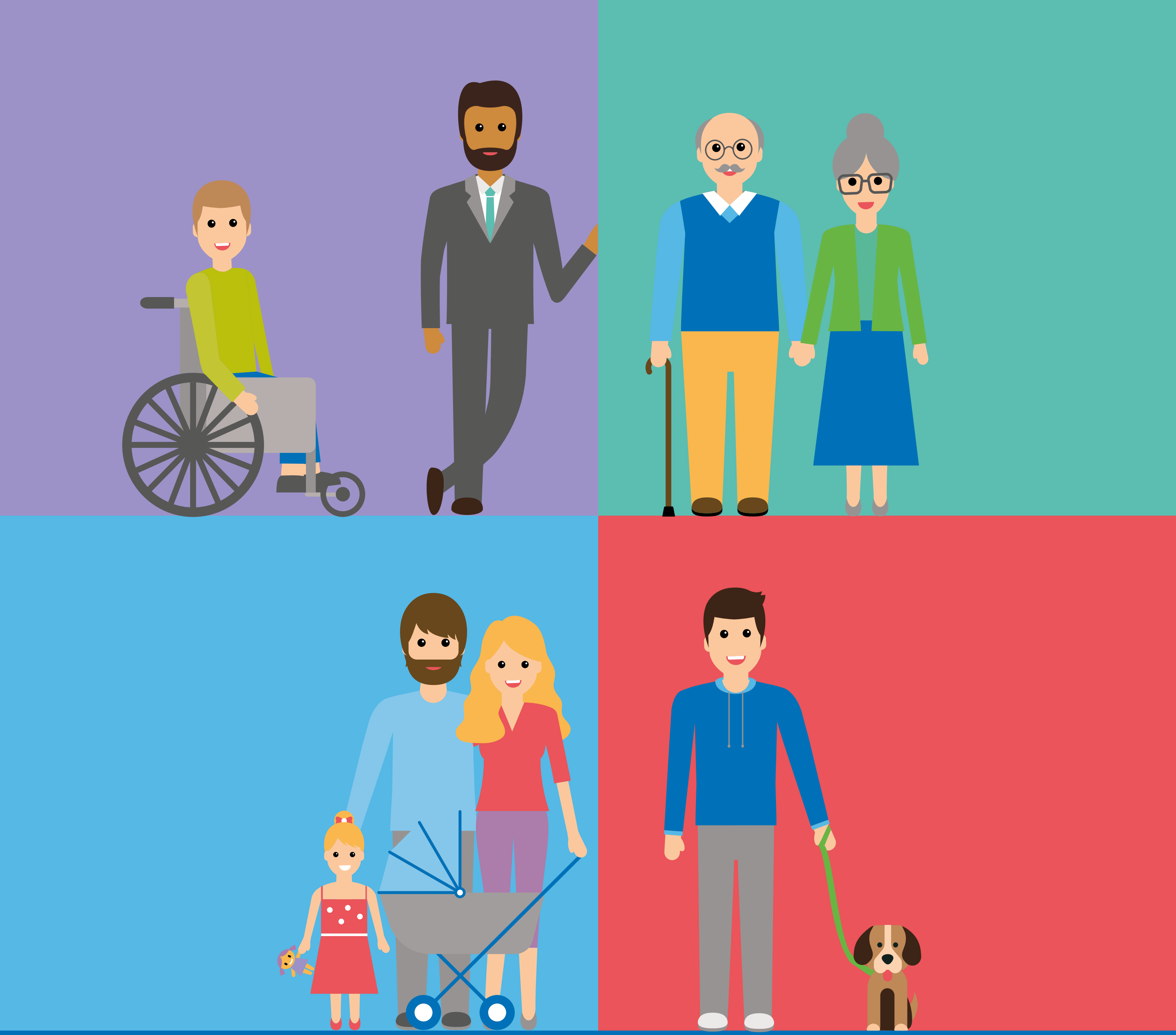

newport city homes

FINANCIAL STATEMENTS

For the year ended 31 March 2019


homes
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Board members and professional advisors

For the year ended 31 March 2019

Board from 1 April 2018 to 27 September 2018

Jane Mudd
Christopher JH England
John Harry
Nicola Somerville
(Chair from March 2018)
Jayne Anne Rose
Helen Taylor
Kevin David Ward
Catherine Anne Bryant
Janice Averil Morgan
Alex Stephenson

Board from 27 September 2018 to 31 March 2019

Nicola Somerville (Chair)
Jayne Anne Rose
Alex Stephenson
Helen Taylor
Catherine Anne Bryant
Kevin David Ward
Janice Averil Morgan
Guy Stenson
Christian Cadwallader
Paul Marshall (27 September 2018 to 6 November 2018)
Sheila Davies (5 November 2018) Co-optee
James Tarrant (5 November 2018) Co-optee)

Company Secretary and Registered Office

Tim Jackson
Nexus House
Mission Court
Newport NP20 2DW

Executive Officers

Ceri Doyle	Chief Executive
Tim Jackson	Executive Director of Finance and Resources
Robert Lynbeck	Executive Director of Operations

Bankers

Barclays Bank plc
Windsor Court
3 Windsor Place
Cardiff CF10 3ZL

Lenders

Royal Bank of Scotland plc
Nationwide Building Society
Barclays Bank plc

Principal Solicitors

Hugh James
Two Central Square
Cardiff CF10 1FS

Blake Morgan LLP
One Central Square
Cardiff
CF10 1FS

Trowers & Hamlins LLP
55 Princess Street
Manchester M2 4EW

Valuers

Savills
Embassy House
Queens Avenue
Bristol BS8 1SB

External Auditors

Bevan Buckland LLP
Langdon House
Langdon Road
Swansea Waterfront
Swansea SA1 8QY

Internal Auditors

Mazars LLP, Bristol
Clifton Down House
Beaufort Buildings
Clifton
Bristol BS8 4AN

Newport City Homes Housing Association Limited is regulated by the Financial Conduct Authority and is a registered society under the Co-operative and Community Benefit Societies Act 2014, registration number 30192R, and with the Welsh Government registration number L149.

Strategic Report

For the year ended 31 March 2019

The board is pleased to present its strategic report, board report and the audited financial statements for Newport City Homes Housing Association Ltd (the association) for the year ended 31 March 2019.

Legal status

The association is a registered society under the Cooperative and Community Benefit Society Act 2014 and is a registered provider of social housing. We are registered with Welsh Government (WG) as a registered social housing provider (RSHP). We were set up to take the transfer of housing stock from Newport City Council (NCC) in 2009.

Principal activities and geographical coverage

We are a not-for-profit organisation administered by a voluntary board of management. We provide management, maintenance and improvement services to 8,867 rented homes located within the administrative boundary of NCC. All of these homes are let at below market rents to those unable to rent on the open market.

We also provide management services to 647 leasehold flats, have a portfolio of 93 premises let on commercial terms, manage 223 garages and hold between 25% and 75% equity in 141 shared ownership properties on which we receive rental income.

Statement of vision

We have completed our tenth year of operation since transfer and delivered the key 'offer document' promises that set out the commitments made on stock transfer from NCC to residents. We have achieved 100% compliance with the Welsh Housing Quality Standard (WHQS).

We have never been just a housing association. Newport is undergoing substantial change and we are playing an important role in this.

2020 Vision is our five-year strategy that sets out our ambitious and exciting plans to transform the city. Work has already started on reviewing our ambitions for the year to 2025.

The year has seen us develop into a maturing housing association with fundamental changes to our governance structure, the rollout of our ambitious development programme and our expanding work of 'co-production' with our residents.

The following are some brief examples of how we have delivered against 2020 Vision in 2018/19.

Putting residents at the heart

At the centre of our 2020 Vision is putting residents at the heart of what we do.

We continue to listen to the needs of our residents and over the last year we have reviewed and improved our customer service offer, which aims to provide flexible services to residents - giving them the opportunity to self-serve at a time, location and through a channel that suits their needs.

Our flexible service offer includes the introduction of a 24/7 online portal, which in the first 12 months, saw more than 25% of residents sign up. The portal gives residents access to make payments, view their account, update their personal information and send us secure messages, as well as using the web chat option to speak to our team and receive an instant response.

Additional services including launching an online repairs portal later next year.

We are also the first housing association in Wales to introduce an online chatbot, which is available to all residents with an online account.

The chatbot takes the pain out of ‘form filling’ for residents, speeding up the process for simple transactions such as refunds, requesting payment cards, community volunteering and requesting a pet permit. Since introducing our digital offer, our call abandonment times have reduced by 69.4%.

By redirecting our simpler requests online, we now have more time to spend with residents on complex queries.

Our city centre office was opened in the heart of the city in April 2018, making it much easier for our residents to get to us. 14,044 face-to-face conversations with residents took place during our first year of opening, with visits up by 47.35%.

We are continuing to support our residents in staying in their homes. We have helped residents:

Save **£20,289** on their water bills

Access **£152,342** through grant support

Access **£629,390** in welfare benefits and Universal Credit

We have obtained approximately £24k in homeless prevention payments from the Local Authority, which has helped residents facing possession action to stay in their homes; and we have supported 741 residents making new claims for Universal Credit (UC), equating to 15 new cases each week.

Investing in homes and neighbourhoods

Throughout 2018/19 we have continued to support residents in their homes and communities, ensuring residents homes are safe and that their homes meet WHQS standard.

99.9% of our homes continue to be Gas Safe compliant. We have installed 371 boilers, 316 smoke detectors and 88 heat detectors for our residents this year.

We have completed 38,421 maintenance and repair jobs for residents this year, and are continuing to focus on getting the issue resolved first time. To do this we have launched a full review of our operational workforce, upskilling current employees and recruiting new ones to make sure we are improving our service offer both now and in the future. In support of this we have also invested in new scheduling systems, and we are implementing a new material supply chain which will increase the productivity of our operatives. Enabling them to spend more time addressing repairs for residents.

We are continuing to volunteer within the local community, regularly taking part in community litter picks in areas including Duffryn, Pill, Gaer and St. Julians. We are actively working with neighbourhoods and partners including Newport City Council to encourage and support recycling aims – furthering the 'green agenda' through actively working to reduce the levels of waste created from our properties and estates.

Through our partnership with local social enterprise and registered mental health charity Growing Spaces, we cleared 212 gardens for elderly and disabled residents last year. The charity provides real work skills and accredited qualifications in horticulture, woodwork and IT, with a support network to help adults with mental ill health reach goals and improve their quality of life.

We are part of the Duffryn Woodlands' Walks to Wellbeing' project; a Big Lottery funded project to create valuable, safe outdoor spaces for the community and improve the local environment.

Providing homes

The development and provision of new affordable housing is a key aspect of our 2020 Vision.

We are aiming to build 888 new homes on specified sites over the next ten years. So far, we have completed 21 properties, with many more in the pipeline.

We unveiled our £1.2m first new-build development at Glen Court in Bettws last year, with our latest opening, Albany Chambers, bringing affordable housing to Newport city centre through nine high-quality apartments, designed for those with a need to be located close to the city centre, whether for work, educational, training or support purposes.

Our multi-million pound Ringland regeneration scheme is also now well underway, with 56 new properties being developed in Cot Farm as a direct response to a review of local housing needs. Work has also began on our Ringland masterplan, which will include the community shopping centre and more new homes.

At our former Kings Hotel site in Somerton, work has started on 25 new homes for residents with additional support needs, with a separate property for a warden to encourage independence.

All of the above will help us build affordable homes that are fit for communities now and in the future. We are substantially contributing to additional affordable housing in Newport, supporting the regeneration of the city and working closely with local partners through the Public Service Board.

Making a difference in our communities

As part of our resident engagement strategy, we are continuing to review how and where we can provide a tangible long-term contribution to local communities.

Our activity is currently targeted under three broad themes:

- Improving employment chances
- Improving health and wellbeing
- Improving financial and digital inclusion

We continue to work with communities on improving employability. Our Academy programme has this year supported six individuals in entering the workplace. Of these, five have either entered higher education or remain in full-time employment.

Our Business Class Partnership with Llanwern High School prepares pupils for the world of work and assists parents to gain further qualifications and support their children with their education. Through the partnership we have funded six parents in gaining maths and English GCSE qualifications, which were proving an entry barrier to the workplace.

We have become the main sponsor for the Dragons Phoenix rugby team – a team made up entirely of those who have previously or are currently experiencing homelessness. We are now planning a series of employability and digital skills workshops with the team to support them in returning to the workplace. So far, three team members are back in employment.

We are continuing to look at how we engage with residents to make sure that we are encompassing a broad selection of views. Our youth engagement group, UNITY, has gone from strength to strength, with the chair of the group shortlisted for 'Young tenant of the year' at the upcoming TPAS Cymru awards, and we continue to work with Shaftesbury Youf Group, with 11 young people working to improve anti-social behaviour and wellbeing within their community.

Our support of 'Fit & Fed' sessions across the city saw more than 3,166 meals provided over 60 days to more than 1,000 young people last year, and over 300 hours of physical activity taking place – tackling hunger, isolation, and inactivity during the school holidays.

The introduction of a 'Noise' app, to support residents in collecting evidence of anti-social behaviour, has seen more than 1,300 residents supported with the problems they are experiencing. This has resulted in a faster response to issues, and we are now looking to support other organisations in rolling out the Noise app to a wider audience.

Strong and effective organisation

Following our industry-leading adoption of a single-status board in 2017, we are continuing to recruit based upon the skills needed to make sure we continue to be fit for the future.

As a result of this approach, we have recruited an additional two co-optees to our board with treasury and development skills. This supports our aim of refinancing, providing us with more freedom to maintain and regenerate our current housing stock of 10,000 homes, and allowing us to continue building new affordable housing to meet demand.

We have created and implemented a 'Value for Money' (VfM) framework, making sure we are making the best use of every pound spent.

The changes we have made to our processes so far have provided savings of £200k+ per year.

We have attained a regulatory judgement of standard:standard, recognising that we have satisfactory governance arrangements and are financially well-managed.

We are continuing to review how we recruit for staff with the right skills, and have reviewed our recognition and reward package, including our occupational health offering, also implementing an annual benchmarking process so that we can continue to recruit, attract and retain the best talent while ensuring value for money.


OUR FOCUS
PUTTING RESIDENTS AT THE HEART OF WHAT WE DO
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Financial Performance

For the year ended 31 March 2019

Newport City Homes (NCH) continues to be in a strong financial position and aims to maintain this financial strength.

NCH generates surpluses in order to further invest in our homes and communities. All our surpluses are re-invested in our on-going activities, together with our commitment to provide new homes to meet the housing needs of Newport. NCH is also committed to maintaining its existing assets in a sound condition, in line with WHQS and to providing great services for our residents. These aims drive our financial performance.

Turnover

NCH's turnover in the year was £48,791k (2017/18: £47,326k). The majority of this was made up of rent from social housing, £41,478k, service charge income, £2,487k and amortisation of social housing grants £2,968k. The remainder came from a number of smaller sources.

Turnover includes £30k rent from the 223 garages we let, and £409k from our commercial properties. We also are contracted to provide services under the 'supporting people' funding regime, and received £173k under these contracts during the year. Additionally we received £195k for our biomass boiler in the form of renewable heat incentives.

Expenditure

Our main operating costs are management costs, the costs of maintaining our properties, and depreciation. The table below shows expenditure on maintenance compared with the previous year.

	2019 £'000	2018 £'000
Planned maintenance*	**5,907**	10,766
Day to day maintenance*	**14,573**	13,172
Capital maintenance	**11,063**	10,238
	31,543	34,175

*Planned and day to day maintenance include direct costs plus an allocation of central costs.

Expenditure on planned maintenance in 2018/19 was lower than that in 2017/18 primarily due to the smoothing of the planned maintenance programme over a three year rolling basis.

Day to day maintenance expenditure was higher than in 2017/18 as the expansion of the internal trade teams has increased staffing costs and reduced contractor's costs included within non pay. This has increased its share of the central cost allocation, which is based upon staff costs.

Capital maintenance is higher in 2018/19, reflecting the cyclical nature of the agreed work programme including capital investment schemes in such areas as Somerton and Shaftsbury, together with pan-estate safety and security improvements.

Management and Employee Costs

Our overall management costs in 2018/19 were £10,648k compared with the previous year of £9,417k. The increase is due to inflationary growth, incremental increases to the organisational structure, in particular employing specialist skills such as procurement and project management to support the delivery of Vision 2020. A change to the classification of management costs across the association for 2018/19 (and 2017/18 for comparison purposes) to mirror the treatment of the Welsh global accounts benchmarking format.

Overall employee costs were £14,842k compared with £12,597k in 2017/18, representing an increase of 16.6% compared with the previous year. This is partially due to the effect of the pay award (pay, pension and national insurance) from 1 April 2018 and an increase in headcount towards the latter part of the year. The main increase in headcount was as a result of increasing the in-house trade teams and the associated support roles required to support this change, which are offset by a reduction in the external contractor costs. There were no changes to the employer's contributions rates deducted from employees but the pensions charges included in the accounts are per the 2018/19 Local Government Pension Scheme actuary report.

Gain on disposal of properties

The association received £3.6 million net income from the disposal of forty three properties through various transactions that included WG Right to Buy scheme which closed in January 2019, right to acquire, shared ownership stair cased and five land sales.

Depreciation

This is a measure of the wear and tear of our properties with other assets such as existing components including kitchens, windows, and bathrooms. We replace these periodically. Depreciation costs in 2018/19 were £7.7 million compared with £7.3 million in 2017/18. Depreciation has increased as the asset base being depreciated has grown in actual value.

Treasury

On transfer NCH entered into a facility agreement with a consortium of three lenders, Nationwide, RBS and Barclays. This was provided for the association to achieve its objectives set out in the transfer agreement, and subsequent investment in existing and new properties.

In March 2018 the board approved exploring the refinancing of NCH's existing loan facilities during 2018/19. The refinancing is anticipated to be completed by the end of July 2019. Therefore the £63 million drawn of the existing £112.5 million has been moved from long term debt (creditors falling due after one year) to short term debt (creditors falling due within one) as it is due to be repaid during 2019/20.

The interest charges of £5.6 million include a one off cost of £1.1 million, which relates to the write off the outstanding balance of the existing loan facility arrangement fees, which was required pending refinancing.

Our aim continues in the longer term to borrow only to develop and acquire new properties and any debt we raise for new homes will also be supplemented by cash generated by our existing activities.

At 31 March 2018 the association had loan facilities with three lenders as set out below:

	Amount of Loan Facility £m	Amount drawn down as at 31 March 2018 £m	End Date of Loan Term
Barclays Bank PLC	37.5	21	31/03/2033
Royal Bank of Scotland	37.5	21	31/03/2033
Nationwide Building Society	37.5	21	31/03/2033
	112.5	63	

Loan Covenants

NCH is required by its lenders to meet two key covenants within the loan agreements:

1. Annual cash flow surplus/deficit

2. Debt per unit

Performance at the year-end was as follow:

	Current Position	Covenant	Covenant met
Maximum annual Cash flow (deficit)	£407k	(£19,940k)	Yes
Debt per charged unit	£7,036	£7,350	Yes

NCH is operating comfortably within its covenants for the year. The difference is due to the business plan for 2018/19 assumed a higher level of development expenditure during the year.

Other Balance Sheet items

The value of social housing properties in Fixed Assets, have increased by £10,634k. This is as a result of the costs of the development and capital maintenance programmes during the year.

Debtors falling within one year have increased by £652k which reflects the roll out of Universal Credit. This is driven by the increase in tenant rent and service charge debt (net of bad debt provision), VAT and rechargeable costs.

The cash invested has increased since 2017/18 reflects lower than anticipated expenditure in the development of new homes for prospective tenants.

Pensions

The association participates in two pension schemes:

The NOW Pension Scheme is a defined contribution scheme. The contributions payable are charged to the statement of comprehensive income as an expense during the year in which the employees have become entitled to this benefit.

The association is only liable for the contributions and therefore there is no requirement to include a liability in the statement of financial position.

The Local Government Pension Scheme (LGPS) is a defined benefit scheme managed by Torfaen County Borough Council (Greater Gwent). Contributions are assessed in accordance with the advice of an independent qualified actuary.

The pension deficit on the LGPS scheme is recorded in the accounts. The deficit at 31 March 2019 was £16.63 million compared with £10.3 million at 31 March 2018. This largely reflects the changes to the financial assumptions in the 2018/19 actuary report and in particular a lower future discount factor has been applied than expected.

Key Accounting Policies

The principal accounting policies are set out in Note 1 to the financial statements on pages 37-57. The most critical accounting policies in terms of the impact of the financial statements are the calculation of depreciation on housing properties and the capitalisation of the investment in housing properties.

Going Concern

The association activities, its current financial position and factors likely to affect its future development are set out within the financial performance and value for money (VfM) sections of the Strategic Report. The association is in the process of securing more flexible and lower cost long-term debt to replace the existing facilities which will continue to provide adequate resources to finance committed reinvestment and development programmes, along with the association's day to day operations. The association also has a long–term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Tower Block Cladding

Following the tragic events at Grenfell, NCH undertook a full assessment of its three tower blocks at Greenwood St Julian's, Hillview Gaer and Milton Court Ringland.

The association entered into a contract in May 2018 for £2.9 million plus VAT for the removal and replacement of the existing rain screen of aluminium composite material (ACM) cladding on all three tower blocks, the outstanding work on the contract will be accounted for as the work is undertaken and the costs are incurred. The association secured a conditional WG grant of £3 million to fund the removal and recladding programme, the outstanding funding is to be accounted for in line with the funding profile.

General Data Protection Regulation (GDPR)

In August 2017 NCH started its journey to become compliant with the latest Data Protection legislation in particular the GDPR and the newly drafted Data Protection Bill. In January 2018 a Data Protection Officer was employed to support the association in preparing for the GDPR Principle 7 (Accountability).

During 2018/19 the association has implemented a new data protection framework of new policies, procedures, records and tools, whilst carrying out GDPR foundation staff training, and inviting contractors and partner organisations to attend data protection training sessions.

Whilst the association considers it is compliant with principle 7, it continuously reviews and improves its processes for personal data to improve business efficiency and restrict the opportunity for a loss of data integrity and confidentiality, whilst putting residents, staff and stakeholders at the heart.

Summary

Overall in the year the association achieved a surplus after tax of £3.5 million compared with £1.1 million in the previous year. Comparisons of the major items for this year and last year are set out in the table below.

The increase in surplus on social housing lettings is primarily due to the reduction in the planned maintenance costs, the costs in 2017/18 included the completion a number of schemes that had slipped from the previous year.

The surplus on commercial properties and garages has reduced due to the leaseholder charges for major works being higher in 2017/18 compared to 2018/19 and a one off VAT recovery payment being received in 2017/18.

The disposal of assets increased by £1.9 million to £3.9 million due to a higher number of Right to Buy sales being completed prior to the WG scheme closing in January 2019.

	2019 £'000	2018 £'000
Surplus on social housing letting	**4,947**	2,338
Surplus on commercial properties and garages	**577**	1,322
Interest received and disposal of assets	**3,902**	1,882
Interest payable	**(5,960)**	(4,444)
Total surplus	**3,465**	1,098

Summary five year financial performance

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Income & Expenditure Account					
Turnover	**48,791**	47,326	45,486	44,285	42,545
Operating Costs (incl'ds finance costs)	**45,326**	(46,228)	(42,778)	(41,523)	(44,134)
Surplus	**3,465**	1,098	2,708	2,762	(1,589)
Balance Sheet					
Fixed Assets	**129,744**	119,134	104,033	99,045	98,916
Net Current Assets / (Liabilities)	**(38,404)**	(26,787)	(14,056)	(10,989)	(33,862)
Loans	**(63,000)**	(63,000)	(63,000)	(63,000)	(42,000)
	28,340	29,346	26,527	25,056	23,054
Reserves	**28,340**	29,346	26,527	25,056	23,054
Cashflow Statement					
Net Cash Inflow - Operating Activities	**13,795**	9,786	12,757	8,733	9,978
Servicing of Financing and Investing	**(5,358)**	(4,307)	(6,120)	(4,298)	(6,011)
Capital Expenditure (net of grant)	**(2,669)**	(9,496)	1,479	1,285	(8,706)
Financing	**0**	0	0	0	0
Increase / (decrease) in cash	**5,768**	(4,017)	8,116	5,720	(4,739)

Please note the figures for 2016/17 exclude £4 million of exceptional income in order to allow a fair year on year comparison.

Assurance Framework and Value for Money

For the year ended 31 March 2019

Assurance Framework

We operate an assurance framework to ensure the effective identification and management of key risks faced by the association, which allows the board to delegate management of key activities to the executive with confidence that key controls are in place. The audit and risk committee (ARC) meets regularly to oversee the delivery of the framework and reports to board.

The assurance framework identifies all key areas of assurance received by the board, ARC and the leadership team. This is provided by internal and external audits, the risk management framework, financial and performance reporting and other sources of independent external assurance. A key component of assurance is the Value for Money (VfM) framework that supports the delivery of our strategic objectives driving economies of scale, efficiencies and effectiveness in everything we do.

Value for Money (VfM)

VfM is a cornerstone of our operating model, ensuring that we generate maximum return from the money invested in our properties, the delivery of our services are valued by our residents and to support the development of new homes to meet needs.

Objectives

- **Doing the right things:** meet the association's core purpose, ensuring resources are invested in what matters most
- **Do things economically:** ensure the association get the best price for what we buy
- **Maximise the return from our resources:** maximising productivity and ensuring activities add value and eliminate waste.
- **Maximising the return from our housing and commercial assets:** invest in the right assets to the right standard, in the right places, for the right cost and for the right return.
- **Maximise the social value and benefit to the community:** delivering results that matter by improving the effectiveness of the association year-on-year and reinvesting in homes and communities.
- **Embedding value for money in everything we do:** achieving a culture of continuous improvement and empowering our people to make informed decisions in all activities.

Monitoring and Reporting

We have adopted the sector score card measures to enable the monitoring of VfM performance and these are reported annually through the Financial Statements. In addition, the board receives quarterly key performance indicators (KPI's) that include the operating margin and management costs.

The VfM framework is supported through effective governance and performance management. The framework is focused on achieving the six objectives which will be delivered through a rolling three year action plan, which will specify the key activities to strengthen the financial position and improve service performance.

Benchmarking

We undertake an annual VfM benchmarking to enable the understanding of our comparative performance against the sector. This is undertaken using the sector VfM scorecard and the Welsh housing association global accounts.

The comparative data is set out in the table below and compares our performance over the last five years against the sector averages for 2017/18.

Value for money key metrics

	Newport City Homes					Sector
	2018/19	2017/18	2016/17	2015/16	2014/15	2017/18
Total operating cost per social housing unit (£)	**4,803**	4,794	4,103	4,289	3,937	3,197
Management costs per social housing units (£)	**1,441**	1,285	965	677	578	1,222
Reactive costs per social housing unit(£)	**1,501**	1,482	1,407	1,460	1,289	1,131
Major Repairs per social housing units (£)	**1,272**	1,713	1,552	1,635	1,573	970
Bad debt costs per social housing unit (£)	**57**	28	9	18	24	32
Weighted average cost of capital	**9.5%**	7.1%	10.0%	7.1%	9.9%	5.1%
Free cash inflow/ (outflow) per housing association (£m)	**5.8**	(4.0)	8.1	5.7	16.3	0.4
Gross arrears / social housing turnover	**3.4%**	3.6%	2.9%	2.3%	5.6%	4.6%
Rent per social housing unit (£)	**4,958**	4,727	4,624	4,525	4,500	5,294
Rental void loss per social housing unit (£)	**42**	96	123	92	99	79

We are higher than the sector average 2017/18, this is mainly due to:

- The operating cost per social housing unit for 2018/19 shows a stabilising of costs when compared to 2017/18, although it continues to be above the sector average and NCH recognise costs are high in this area and are actively working to reduce costs going forward through the VfM action plan, examples are set out further in the report. It is worth noting that the 2017/18 and 2018/19 value includes a complex regeneration scheme in Pillgwenlly which does inflate the costs per unit compared to the sector average.

- The management costs increased in 2018/19 which was mainly due to expensive external services being brought in house such as procurement and project management to support the delivery of the 2020 vision. The costs also include the increase costs of the LGPS pension scheme actuary valuation for 2018/19.
- The reactive maintenance costs have stabilised over the last two years but are still higher than the sector average. The expansion of the internal trade teams will deliver more effective and efficient services to our residents and reduce the costs of external contractors going forward.
- The major repairs costs decreasing by £5m in 2018/19 due to schemes in areas such as Somerton and Shaftsbury, together with pan-estate safety and security improvements being completed in 2017/18.
- Bad debt has increased in line with the sector average this is directly attributable to the phased move of residents going onto the Universal Credit system, as opposed to previously receiving housing benefits.
- The weighted average cost of capital is high (ie the effective rate of interest on debt). This is due to the fixed rate loans that were agreed with our lenders at stock transfer. This is an area of focus and we are actively working with our treasury advisors to improve this condition through the refinancing exercise.
- The cash flow for 2018/19 is above sector average and this reflects the investment during the year in our development programme. We have a well-defined 10 year development and regeneration programme in place and this will reduce the cash balances we hold in the shorter term. However, ultimately it will improve and strengthen our cash in later years, as schemes are built and start to generate increased rental income.
- Gross arrears remains below the sector average and this demonstrates the positive impact of the housing services team in working with residents to reduce rent arrears.
- Voids costs have reduced compared to 2017/18 but continues to be an area of focus.

Benchmarking our performance: financial return on investment

Financial return on assets is a key measure of performance. This measures the income we receive after costs as a percentage of the total we have spent building or acquiring our housing assets. There are a variety of different methods adopted in the sector and we have used three different approaches in assessing return.

1. General needs housing surplus as percentage of the total cost (net book value) of our asset.

2. Total surplus before interest and tax as percentage of the total cost (net book value of our assets).

3. The existing use value (EUV) of our assets. This is the discounted value of the income less the costs of assets, and is therefore the value of the total return from assets in today's prices.

Return on Assets	2018/19	2017/18	Sector Average (2017/18)
General needs housing surplus as percentage of the net book value of assets	**3.9%**	2.0%	2.2%
Total surplus before interest and tax as percentage of the net book value of assets	**4.3%**	3.1%	n/a
EUV	**£272m**	£279m	n/a

Our performance reflects the investment we have made in the last ten years or future investment required in our existing properties. We have successfully completed two new development schemes in Bettws and the city centre.

During 2018/19 we have undertaken an in depth analysis of the performance of our properties. The outcome of the work has enabled us to develop a robust asset management strategy that has categorised our properties into three areas of good, relative and poor performing stock that will drive our property investment and regeneration programmes going forward.

Value for Money: examples of efficiency savings achieved during the year

Headquarter Costs

We have successfully renegotiated the lease at Nexus House from April 2019, resulting in a recurring annual saving of £250k from 2019/20.

Planned Maintenance

The planned maintenance continues to be managed via a three year rolling programme which allows projects to be accelerated or slowed down as required to ensure resources are used effectively. During 2018/19 the focus has shifted to procuring services through longer term framework agreements that will support the flexibility of the three year programme and move away from being tied into short term arrangements that can be costly.

Procurement services

During 2018/19 procurement services has seen a shift towards a more strategic approach to procurement where expenditure is better organised and understood. Implementation of a central procurement team has standardised and streamlined processes. We have invested internally in our procurement team and electronic tendering system, to drive a consistent corporate approach, this has enabled us to reduce costs across the association by £90k.

During 2018/19 a tendering process was undertaken for our insurance provision, resulting in annual saving of £200k compared to the previous contract value.

We have undertaken market analysis and benchmarking on common and repetitive spend and have switched suppliers or accessed external procurement frameworks where appropriate to secure better value for money, resulting in savings on average of 5% of contract value and significantly improved service delivery.

Expansion of the in house trade teams

During 2018/19 we have committed to expand the size of the internal trade teams within the next two years, who will then be able to deliver the majority of maintenance services to our residents. The drive to increase the proportion of in house delivery as opposed to external contractors will improve the quality of works, reduce inefficiencies and increase resident satisfaction. The successful delivery of the project by year two will result in an annual saving of £1m.

New services offer for residents aged 55+

The new service offer for residents aged 55+ was introduced, during 2018/19, provides a safe and secure home in a well maintained environment with access to wellbeing services and activities when they need them. The new offer meets or exceeds previous service delivery that had been identified, as being most important to existing residents, whilst retaining sufficient flexibility to adapt to the changing needs of future residents. The introduction of the new 55+ service has resulted in savings of £200k year on year, which reflects the reduction in grant funding from April 2019.

Our Performance: social return on investment

Whilst we aim to work as efficiently and effectively as we can, we also exist to provide homes and services to our community. We need to achieve social returns on our financial investment. In 2018/19, we invested £99k in a variety of community initiatives that support employability, health and wellbeing schemes along with financial and digital inclusion programmes.

In total, we now own or manage more than 9,000 homes. These are at rent levels below market levels. This creates a significant social return: for residents in receipt of housing benefit, rents lower than market rates mean a lower housing benefit bill and this saves government and the tax payer money. For those residents not on housing benefit, they pay less rent than for homes in the private sector. The average rent we charge is £90 per week, compared with market rents of £119 per week. Given about half our rents are covered by housing benefit, we are saving residents that pay the rent themselves more than £12.3 million a year. We also save the government and tax payers £12.3 million in housing benefit compared with housing residents at private sector rent levels.

Risk management

Risk management is a key part of our assurance framework. As our ambitions for growth increase, it is important that we are able to identify and assess the risks that we face and how we will manage them. Whilst we ended the year in a strong financial position, we face a number of challenges and threats to financial wellbeing, largely arising from changes in UK government policy and national and international financial volatility.

We understand our dynamic operating environment and the potential impact on our income and expenditure of changes in the local, regional and national economy. The uncertainty created by changes to UK and Welsh government (WG) policy, particularly around the impact review of the WG Affordable Housing Policy and welfare reform is also an issue. Brexit continues to create a period of uncertainty particularly in the availability and cost of borrowing and its impact on the economic health of the UK. We are aware of the risks associated with the availability of sufficient and appropriate loan funding to support our growth ambitions.

Health and safety remains a key element in our risk management and the need to ensure compliance with health and safety obligations as a landlord, employer, developer, and provider of support and community services.

Risks are reported to, and reviewed by, the ARC and the leadership team. In-depth reviews of the most significant risks are presented to, and debated by the ARC. Stress and scenario testing is carried out and reported annually to the board. The board has set its activity limits and golden rules for the association and these are reviewed annually.

Our future - VfM priorities

The annual planning and budget setting exercise will inform the areas of focus within the forward looking VfM action plan. The annual process will enable the association to understand in more detail the current performance, identify opportunities for improvement, implement plans and agree the measurement tools to demonstrate the effectiveness of the improvements on performance. Year-on-year improvements in VfM will remain an organisational priority.

On-going analysis shows that realigning our expenditure to achieve the average for the sector can generate further savings. In the last two years substantial savings have been achieved. Further continued improvements would support us in achieving 2020 Vision and our growth ambitions in readiness for plotting out the next five years.

Our priority is to improve our financial performance, whilst improving our operating performance and resident satisfaction. We are launching a series of service reviews to help us improve the efficiency and effectiveness of the way we work. We will do this by understanding what our residents want and need, and designing our processes to deliver that, whilst reducing complexity, duplication and waste in the way we work. We will continue to invest in new homes, while ensuring that our management and maintenance costs per unit continue to decline.

We will continue to look at improving our performance in areas such as treasury, procurement, resident engagement, maintenance of housing stock, repairs, voids turnaround times and moving to digital services. We will identify areas where we can work more efficiently or generate new income streams.

Our Plans for the future; our financial plan 2019/49

Our financial plan for 2019/49 assumed the refinancing exercise is completed at the end of July 2019 and the new loan facilities provide more flexibility and reduced financing costs that support the deliver our aspirations and new homes for current and potential residents in south east Wales.

The below table shows the key metrics over the next five years:

	2019/20	2020/21	2021/22	2022/23	2023/24
Number of social housing units	9,010	9,179	9,429	9,679	9,929
Operating margin	16%	22%	23%	25%	28%
EBITDA MRI	30%*	407%	451%	424%	450%
Debt per unit	12,236	12,011	11,693	13,560	13,219

*Includes one off breakage costs of the existing loan facility

The key projections included in the financial plan for 2019/49 are:

- Revenue operating surpluses being generated from 2019/20 for the remainder of the plan. This reflects the impact of the stabilising of the cost base, the reduction in the maintenance costs recognising that the WHQS have been met and the rental income from new units.
- The business plan includes a ten year development plan and allows for the current 80 new homes per year to increase to 250 by year three of the plan. The number of new units, in any one year, have been shown as being completed in that year and the new rental income has been included in the year following the completion.
- The business plan assumes that the existing loan facilities are replaced with a mixture of longer term debt through private financing and short term arrangements through bank loans; that can be drawn done as and when required. To fund the 250 per year programme additional debt will be required during the first ten years and appropriate internal controls and covenants are in place to ensure that future gearing and interest cover is not a risk.
- The balance sheets shows total fixed assets of £602 million at the end of the plan in 2049. This has increased from the projections in the 2018/48 plan, due to the new development programme.
- Cash balances are lower in early years due to a higher level of investment spend; however, balances return to comparable levels in 2031.

Board Report

For the year ended 31 March 2019

The board presents its report and the audited Financial Statements for the year ended 31 March 2019.

Performance for the Year

The board reports a surplus after taxation for 2018/19 of £3.5 million. The surplus does not include capital expenditure of £11.1 million. During the year the association spent £33.7 million on reactive, cyclical and planned repairs, adaptations and improvements to housing properties.

The Statement of Financial Position shows housing assets of £127.8 million and net book value of capital grants received at £55.1 million. Total net assets as at 31 March 2019 were £28.3 million. There were loans of £63.0 million outstanding at 31 March 2019.

The cashflow statement shows an increase in cash of £5.8 million.

Board and Senior Executives

Membership of the board and the executive team is set out on page two. The senior executives of the association do not hold share capital in the association and although not having the legal status of directors, they act as executives within the authority delegated to them by the board.

Board Member Obligations

The board has an agreed person specification setting out the obligations of each member and that of the board.

Board member obligations include:

- To work as a team to ensure that we comply with its Governing Rules, Standing Orders and Code of Conduct at all times, and that the association complies with all relevant legislation and/or regulations as well as pursuing the delivery of its organisational priorities.
- To support the chair, other board members and the executive team in developing our strategy, policy and planning.
- Ensure the association places residents at the heart of all it does and is open to their involvement and influence.
- Support the development of performance criteria that enable the board to manage the strategic direction of the association.
- Promote a culture of transparency and accountability ensuring continuous improvement in driving a performance culture.
- Ensure the board conducts itself in accordance with the highest standards of public life.
- Support the creation of positive partnership arrangements, promoting the profile of the association with the range of agencies it works with.
- Support the effective and efficient use of our resources to deliver strategic objectives, maintaining the association's long term financial viability and safeguarding assets.

Responsibilities of the board

The board is responsible for preparing the Financial Statements in accordance with applicable law and regulations. The Co-operative and Community Benefit Societies Act 2014 requires the board to prepare financial statements for each financial year. Under those regulations the board has elected to prepare the financial statements in accordance with UK Accounting Standards.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period.

In preparing these financial statements, the board is required to:

- select suitable accounting policies and then ensure that they are applied consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) have been followed, subject to any material departures disclosed and explained in these financial statements; and
- ensure that the Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the association will continue to operate.

The board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that its Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2015. The board is also responsible for ensuring that the assets of the association are safeguarded and to prevent and detect fraud and other irregularities. The board has a current policy on the prevention, detection and reporting of fraud and has delegated responsibility to the ARC to receive compliance information in relation to fraud and other matters.

Board member skills, qualities and experience

The board assesses its skills on an annual basis as part of its governance effectiveness process.

The analysis is used by the board to inform the skills required by the association in order to deliver its 2020 Vision effectively and these skills are added to the person specification which is used to identify learning and development for existing board members and to assess any future candidates who apply for board vacancies. For the period 2018/19, the board identified the following skills being required:

Skills/competencies:

- Treasury
- Finance and accountancy
- Audit and compliance
- Performance management and data analysis
- Development and regeneration
- New homes
- Community-led regeneration
- Experience of representing communities
- Experience of chairing meetings and committees

Core skills:

- Ability to constructively challenge
- Sound understanding of risk management
- Values equality, diversity and inclusion
- Strong and effective communication
- Strategic awareness of managing partnerships and reputation
- Sets positive standards of behaviour
- Responsive to the changing operating and strategic environment of NCH and housing
- True team member
- Active listener

Board membership and governance structure

Board membership

Membership of the board is reported to each Annual General Meeting (AGM) and each member serves for a term of up to three years, with the opportunity to serve a maximum of three consecutive terms, nine years in total.

The board currently comprises up to 12 non-executive members and is responsible for strategic direction and monitoring the activities of the association. The board comprises of nine members and two co-optees. Board members are drawn from a wide background bringing together a professional, commercial, local and resident focus. Co-optees have specific skills identified as a gap or vulnerability in the board's skills matrix and have specific terms of office, as determined by the board.

The board meets formally six times a year and undertakes up to two strategic planning days each year. The board is supported by the audit and risk committee (ARC) and the remuneration committee (RC).

The association has adopted the Code of Governance of Community Housing Cymru.

The board is responsible for the association's strategy and policy framework. It delegates day-to-day management and implementation of that framework to the Chief Executive and other senior executives who meet regularly and attend Board meetings.

Committees

Audit & Risk Committee (ARC)

The ARC comprises of six members, including one co-optee, and meets at least three times a year. Its purpose is to advise and provide assurance to the board on the adequacy and effectiveness of internal controls in order to ensure the association is operating at appropriate levels of risk.

Remuneration Committee (RC)

Membership of the RC comprises of five members, including one co-optee, and its purpose is to support the board by making recommendations on annual pay settlements for all staff and/or any other changes to the association's terms and conditions of employment.

Scrutiny Partnership (SP)

The SP was established following the launch of the new Resident Engagement Strategy (RES) in March 2018 and consists of a group of engaged residents recruited with the support of the Tenant Participation Advisory Service (TPAS).

As part of their work programme, the SP gather, review and analyse a range of evidence and provide insight on areas identified for improvement; this intelligence is used to re-design services and make operational improvements.

The SP works closely with the ARC, which helps to ensure that resident scrutiny is embedded within the association's internal governance and assurance framework. A SP representative attends ARC meetings as a participating observer, with the ability to contribute fully towards non-confidential discussions held at the meeting. A standard agenda item is included at each ARC for observations and comments to be made by the SP.

The SP present an annual 'Resident at the Heart' report to ARC in June, which sets out their views on the effectiveness of the RES based upon evidence reviewed during the previous year. The report highlights examples of good practice, and also makes recommendations on improvements to be made for the year ahead.

Internal Control

The board acknowledges its ultimate responsibility for ensuring that the association has in place a system of controls that is appropriate for the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used by the association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the board's responsibility to establish and maintain systems for internal financial control. Such systems only provide reasonable but not absolute assurance against material misstatement or loss. Key elements include ensuring that:

- experienced and suitably qualified staff take responsibility for important business functions;
- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restricts the unauthorised use of the association's assets;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures; and
- The ARC receives reports from management and the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- This includes a general review of the major risks facing the association not otherwise dealt with directly by the board. Formal procedures have been established for instituting appropriate action to correct material weaknesses identified from the above reports. The ARC undertakes regular deep dives of the top strategic risks and provides assurance to the board.

Employees

The strength of the association relies upon the commitment and performance from its colleagues. Our colleagues drive the association's performance to deliver on our vision and strategy, in line with our expected behaviours including our commitment to our customer service standards.

We have continued to review the way we deliver our services and how colleague's roles are aligned to support this. As part of this process we have continued to invest in targeted training and development of colleagues during the year, as it is recognised this is one of the key drivers for improved business performance and service delivery outcomes for residents.

The association is fully committed to equal opportunities and values the diversity of all its colleagues, residents and the communities in which it works.

Share Membership

The association has a policy in relation to Share Membership and all tenants, leaseholders and those who share ownership of their home with NCH, are eligible to become share members. Share Membership applications are considered by the board.

Individuals who are interested in becoming a share member can obtain more information from the Company Secretary of the association at the address on page two.

Disclosure of Information to Auditors

The board members who held office at the date of approval of this board report confirm that, so far as they are each aware, there is no relevant audit information of which the association's auditors are unaware, and each board member has taken all the steps that they ought to have taken as a board.

Members are required to ensure that they are aware of any relevant audit information, in addition to reporting any issues or concerns with the association's auditor as and when they become aware.

A resolution to reappoint the association's External Auditors will be proposed at the AGM on Monday 23 September 2019.

Approved by the board and signed on its behalf by:

N Somerville

Nicola Somerville

Chair of the board for the period April 2018 to March 2019
16 July 2019

Independent Auditors Report

To the members of Newport City Homes Limited registered under The Co-operative and Community Benefit Societies Act 2014

For the year ended 31 March 2019

In addition to our audit on the financial statements for the year ended 31 March 2019, we have reviewed the board's statement of Newport City Homes Housing Association Limited ("the association") compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

The objective of our review is to enable us to conclude on whether the board has provided the disclosures required by the Circular and whether the statement is consistent with the information of which we are aware from our audit work on the financial statements.

We are not required to form an opinion on the effectiveness of the association's corporate governance procedures or its internal financial control.

Opinion

With respect to the board's statement on internal financial control on pages 27 and 28, in our opinion the board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.

Bevan Buckland

Bevan Buckland LLP
Chartered Accountants & Statutory Auditors
Langdon House
Langdon Road
Swansea
SA1 8QY

Date: 26 July 2019

Opinion

We have audited the financial statements of Newport City Homes Housing Association Limited for the year ended 31 March 2019 which comprise the statement of comprehensive income, statement of changes in reserves, the statement of financial position, the cash flow statement and its related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The

Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The board are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the

Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the association; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Responsibilities of the board (set out on page 24), the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board 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 board are responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Bevan Buckland

Bevan Buckland LLP
Chartered Accountants & Statutory Auditors
Langdon House
Langdon Road
Swansea
SA1 8QY

Date: 26 July 2019

Statement of Comprehensive Income
For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	**48,791**	47,326
Operating expenditure	2	**(43,267)**	(43,666)
Operating surplus	2	**5,524**	3,660
Gain on disposal of property, plant and equipment	5	**3,635**	1,737
Interest receivable		**266**	145
Interest and financing costs	10	**(5,960)**	(4,444)
Surplus /(deficit) before tax		**3,465**	1,098
Taxation		**-**	-
Surplus/(deficit) for the year		**3,465**	1,098
Actuarial (loss)/gain in respect of pension schemes	23	**(4,470)**	1,721
Total comprehensive income for the year		**(1,005)**	2,819

Statement of changes in reserves
For the year ended 31 March 2019

	Designated Reserves				
	Duffryn direct heating system £'000	Major repairs and regeneration £'000	Total £'000	General reserve £'000	**2019 Total £'000**
At 1 April 2018	293	24,901	25,194	4,151	29,345
Transfer		-	-	-	-
At 1 April 2018	293	24,901	25,194	4,151	29,345
Surplus / (Deficit) for year	-	-	-	(1,005)	(1,005)
At 31 March 2019	**293**	**24,901**	**25,194**	**3,146**	**28,340**

The Duffryn District Heating system designated reserve transferred from Newport City Council and recognises some of the future maintenance requirements for the heating.

Statement of Financial Position
As at 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible Fixed Assets			
Social Housing Properties	11	**127,766**	117,132
Other Property	12	**370**	197
Other fixed assets	13	**1,608**	1,806
		129,744	119,135
Current assets			
Stock	14	**223**	160
Debtors: amounts falling due within one year	15a	**4,095**	3,443
Debtors: amounts falling due after more than one year	15b	**-**	1,018
Cash and cash equivalents		**43,914**	38,146
		48,232	42,767
Less:			
Creditors: amounts falling due within one year	16	**(77,864)**	(10,982)
Total current assets less current liabilities		**(29,632)**	31,785
		100,112	150,920
Creditors: amounts falling due after more than one year	17	**(55,140)**	(111,175)
LGPS pension liability	23	**(16,632)**	(10,399)
Total net assets		**28,340**	29,346
Capital and reserves			
Share capital		**-**	1
Reserves		**28,340**	29,345
		28,340	29,346

The financial statements were approved by the Board of Management on 16 July 2019 and signed on its behalf by:

N Somerville
Chair

T Jackson
Secretary

Cash flow statement
For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Net cash flow from operating activities	(a)	**13,795**	9,785
Returns on investment and servicing of finance			
Interest received		**346**	119
Interest paid		**(5,704)**	(4,427)
		(5,358)	(4,308)
Capital Expenditure			
Purchase and construction of housing and other properties		**(16,786)**	(20,572)
Capital grants received		**10,379**	9,874
Purchase of other fixed assets		**(471)**	(741)
Sale of housing properties and land		**4,209**	1,945
Sale of other fixed assets		**-**	-
		(2,669)	(9,494)
Free cash (consumed)/generated before Loan repayments		**5,768**	(4,017)
Financing			
Housing loans received		**-**	-
Housing loans repaid		**-**	-
	(b)		
Free cash (consumed)/generated after Loan repayments	(c)	**5,768**	(4,017)
Cash and cash equivalents at the beginning of the year		**38,146**	42,163
Cash and cash equivalents at the end of the year		**43,914**	38,146

Notes to the cashflow statement
For the year ended 31 March 2019

a. Reconciliation of operating surplus to net cash inflow from operating activities

	2019 £'000	2018 £'000
Operating surplus	**5,524**	3,660
Depreciation of tangible assets	**7,420**	7,171
Amortisation of Government Grant funding	**(2,957)**	(2,663)
Prepaid loan fees	**1,001**	-
LGPS – movement between current and past service cost and contributions paid	**1,763**	1,604
	12,751	9,772
Working Capital Movements		
(Increase)/decrease in stock	**(63)**	23
(Increase)/decrease in operating debtors	**(867)**	(767)
Increase/(decrease) in operating creditors	**1,824**	563
Increase/(decrease) in provisions	**150**	194
Net cash flow from operating activities	**13,795**	9,785

b. Reconciliation of net cash inflow to movement in net debt

	2019 £'000	2018 £'000
Increase/(decrease) in cash	5,768	(4,017)
(Increase) in loans	-	-
Decrease/(increase) in net debt	5,768	(4,017)
Net debt at 1 April 2018	(24,854)	(20,837)
Net debt at 31 March 2019	(19,086)	(24,854)

c. Analysis of net debt

	Cash at bank and in hand £'000	Loans due in less than one year £'000	Loans due in more than one year £'000	Changes in net debt £'000
At 1 April 2018	38,146	-	(63,000)	(24,854)
Net cash flows	5,768	(63,000)	63,000	5,768
At 31 March 2019	**43,914**	**(63,000)**	**-**	**(19,086)**

Notes to the financial statements

For the year ended 31 March 2019

1. Principal accounting policies

A summary of the more important accounting policies, which have been applied consistently, are set out below:

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting in accordance with applicable financial reporting standards in the United Kingdom, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice (SORP) for "Accounting by Registered Social Housing Providers" as updated in 2014, and comply with the Accounting Requirements for Social Landlords registered in Wales General Determination 2015.

The association is a public benefit entity in accordance with FRS 102 and the financial statements are presented in Sterling (£).

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model. Basic financial instruments are recognised at amortised historical cost.

Turnover

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Social housing properties

In March 2009 all housing properties transferred at no cost from Newport City Council. Subsequently an annual valuation of the housing properties is undertaken on an annual basis. Investment works in the housing property stock that have been capitalised are valued at cost less depreciation.

"Housing properties in the course of construction" are stated at cost and transferred into "housing properties" when completed.

Any overhead costs directly attributable to bringing fixed assets into their working condition for their intended purpose are capitalised. Expenditure on initial purchase of land and buildings is capitalised and disclosed as part of housing properties in course of construction within tangible fixed assets. Any directly attributable finance costs (other than interest costs) are capitalised as the asset is developed and amortised over the life of that asset.

Some residents have rights under their tenancy agreement to purchase their homes at prices which are at a discount below the open market price. Surpluses or deficits on disposals of properties are recognised as at the date a sale becomes certain.

The surplus or deficit arising on a disposal of a property is the difference between the sale price and the aggregate of the depreciated cost and any associated costs of disposal such as valuation and Legal fees. Any Social Housing grant (SHG) originally received on a property is repayable in full in the case of a disposal, demolition or change of use to an ineligible activity, save that in circumstances where the WG considers appropriate it may reduce the amount repayable. Where this arises on a disposal, the grant repayable so waived is added back to the surplus or deficit on that disposal.

Interest payable

Interest payable is charged to the statement of comprehensive income to reflect the costs of loan finance attributable to each accounting period.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

The association depreciates its housing properties in accordance with the Statement of Recommended Practice (SORP) “Accounting by Registered Social Housing Providers”. Depreciation is charged on the historic cost of property (excluding land). The depreciable amount is written off over the estimated useful lives as follows:

	Houses	Flats
New build properties	150 years	110 years
Acquisition / refurbishments	100 years	80 years

Properties on long leases are depreciated over the shorter of the above and/or the remaining period of the lease.

The policy in respect of expenditure to refurbish or replace major components is that all such work is assessed against life cycle costing principles. Any cost in respect of repairs with a life of less than 10 years is charged directly to the statement of comprehensive income. Refurbishment or replacement of major components which have an estimated useful life in excess of 10 years are capitalised and depreciated over the useful life of the component as follows:

Windows and doors	30 years
Kitchens	15 years
Bathrooms	25 years
Central heating	15 to 30 years
Roofing	15 to 55 years

Depreciation is charged over the expected useful economic life of other fixed assets as follows:

Office refurbishment	15 years
Office & I.T. equipment	4 to 10 years
Vehicles and equipment	5 to 20 years

Dowry Grant/Gap Funding

The association received financial assistance from the WG to support the delivery of the business plan and the achievement of the WHQS. There is no requirement to repay this grant when disposal occurs. The Grant is accounted for using the accrual method, whereby, Grant is amortised over the expected useful economic life of the components.

Government Grants

Government grants include grants receivable from the WG, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and (WG) that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the WG. Government grants released on sale of a 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.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure. Upon disposal of the associated property, the association is required to recycle these proceeds and recognise them as a liability.

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 association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as deferred income.

Supporting People

Supporting People income and expenditure is accounted for on an accruals basis, matching income and expenditure and disclosures are made in accordance with relevant standards and legislation.

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Repairs and maintenance

The costs of repairs and maintenance are expensed as incurred on the basis of work done at the statement of financial position date.

Operating leases

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the association recognises annual rent expense equal to amounts owed to the lessor.

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

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

Stock

Stock is valued at the lower of cost or net realisable value.

Debtors

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

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Classification of loans as basic

The association has a number of loans which have a 'two-way break clause' which is applicable where the loan is repaid early and could result in a break cost or a break gain. The loans in question are fixed rate loans. In a prepayment scenario that results in a break gain, the loan agreement provides for the repayment of the capital at par. Any break gain payable by the lender would be in relation to future interest periods only.

Management have considered the terms of the loan agreements and concluded that they do meet the definition of a basic financial instrument, therefore are held at amortised cost.

Right to Buy sales

Surpluses arising from sales of properties under the Right to Buy legislation are disclosed on the face of the statement of comprehensive income. The Right to Buy legislation ended in Wales on 26 January 2019.

Value Added Tax

The association is partially exempt for VAT purposes and claims are made for repayment of VAT for items that are specifically allowable. Expenditure is shown inclusive of non-recoverable VAT.

Provisions

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

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The association recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Pension costs

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

The association participates in two pension schemes:

- The NOW Pension Scheme is a defined contributions scheme. The contributions payable for by the association are charged to the statement of comprehensive income as an expense during the year in which the employees have become entitled to this benefit. The association is only liable for the contributions and therefore no requirement to include a liability in the statement of financial position.
- The Local Government Pension Scheme (LGPS), a defined benefits scheme managed by Torfaen County Borough Council (Greater Gwent). Contributions are assessed in accordance with the advice of an independent qualified actuary.
- Certain information concerning the assets, liabilities, income and expenditure relating to the LGPS scheme are disclosed in accordance with FRS102 – Employee Benefits.

Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 23). The deficit for the year to 31 March 2019 was £4,470k.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets including investment properties. This involves developing estimates and assumptions consistent with how market participants would price the instrument or asset. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available.

2. Turnover, operating costs and surplus

	Year ended 31 March 2019			Year ended 31 March 2018		
	Turnover £'000	**Operating Costs £'000**	**Operating Surplus £'000**	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Income and expenditure from lettings						
General needs housing	**47,106**	**42,159**	**4,947**	44,943	42,605	2,338
Fully rented housing accommodation	**47,106**	**42,159**	**4,947**	44,943	42,605	2,338
Garages	**30**	**2**	**28**	22	2	20
Commercial properties and other activities	**1,655**	**1,106**	**549**	2,361	1,059	1,302
Total	**48,791**	**43,267**	**5,524**	47,326	43,666	3,660

3. Turnover from lettings

	2019 £'000	2018 £'000
Rents receivable (net of void loss)	41,478	39,896
Service charges receivable	2,486	2,117
Amortisation of Social Housing & Other Government Grants	2,968	2,668
Supporting People Grant	174	262
Turnover from social housing lettings	47,106	44,943

4. Operating costs from lettings

	2019 £'000	2018 £'000
Management costs	10,420	9,216
Service charge costs	3,738	2,675
Planned maintenance	5,907	10,766
Day to day maintenance	14,573	13,108
Depreciation of housing properties	7,012	6,592
	41,650	42,357
Rent losses from bad debt	509	248
Operating costs on social housing activities	42,159	42,605
Operating surplus on social housing lettings	4,947	2,338
Rent loss due to voids (memorandum note)	934	853

5. Disposal of Property, plant and equipment

	2019 £'000	2018 £'000
Sales proceeds	**3,880**	1,873
Cost of sales	**(245)**	(136)
Prior year dowry disposal	**-**	-
Surplus on disposal	**3,635**	1,737

During the year the Association sold 43 properties. 25 under Right to Buy and 12 under Right to Acquire. 6 properties were stair cased and there was 5 land sales.

6. Operating surplus for the period

	2019 £'000	2018 £'000
Operating surplus for the period is stated after charging:		
Depreciation	**7,691**	7,250
Rent losses from bad debts	**509**	248
Operating leases	**466**	466
Auditor's remuneration (inclusive of VAT)	**18**	16

7. Board members and senior executives emoluments

The remuneration paid to the senior executives of the Association was:

	2019 £'000	2018 £'000
Emoluments (including pension contributions and benefits in kind)	**785**	640
Emoluments (excluding pension contributions) paid to the highest paid senior executive	**142**	139

No remuneration was paid to the members of the Board of Management during the year.

The emolument of Board members and senior employees, excluding pensions contributions were in the following ranges:

	2019 No.	2018 No.
£ Nil	10	10
£1-£50,000	-	-
£50,000-£60,000	1	-
£60,001-£70,000	4	-
£70,001-£80,000	-	-
£80,001-£90,000	-	-
£90,001-£100,000	-	-
£100,001-£110,000	2	2
£110,001-£120,000	-	-
£120,001-£130,000	-	-
£130,001-£140,000	1	1

The Chief Executive is an ordinary member of the LGPS pension scheme and no enhanced or special terms apply. The Association's contribution in respect of the Chief Executive's pension fund amounted to £24,921 (2018 - £24,337). Newport City Homes does not make any further contribution to any individual pension arrangement for the Chief Executive. The emoluments paid to the Chief Executive include a 10% car allowance.

8. Employee and employer costs

	2019 £'000	2018 £'000
Staff costs during the year:		
Wages and salaries	**10,390**	8,686
Social security costs	**1,111**	944
Other pension costs	**3,341**	2,967
	14,842	12,597

	2019 No.	2018 No.
Average number of full time equivalent employees during the year:		
Management and administration	**248**	209
Wardens, caretakers and cleaners	**50**	35
Housing repair service	**68**	55
	366	299

9. Interests and related party transactions

During the year the association provided rented accommodation to two board members who were tenants of the association and charged rent to those members on the association's standard terms. Tenant board members are unable to use their position to their advantage. Where board members are councillors, any transaction with those local authorities are at an arm's length basis and as such board members are unable to use their position to their advantage.

10. Interest and financing costs

	2019 £'000	2018 £'000
Interest payable and similar charges	**4,591**	4,444
Write off of existing loan arrangement fees	**1,001**	-
Refinancing fees	**368**	-
	5,960	4,444

11. Property, Plant and Equipment

Social Housing Properties

	Freehold Housing properties held for letting £'000	Housing properties in the course of construction £'000	**2019 Total £'000**
Cost			
At 31 March 2018	143,283	11,770	**155,053**
Additions during the year	11,063	7,044	**18,107**
Disposals during the year	(674)	-	**(674)**
At 31 March 2019	153,672	18,815	**172,486**
Depreciation			
At 31 March 2018	37,853	68	**37,921**
Charges for the year	6,914	98	**7,012**
Disposals during the year	(213)	-	**(213)**
At 31 March 2019	44,554	166	**44,720**
Net book value			
At 31 March 2019	**109,118**	**18,648**	**127,766**
At 31 March 2018	105,430	11,702	117,132

Major repairs and investment in existing housing properties to let during the year amounted to £17 million (including capitalised salaries of £822,898). This has been accounted for as follows:

	2019 Total	2018 Total
Planned maintenance (revenue)	**5,907**	11,769
Investment (capital)	**11,063**	10,238

	2019 No.	2018 No.
Units in Management:		
General needs housing properties in management	**8,867**	8,887
Shared ownership	**141**	148
Leasehold management services	**647**	648
Garages	**223**	782
	9,878	10,465

12. Property, Plant and Equipment

Other Property

	Other Property Assets £'000	**2019 Total £'000**
Cost		
At 31 March 2018	242	**242**
Additions during the year	189	**189**
Disposals during the year	-	**-**
At 31 March 2019	431	**431**
Depreciation		
At 31 March 2018	45	**45**
Charge for the year	16	**16**
Disposals during the year	-	**-**
At 31 March 2019	61	**61**
Net book value		
At 31 March 2019	370	**370**
At 31 March 2018	197	197

13. Property, Plant and Equipment

Other Fixed Assets

	Office premises £'000	Service assets £'000	Vehicles & office equipment £'000	**2019 Total £'000**
Cost				
At 31 March 2018	1,478	684	5,095	**7,257**
Reclassification	(74)	74	-	**-**
Additions during the year	-	1	470	**471**
Disposals during the year	(64)	-	-	**(64)**
At 31 March 2019	1,340	759	5,565	**7,664**
Depreciation				
At 31 March 2018	767	452	4,232	**5,451**
Charge for the year	97	103	464	**663**
Disposals during the year	(58)	-	-	**(58)**
At 31 March 2019	806	555	4,696	**6,056**
Net book value				
At 31 March 2019	534	204	869	**1,608**
At 31 March 2018	711	232	863	1,806

14. Stock

	2019 £'000	2018 £'000
Stocks of materials	**223**	160

15a. Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Arrears of rent and service charges	**1,621**	1,620
Less: Provision for bad and doubtful debts	**(849)**	(699)
	772	921
Prepaid loan monitoring fees	**-**	12
Prepaid loan facility fees	**28**	68
Debtors and prepayments	**3,295**	2,442
	4,095	3,443

15b. Debtors: amount falling due after more than one year

	2019 £'000	2018 £'000
Prepaid loan facility fees	**-**	1,018
	-	1,018

16. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade Creditors	**1,818**	563
Amortisation of grants (Note 18)	**2,956**	2,664
Employee benefits	**40**	69
Accruals and deferred income	**9,006**	6,723
Prepayments of rents and service charges	**925**	848
Prepayment of other charges	**116**	113
Deposits	**3**	2
Loan Account	**63,000**	-
	77,864	10,982

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

	2019 **£'000**	2018 £'000
Housing loans	**-**	63,000
Social housing and other Government grants (Note 18)	**55,140**	48,175
	55,140	111,175

Loans are secured on all properties where the Association holds an interest.
At 31 March 2019, the Association had un-drawn loan facilities of £49.5 million
Loan interest payable varies between 6% and 6.25%.

Loans repayable by instalments fall due as follows:

	2019 **£'000**	2018 £'000
In five years or more	**-**	63,000
Between two and five years	**-**	-
	-	63,000
In one year or less	**63,000**	-
	63,000	63,000

18. Grants

	Dowry £'000	Other Grants £'000	SHG £'000	**Total £'000**
Cost				
At 31 March 2018	58,540	1,472	4,713	**64,725**
Additions during the year	6,500	2,000	1,879	**10,379**
Disposals during the year	(234)	(2)	-	**(236)**
At 31 March 2019	64,806	3,470	6,592	**74,867**
Amortisation				
At 31 March 2018	13,635	252	-	**13,887**
Amortised in year	2,824	116	17	**2,957**
Amortisation written back on disposal	(71)	(1)	-	**(72)**
At 31 March 2019	16,388	367	17	**16,772**
Net book value				
At 31 March 2019	**48,418**	**3,103**	**6,575**	**58,096**
At 31 March 2018	44,905	1,221	4,713	50,839

	2019 £'000	2018 £'000
Grants fall due as follows:		
In one year or less	**2,956**	2,664
After more than one year	**55,140**	48,175

19. Non-equity share capital

	2019 £	2018 £
Shares of £1 issued:		
At 31 March 2018	**1,435**	1,491
Issued during the year	**8**	6
Cancelled during the year	**(1,242)**	(62)
At 31 March 2019	**201**	1,435

The shares provide members with the rights to vote at general meetings. The shares carry no right to dividends, there is no provision for the redemption of shares and there is no provision for a distribution following a winding up.

20. Operating leases

At 31 March 2019 the Association had commitments under operating leases as follows:

	2019 £'000	2018 £'000
Motor vehicle and office equipment expiring:		
Within one year	**120**	124
Between two and five years	**-**	49
	120	173

	2019 £'000	2018 £'000
Land and buildings expiring:		
Within one year	**42**	508
Between two and five years	**1,048**	994
Over five years	**2,531**	2,627
	3,621	4,129

The expenditure incurred during the year is detailed in Note 6 – Operating Surplus for period.

The association signed a fifteen year lease terms on office accommodation at Nexus House, Mission Court, Newport. The terms of the lease are subject to review after five years, with the first review having taken place on 12 March 2014. A further review took place during 2017/18 where it was agreed to reduce the number of floors from four to three from April 2019.

21. Capital commitments

	2019 £'000	2018 £'000
Capital expenditure contracted but not provided for in the financial statements	**14,461**	9,784
Capital expenditure authorised by the board but not contracted	**15,537**	23,548

These capital commitments will be funded by existing loan facilities and capital grants from the Welsh Government.

22. Net assets

The balance sheet of the association is reporting net assets of £28.3 million as at 31 March 2019, compared to net assets of £29.3 million at the end of the previous financial year.

The association made a surplus on ordinary activities during the year.

The WG has undertaken to pay a dowry to the association in acknowledgement of the level of work required. This dowry is payable in annual instalments phased to reflect the association's long term financial plan.

The board is satisfied that the availability of future loan finance and the dowry payment to be paid by the WG are sufficient to ensure that the association will be able to meet its future liabilities as they fall due.

23. Pension costs

The association participates in the Torfaen County Borough Council (Greater Gwent) pension scheme which is a defined benefit scheme based on final pensionable salary. Certain employees of the association participated in the scheme prior to the stock transfer taking place and, as such, assets or liabilities attributable to these individuals were identified at the transfer date i.e. 9 March 2009. As part of the transfer agreement, liability for the proportions of the debt attributable to these employees that relates to the pre-transfer period rests with Newport City Council. The gains and losses recognised by the association therefore relate solely to the period since transfer.

The most recent valuation was carried out at the 31 March 2016 and has been updated by independent actuaries to the scheme to take into account the requirements of FRS102 in order to assess the liabilities of the fund at 31 March 2019. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. The association's contribution rate from 1 April 2014 to 31 March 2017 was 13.2% of members' contributions. This increased from 1 April 2017 to 19.3% and will continue at this rate until 31 March 2020.

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS102 purposes were:

	2019 %pa	2018 %pa
Discount rate	**2.4%**	2.7%
Rate of increase in salaries	**2.9%**	2.8%
Rate of increase in pensions	**2.5%**	2.4%
Rate of RPI Inflation	**n/a**	n/a
Rate of CPI Inflation	**2.5%**	2.7%

	2019 %pa	2018 %pa
Expected rates of return on:		
- Equities	**5.9%**	3.7%
- Government Bonds	**5.9%**	3.7%
- Other bonds	**5.9%**	3.7%
- Property	**5.9%**	3.7%
- Cash/liquidity	**5.9%**	3.7%
- Other	**5.9%**	3.7%
Expenses deduction	**0.5%**	0.5%

	2019 £'000	2018 £'000
Market value		
Equities	**35,756**	32,791
Bonds	**9,168**	7,568
Property	**917**	1,261
Cash/liquidity	**-**	420
	45,841	42,040

The movement in the net surplus for the period to 31 March 2019 is as follows:

	2019 £'000	2018 £'000
Reconciliation of funded status to balance sheet		
Fair value of plan assets	**45,841**	42,040
Value of funded obligations	**(62,473)**	(52,439)
Total estimated scheme (deficit)/surplus	**(16,632)**	(10,399)

	2019 £'000	2018 £'000
Components of pension costs for year:		
Current service cost	**(2,917)**	(2,528)
Interest on pension liabilities	**1,151**	1,041
Expected return on assets	**(1,452)**	(1,331)
Total pension cost recognised in income and expenditure account	**(3,218)**	(2,818)

	2019 £'000	2018 £'000
Statement of recognised surpluses and deficits		
Actuarial gains/(losses)	**(4,470)**	1,721
Total pension surplus / (cost) recognised in the statement of comprehensive income	**(4,470)**	1,721

	2019 £'000	2018 £'000
Changes to the fair value of assets during the year:		
Present value of scheme assets at 31 March 2018	**42,040**	39,554
Expected return on assets	**1,378**	442
Interest income	**1,151**	1,041
Actuarial (losses)/ gains on assets	**-**	-
Contributions by the employer	**1,455**	1,214
Contributions by the participants	**506**	425
Benefits and transfers paid	**(689)**	(636)
Total fair value of plan assets	**45,841**	42,040

Changes to present value of liabilities during the year:

	2019 £'000	2018 £'000
Present value of scheme liabilities at 31 March 2018	**52,439**	50,070
Current service cost	**2,917**	2,528
Interest cost	**1,452**	1,331
Contributions by the participants	**506**	425
Actuarial(gains)/losses on liabilities	**-**	-
Curtailments	**-**	-
Changes in demographic assumptions	**-**	-
Benefits and transfers paid	**(689)**	(636)
Changes in financial assumptions	**5,848**	(1,279)
Other experience	**-**	-
Total value of funded obligations	**62,473**	52,439

24. Contingent Asset

The association was involved in a contract adjudication that could give rise to a contingent asset which in turn could give rise to a similar amount contingent liability. Both contingent asset and liability are not considered to be adjusting events.

Due to the private nature of the contract adjudication no further disclosures are felt necessary at this time.