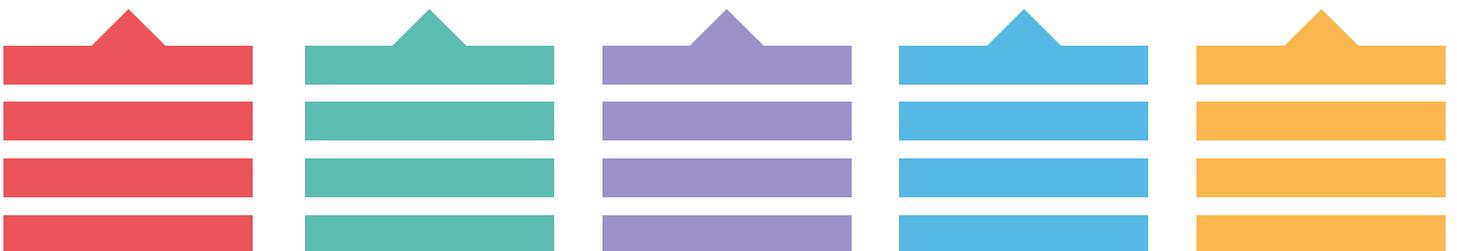


# Financial Statements



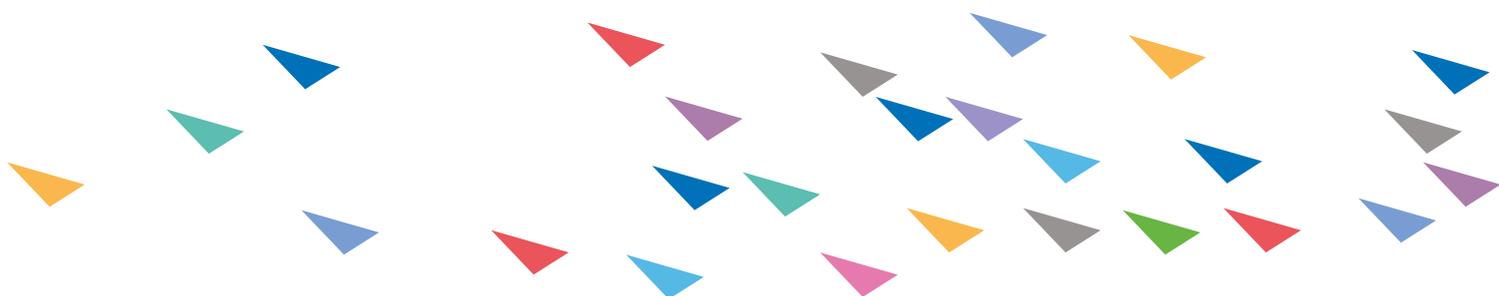
For the year ended  
31 March 2017





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# Board members and professional advisors

## Tenant board members

Christopher England  
Cecelia Beal  
Suzanne Porretta  
William Edwin Groves  
Jayne Anne Rose  
Peter Gillon

## Council board members

Sheila Davies (Retired 18 July 2016)  
Jane Mudd (chair)  
Val Delahaye  
Sally Mlewa

## Independent board members

John Harrhy  
Iain Logue  
Nicola Somerville  
Paula Kennedy (Retired 2 November 2016)

## Secretary and registered office

Tim Jackson (From 8 November 2016)  
Nexus House  
Mission Court  
Newport  
NP20 2DW

## Executive officers

Ceri Doyle, Chief executive  
Tim Jackson, Executive director  
Robert Lynbeck, Executive director

## 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  
Hodge House  
114 - 116 St Mary Street  
Cardiff  
CF10 1DY

Blake Morgan  
Bradley Court  
11 Park Place  
Cardiff  
CF10 3DR

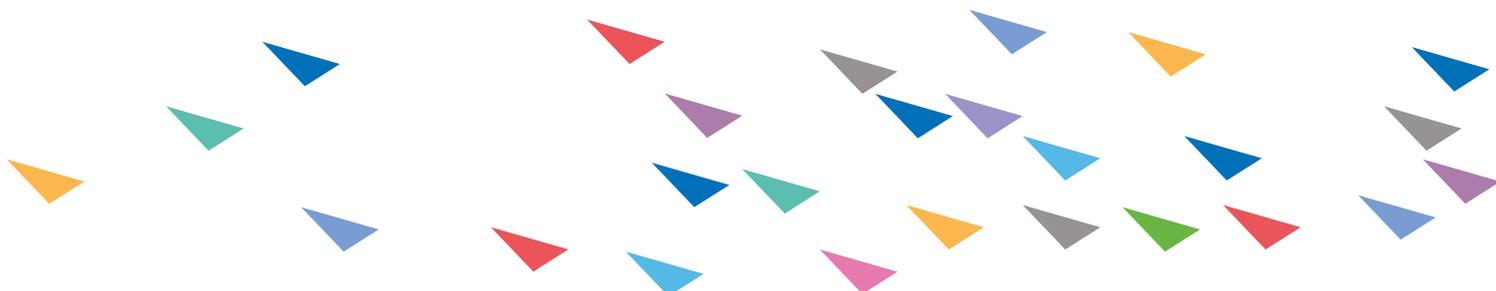
## External auditors

Haines Watts Wales LLP  
Statutory Auditors  
7 Neptune Court  
Vanguard Way  
Cardiff  
CF24 5PJ

## 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

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 2017.

## Legal status

We are a registered society under the Co-operative and Community Benefit Societies Act 2014. 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 in 2009.

## Principal activities and geographical coverage

This review covers the year to 31 March 2017.

We are a not-for-profit organisation administered by a voluntary board of management. We provide management, maintenance and improvement services to 8,922 rented homes located within the administrative boundary of Newport City Council. 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 642 leasehold flats, have a portfolio of 97 premises let on commercial terms, manage 1,082 garages and hold between 25% and 75% equity in 150 shared ownership properties on which we receive rental income.

## Statement of vision

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

**2020 Vision is our five-year strategy that sets out our ambitious and exciting plans to transform the city.**

We have never been just a housing association. Newport is undergoing substantial change and we are playing an important role in this. We have big ambitions and are constantly working to deliver on our five focus areas set out in the 2020 Vision.

# 2020 Vision

## OUR PURPOSE

“To provide homes in communities where people want to live”

## OUR FOCUS



**Putting residents  
at the heart**



**Investing in homes  
and neighbourhoods**



**Strong and  
effective  
organisation**



**Providing new homes**



**Making a difference  
in our communities**

# Examples of how we have delivered against 2020 Vision in 2016/17

## Putting residents at the heart



We have continued to engage with residents to ensure that they are at the heart of what we do. We have more than 250 engaged residents, some of whom regularly attend meetings and events. Almost 1,000 residents have spoken to us in the last year about how we provide services and what matters in their communities. We have continued to work with the UNITY youth group and the Shaftesbury Youf Gang to increase engagement with young people.

We have created a new 'customer experience' team to respond to residents in a manner that suits their needs. The team is supported and empowered to fulfil our ambition of dealing with all resident enquiries at first point of contact. Additionally, we have a number of specialist teams to offer support when needed.

Additionally, we ran a number of social media training sessions to support residents in developing their digital skills, as well as enabling them to access our services online. Using Facebook and Twitter, residents can now post enquiries at a time and place convenient to them.

## Investing in homes and neighbourhoods

Our flagship £7.9m regeneration scheme in Pillgwenlly began during 2016/17. This substantial investment will demolish empty homes, underpasses and garages, and help tackle anti-social behaviour in the area.



We have also invested millions of pounds to improve homes in Somerton and St Julian's. This money was spent on the outside of properties, ensuring they are wind and water tight, while also improving energy efficiency and the homes' overall appearance. The new external wall insulation will make homes more energy efficient, warmer in the winter and cooler in the summer. The system used holds a British Board of Agrément (BBA) certificate which shows that the product has been tested for thermal performance, strength and stability and behaviour in relation to a fire.

The stock condition survey started in 2016/17 is looking at the condition of all our properties, so our residents' homes are in the best possible condition and we can prioritise work accordingly.

The Duffryn Biomass Boiler went operational in September 2016 and this is delivering heating and hot water to more than 900 homes and a primary school. More than 750 homes have been given the opportunity to halve their energy consumption by using Switch Energy's G6 smart energy pre-payment meters.

From an environmental viewpoint, the annual gas consumption at the plant has reduced by 50%, saving about 2,031 carbon tonnes since 2010.

We have installed more than 1,000 carbon monoxide alarms in our homes across Newport. We are working with Aico to install carbon monoxide (CO) alarms in properties to help protect residents from CO gas. The CO alarms will work independently from the smoke alarms that are already installed.

We have installed a key management system in communal blocks in Bettws, Malpas and Old Barn, to help reduce anti-social behaviour. The system is a modern way of giving residents safe and secure access into their communal block, through uniquely programmed fobs. No uninvited people are able to enter the blocks, providing a safer environment for residents. The fobs grant access to communal areas only and not individual properties. If a resident loses or misplaces their fob, once reported it can be deactivated immediately and the resident provided with a new one.



## Providing new homes

We are starting an exciting new phase of development. Having completed the Welsh Housing Quality Standard (WHQS) on our properties, we are going to start building our first new homes. This will not only benefit new and existing residents; it will improve neighbourhoods through good design, creating wider benefits for the whole community.

We have continued to work to meet our development aspirations to build an additional 400 units by 2020, as agreed by both our board and lenders.

We are working in partnership with a number of stakeholders to realise this ambition and meet the housing need of the city.

We have hired a local contractor, P&P Builders, to help us deliver our £1.6m development at Glen Court in Bettws. The site in Monnow Way will include 11 new family homes and a bungalow equipped for people with disabilities. Welsh Government has approved almost £1m of social housing grant towards the new development.

## Making a difference in our communities

With clear direction provided by 2020 Vision, combined with a robust performance management framework, we are making significant progress in realising great things for Newport.

We know we can make a bigger difference in our communities by working effectively and efficiently with our partners than if we work in isolation. This approach means communities will benefit on a greater scale. We have taken part in projects such as 'Free from Fear', which aims to develop a toolkit to improve social landlords' responses to supporting victims of domestic abuse.

Community groups have secured funding of circa £40,000 from our 'making an impact' and 'making a star' funds to improve or create facilities and services within the area. We funded a social enterprise offering training for people with additional needs that received £5,000 through our 'making a difference' fund. Reseiclo Training is a day service for people with additional learning needs and mental health issues. It provides carpentry-based work to support people in recognising their strengths. The grant enabled the project to purchase a van that can transport six volunteers and equipment around Newport.



Since its creation, our training and employment academy has helped people in our communities gain work skills and experience:

- ▶ 35 out of 39 trainees have gone into employment or further training
- ▶ 25% of trainees were from black, minority and ethnic background
- ▶ 18% of trainees had a disability or learning difficulty
- ▶ 46% of trainees were NCH residents

We joined forces with partner organisations and residents to clean up a brook in Bettws as part of Keep Wales Tidy's Spring Clean Cymru campaign. A team of 13 volunteers and two police community support officers removed 50 bags of rubbish from the Malpas/Bettws brook area.

## Strong and effective organisation

All our work helps make us a stronger and more effective organisation. Our 'business transformation programme' was launched in 2015 and has developed to ensure we continue to be in the best possible position to deliver our 2020 Vision objectives.

### Outcomes achieved in 2016/17 were:

- ▶ An organisational restructure was undertaken to ensure we have the right people, with the right skills in the right place to deliver 2020 Vision.
- ▶ A review of 'recognition and reward' started to ensure the right framework supports us to attract and retain top talent. Following staff engagement, a number of projects have now been established focusing on performance related pay and flexible benefits.

- ▶ Our customer service review was undertaken to ensure our services are designed around the needs of residents. This resulted in the recruitment of a new customer experience manager. He will work with senior management to ensure the association has the right culture and skills to deliver excellent customer service.
- ▶ Phase one of the review analysed data from a variety of focus groups to determine residents' access requirements. This informed our new customer service standards that were formally adopted by the board in February 2017. The standards are being rolled out and embedded across the business as part of the customer experience improvement plan. Resident feedback will be used to test the effectiveness of the review
- ▶ Working with residents and staff, we know the requirements for our new city centre location. This aims to improve resident access to services and information.



# Financial performance

We continue to be in a strong financial position and aim to maintain this financial strength. We generate surpluses in order to further invest in our homes and communities. All our surpluses are re-invested in our on-going activities.

We are also committed to maintaining our existing assets in a sound condition, in line with WHQS and to provide great services for residents. These aims drive our financial performance.

## Turnover

Our turnover in the year was £45m (2015/16: £44m). The majority of this was made up of rent from social housing (£39m), service charge income (£2m), and amortisation of social housing grants (£2.7m).

Turnover includes £118k rent from the 1,082 garages we own, and £366k from our commercial properties. We are also contracted to provide services under the 'supporting people' funding regime, and received £262k under these contracts during the year. Additionally, we received £328k 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. This excludes the one off item relating to the reassessment of value of the biomass boiler facility, detailed at note 5b.

	2017 £'000	2016 £'000
Planned maintenance	7,475	9,005
Day to day maintenance	13,555	13,049
Capital maintenance	7,335	6,344
	<b>28,365</b>	<b>28,398</b>

Our planned and day-to-day maintenance programmes in 2016/17 were lower than 2015/16, as we completed WHQS. Capital maintenance is higher than 2016/17 due continued investment in our properties.

## Management and employee costs

Our overall costs in 2016/2017 were £6.6m compared with the previous year of £6.1m. The increase is due to increases in housing management costs. Overall employee costs were £10.5m compared with £10.3m in 2015/16, representing an increase of 2.3% compared with the previous year.

## Depreciation

This is a measure of the wear and tear of our properties with other assets, such as to existing components including kitchens, windows, and bathrooms, which are replaced periodically. Depreciation costs in 2016/17 were £6.4m compared with £5.6m in 2015/16. Depreciation has increased as the asset base being depreciated has grown in financial value.

## Treasury

On transfer, we 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.

Our aim in the longer term is to borrow only to develop and acquire new property. Cash generated by our existing activities will supplement any debt we raise for new homes.

At 31 March 2017 we had loan facilities with three lenders as set out below:

	Amount of loan facility £m	Amount drawn down as at 31 March 2017 £m	End date of loan term
Barclays Bank PLC	37.75	21	31/03/2033
Royal Bank of Scotland	37.5	21	31/03/2033
Nationwide Building Society	37.5	21	31/03/2033
	112.75	63	

Our interest costs have increased in 2016/17 by £1.8m. The board took the decision to defer a drawdown of £21m due in March 2017 for another two years. This deferral generated a charge of £1.8m in the year. However, by deferring the drawdown, we have reduced our interest payable costs for the next two years, and will make savings on fees payable to the lenders of £300k.

## Loan covenants

Our lenders require us to meet three key covenants within the loan agreements:

1. Annual cash flow surplus/deficit
2. Net operating cash flow/total funding costs
3. Debt per unit



Performance at the year-end was as follows:

	Current position	Covenant	Covenant met
Maximum annual cash flow (deficit)	£6,585K	(£7,305)K	Yes
Net operating cash flow/total funding cost	2.07x	(0.51x)	Yes
Net Debt per charged unit	£6,944	£7,403	Yes

We are comfortably within our covenants for the year. The business plan for 2016/17 assumed a higher level of development expenditure during the year. However, this has been deferred to later years following a review of the timing of our development and regeneration schemes.

## Other balance sheet items

### Debtors

Debtors have decreased by £10.6m. This is a technical accounting change relating to the transfer development agreement. The current value of this is now zero as having met our objectives we are no longer owed any sums by Newport City Council relating to the stock improvement works.

### Pensions

We participate in two pension schemes:

- The NOW Pension Scheme is a defined contributions 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. We are 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 benefits 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 2017 was £10.5m compared with £4.6m at 31 March 2016. Whilst there has been an increase in these deficits, contributions have been set to ensure the deficit clears over the medium term.

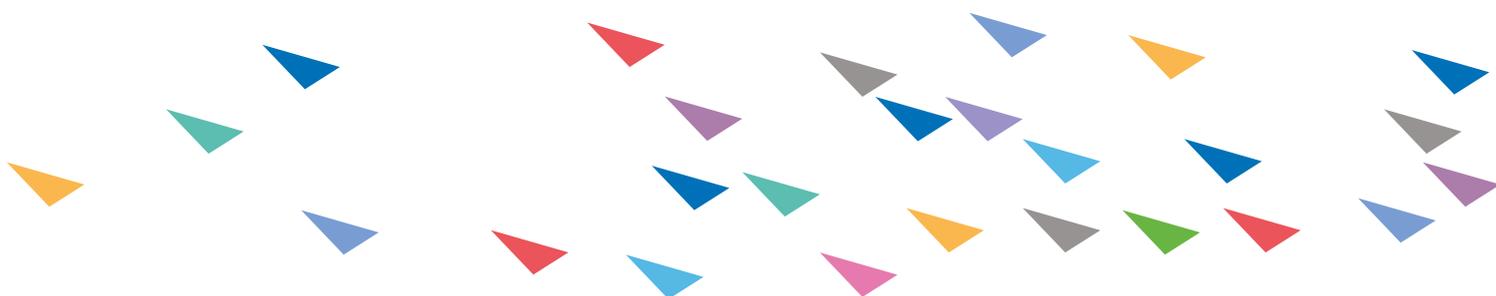
## Key differences between this year and last year

Overall we achieved a surplus after tax of £6.7m compared with £2.8m in the previous year. Comparisons of the major items for this year and last year are set out in the table below:

	2017 £'000	2016 £'000
Surplus on social housing letting	7,615	4,491
Surplus on commercial properties and garages	371	864
Revaluation of biomass boiler	3,980	0
Other significant items	1,019	1,885
Interest payable	(6,297)	(4,478)

The increase in surplus on social housing lettings is due to reduced planned maintenance expenditure. This is a result of completion of our WHQS programme.

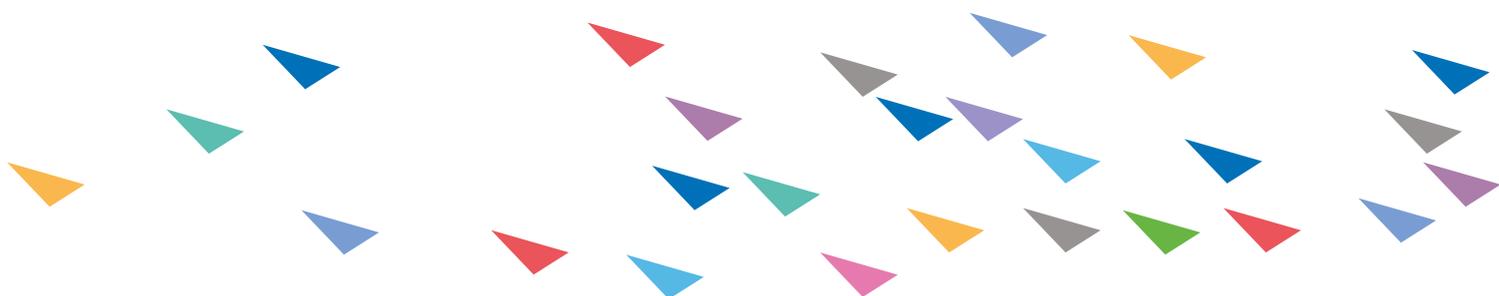
During the year the accounting treatment for the biomass boiler was revised. Originally the boiler was recorded at a cost of £0.4m. British Gas paid the remaining £4m. However, following a review of the contract, it was concluded that we are the legal owner of the entire facility. Therefore the additional value on reassessment has been taken to the statement of comprehensive income.



# Five year summary financial performance

	2016/17 £'000	2015/16 £'000	2014/15 £'000	2013/14 £'000	2012/13 £'000
<b>Income &amp; Expenditure Account</b>					
Turnover	<b>45,486</b>	44,285	42,545	39,634	38,832
Operating Costs	<b>(42,778)</b>	(41,523)	(44,134)	(37,468)	(34,133)
Surplus	<b>2,708</b>	2,762	(1,589)	2,166	4,699
<b>Balance Sheet</b>					
Fixed Assets	<b>104,033</b>	99,045	98,916	61,248	55,680
Net Current Assets / (Liabilities)	<b>(14,506)</b>	(10,989)	(33,862)	9,880	9,433
Loans	<b>(63,000)</b>	(63,000)	(42,000)	(42,000)	(42,000)
	<b>26,527</b>	25,056	23,054	29,128	23,113
Reserves	<b>26,527</b>	25,056	23,054	29,128	23,113
<b>Cashflow Statement</b>					
Net Cash Inflow - Operating Activities	<b>12,757</b>	8,733	9,978	9,541	12,112
Servicing of Financing and Investing	<b>(6,120)</b>	(4,298)	(6,011)	(3,030)	(3,125)
Capital Expenditure	<b>1,479</b>	1,285	(8,706)	(8,387)	(17,697)
Financing	<b>0</b>	0	0	0	21,000
Increase / (decrease) in cash	<b>8,116</b>	5,720	(4,739)	(1,876)	12,290

The figures for 2016/17 exclude £4m of exceptional income from the surplus in order to allow a fair year on year comparison.



# Our assurance framework and value for money

We operate an assurance framework to ensure we are as efficient and effective as we can be, and to identify and manage risk. The audit and risk committee (ARC) meets regularly to manage this and reports to the board. The key elements of assurance are our value for money (VfM) framework, our risk management framework, and the work that internal audit and other advisers provide in testing our internal controls.

## Value for money (VfM)

Our VfM Framework supports the delivery of our 2020 vision in the most cost effective way by embedding VfM in everything we do. VfM informs all strategic, corporate and operational decision-making.

The framework contains a number of elements that are required to achieve our VfM objectives:

## VALUE FOR MONEY FRAMEWORK

**PRINCIPLES:**  
what value for money means to us

**ACTIONS:**  
what we will do to deliver value for money

**ORGANISATIONAL DEVELOPMENT:**  
embedding value for money across the organisation

**EVIDENCE AND REVIEW:**  
monitoring, reporting and learning from our performance

## Objectives

- To maximise the benefits from the money invested in our housing stock and commercial assets.
- To maximise the benefits from the money invested in the delivery of housing and community services.
- To maximise the benefit to customers from every pound we spend.
- To deliver year-on-year efficiency improvements in the way that we work.
- To maximise the social value and benefit to the communities and the city of Newport from our investment.

## Monitoring and reporting

ARC considers an annual VfM Statement and reports its findings to the board. Our quarterly key performance indicators (KPIs) that board receives cover management costs, arrears, performance versus budget. Key savings initiatives are recorded and leadership team monitors their delivery. The budget and business plan are approved by the board and these will, in the future, include a specific plan around savings over the medium term discussed and approved by the board.

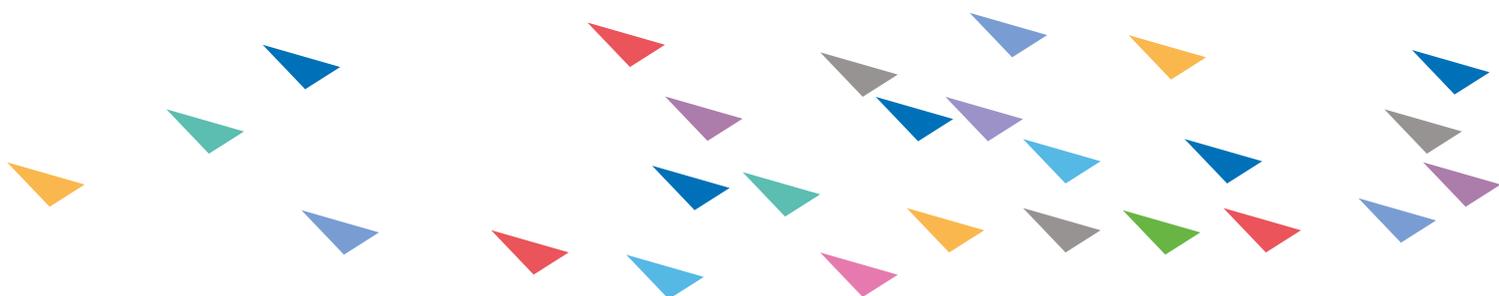
## Benchmarking

We have adopted the KPIs set out in Community Housing Cymru's 'value for money' report. They are also included in the most recent publication of the 'global accounts' for the sector by Community Housing Cymru. Welsh Government

intends to use these KPIs in its assessment of housing associations in future. These are set out in the table below and show our performance over the last five years against the Welsh sector averages for 2015/16.

### Value for money key metrics

	2016/17	Newport City Homes					Sector
		2015/16	2014/15	2013/14	2012/13	2015/16	
Total operating cost per social housing unit (£)	4,103	4,289	3,937	3,765	3,359	4,215	
Management costs per social housing unit (£)	741	677	578	686	666	1,360	
Reactive costs per social housing unit (£)	1,519	1,460	1,289	1,289	1,174	1,033	
Major repairs & components per social housing unit (£)	1,552	1,635	1,573	1,219	1,004	1,176	
Bad debt costs per social housing unit (£)	9	18	24	52	21	29	
Weighted average cost of capital	10.0%	7.1%	9.9%	7.6%	7.6%	4.5%	
Free cash inflow (outflow) per housing association (£m)	8.1	5.7	16.3	(1.9)	12.3	0.35	
Gross arrears / social housing turnover	2.9%	2.3%	5.6%	6.0%	4.2%	4.5%	
Rent per social housing unit (£)	4,624	4,525	4,500	4,332	4,172	5,158	
Rental void loss per social housing unit (£)	123	92	99	78	42	76	



It is important to note that across the sector there are variations in how associations allocate their costs between categories. At a detailed level this can cause variations. As a result, the cost analysis below focuses on total operating costs, rather than management and maintenance costs.

In terms of total operating costs per social housing unit, we have favourable performance against the sector average by more than £112 per unit. However, costs have increased over time. This is due to inflationary pressures.

Bad debt continues to fall and outperforms the sector. There has been a major focus on working with residents in recent years to improve our position.

The weighted average cost of capital is high (ie the effective rate of interest on debt). This is due to fixed rate loans that were agreed with our lenders at stock transfer. This is a key area of focus for the coming year and we are actively working with our treasury advisors to improve the position.

Additionally, the cost is high in the year due to a £1.8m one-off fee for the deferral of a loan drawdown. This will reduce our costs going forward and also happened in 2014/15. Excluding this gives a figure of 7.1%, which is comparable with 2015/16.

Free cash flow continues to be positive and outperforms the sector. We have, in past years, not invested heavily in new development schemes that are a key contributor to this.

We now have a well-defined development and regeneration programme in place and

this will reduce cash flow in the shorter term. However, ultimately it will improve cash flow in later years as schemes are built and start to generate increased rental income.

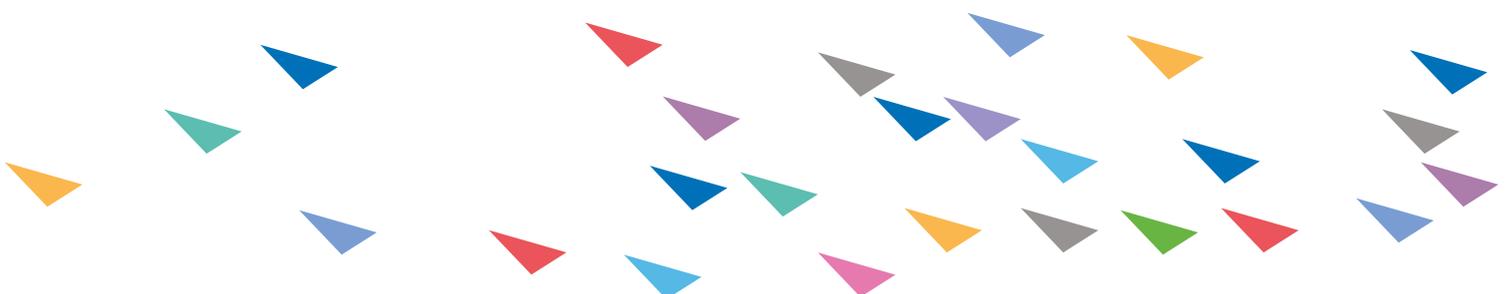
Gross arrears follow a downward trend and also outperform the sector. The housing services team has worked hard to reduce this figure.

Voids continue to increase and are adverse to the sector average. This is another key area of focus for us in 2017/18.

## **Benchmarking our performance: financial return on assets**

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

	Newport City Homes	Sector
	2016/17	(2015/16)
General needs housing surplus as a percentage of the net book value of our assets	7.5%	4.6%
Total surplus before interest and tax as a percentage of the net book value of our assets	7.8%	5.5%
EUV	£275m	£238m

Our performance is improving year on year and is performing better than the sector.

### Value for money achievements: examples of efficiency savings achieved during the year

#### Loans

We have negotiated with our lenders to defer a drawdown of loans for two years. This has resulted in projected savings of £300k over the next two years.

#### Recruitment

We have saved more than £150k during the year by reviewing the procurement process. By developing a framework in conjunction with our suppliers and HR we were able to reduce the recruitment fees by more than half.

#### ICT

We have achieved savings of more than £48k in photocopying and printing. This was as a consequence of running an active tender process with our suppliers. Additionally we have reviewed our IT licence costs and been able to secure savings of £20k.

#### Training

A robust tender process was undertaken for management training, resulting in savings of £46k compared to the previous contract value.

#### Facilities management

We thoroughly reviewed our document storage provision, achieving savings of £12k year on year.

#### Housing management

As a result of renegotiating terms of business with our payment provider, savings of £19k per year have been achieved.

#### Housing maintenance

We successfully tendered the process for carbon monoxide alarms. This resulted in £68k annual savings.

### 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 2016/17, we invested £161k in community initiatives and secured more than 2,000 hours of labour to help our communities.

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 £89 per week, compared with market rents of £115 per week. Given about half our rents are covered by housing benefit, we are saving residents that pay the rent themselves

more than £12.2m a year. We also save the government and tax payers £12.2m 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 the risks we face, assess and manage them.

Whilst we ended the year in a strong financial position, we face a number of challenges and threats to financial well-being, largely arising from changes in UK government policy.

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 government policy, particularly around welfare reform, is also an issue. 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 services. Our ability to successfully deliver transformational change and efficiency improvements have remained key areas of risk due to the interdependency with our ability to meet our development ambitions.

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 to board annually. The board has set its activity limits for us as an organisation and these are reviewed annually.

## Future VfM priorities

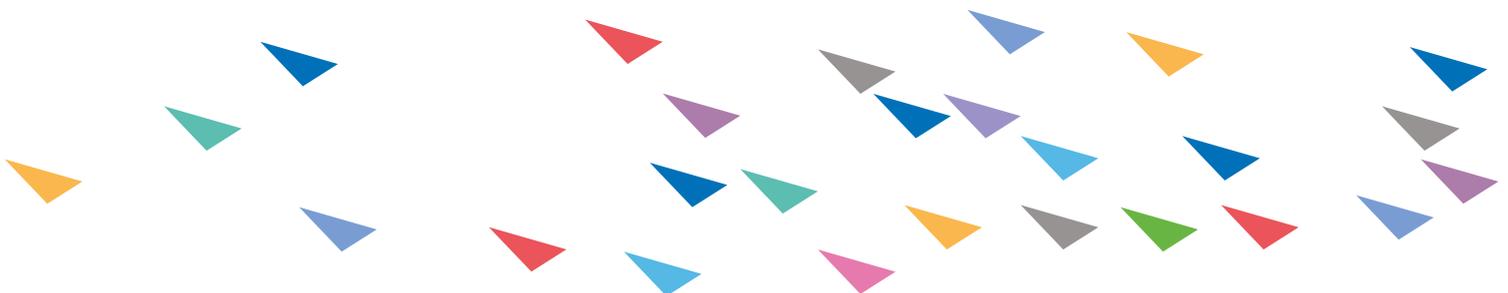
Now that we have largely met our transfer agreement obligations, we have instigated a review of longer term income and costs. The project consists of assessing our current position and then looking to improve our costs where possible. Initial indications suggest that we should realign our expenditure to match the average for the sector. Including all capital items, we could potentially make savings of £5m-£6m per year. Such changes would support us in achieving 2020 Vision and our growth ambitions.

It is also our intention to improve our benchmarking in 2017/18, utilising Housemark and Shape Up, which compare our data with the statistics of the 100 largest providers in England and larger Welsh housing providers.

Additionally, our organisation-wide restructure and the customer services review have put the building blocks together that will help deliver and embed customer service excellence across our organisation.

We recently completed sector benchmarking based on the STAR resident satisfaction survey. We believe there is a huge opportunity to improve service provision and have a positive impact on the lives of residents and communities in the coming year.

One of our key objectives for 2017/18 is to look at how we can maximise our resources. We will look at a number of areas of our performance, for example in



treasury, in procurement and in the move to digital services. We will identify areas where we can work more efficiently or generate new income streams. The board will be considering the outcomes of this review during 2017/18.

## Our plans for the future: our financial plan 2017-47

Our financial plan demonstrates the capacity to deliver our aspirations.

The key projections included in the financial plan for 2017-47 are:

- Revenue surpluses are being generated from 2021/22 for the remainder of the plan. Deficits are generated in 2017/18, 2018/19 and 2020/21 due to the remodelling of estates work scheduled for completion in 2020/21.
- Annual cash deficits being made in the years 2017/18 to 2019/20. This is due to expenditure on the remodelling estates detailed above and new development of 50 units per annum starting in 2018/19. In total, the plan includes the development of 739 new units. The financial plan shows annual cash surpluses being made from 2034/35 for the remainder of the plan.
- Peak debt remains at £84m and assumes drawdown of the pre-agreed fixed rate loan of £21m in April 2019. The loan repays in-line with the agreed repayment schedule approved by lenders by 2034.
- The balance sheets show total fixed assets of £34m at the end of the plan in 2047.
- Cash balances are lower in earlier years due to a higher level of investment spend; however, balances return to comparable levels in 2038.

## Key accounting policies

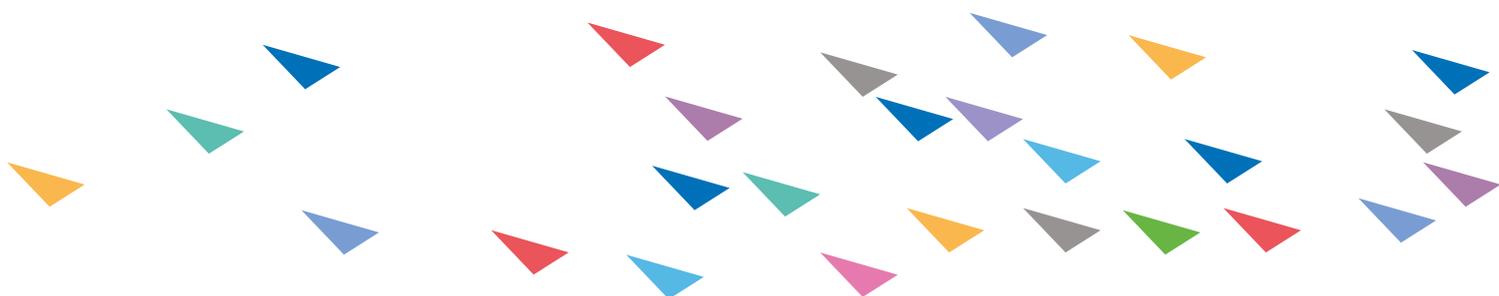
The principal accounting policies are set out in Note 1 to the financial statements. The most critical accounting policies in terms of the impact of the financial statements are the calculation of depreciation on housing properties and the capitalisation of the investment in housing properties.

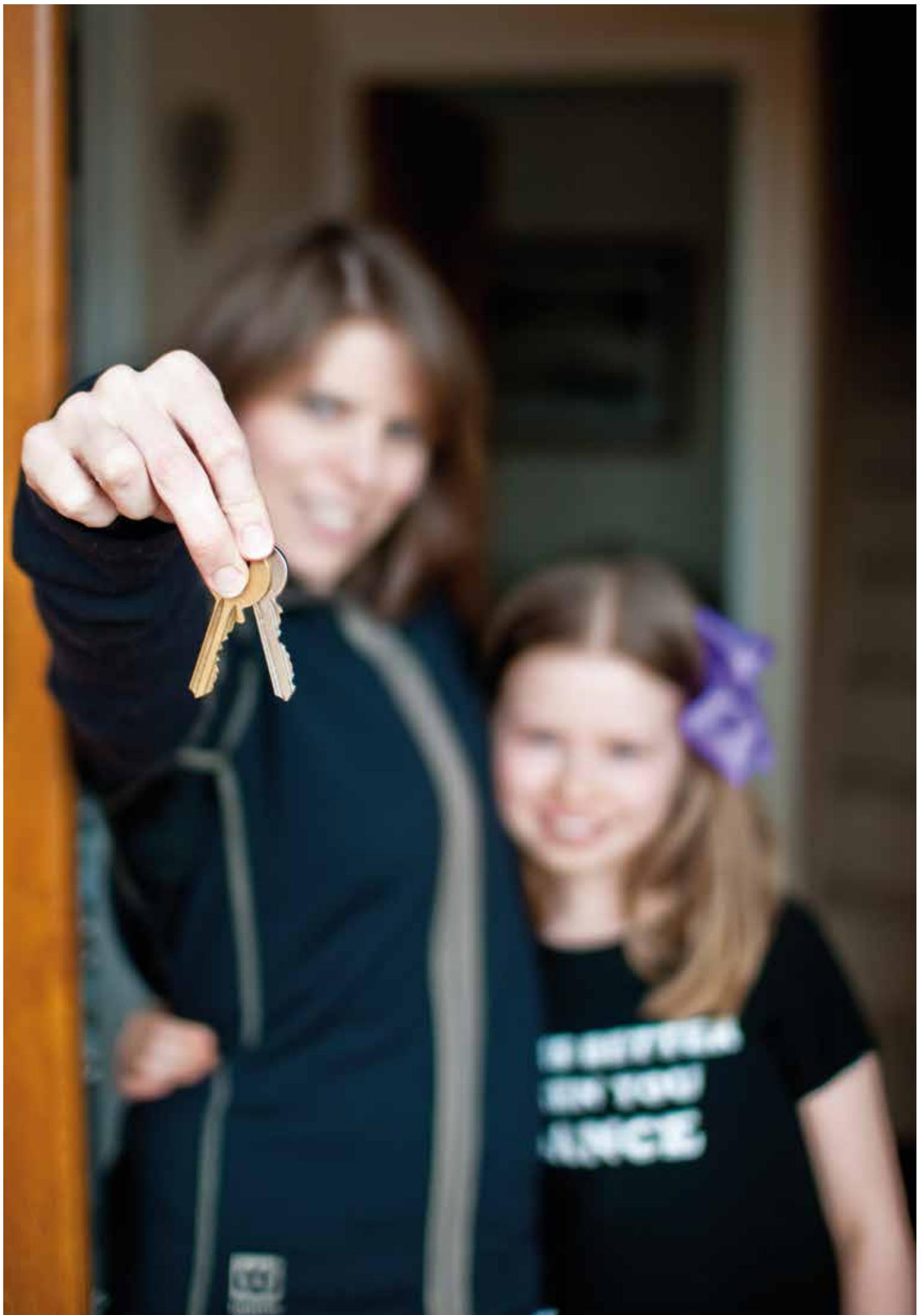
## Going concern

After making enquiries, the board has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in these financial statements.

## Statement of compliance

It is considered to be best practice for registered social housing providers with more than 5,000 units in management at the balance sheet date to publish a strategic report in line with the requirements set out in FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.





# Board report

For the year ended 31 March 2017

The board presents its report and the audited financial statements for the year ended 31 March 2017.

## **Summary performance for the year**

The board reports a turnover of £45m and an operating surplus after tax for 2016/17 of £6.7m. The surplus does not include capital expenditure of £11.3m. During the year we spent £32.6m on reactive, cyclical and planned repairs, adaptations and improvements to housing properties.

The statement of financial position shows housing assets of £102.1m and capital grants received of £43.7m. Total net assets as at 31 March 2017 were £26.5m. There were loans of £63m outstanding at 31 March 2017.

The cash flow statement shows an increase in cash of £8.1m.

Further details are set out in the strategic report.

## **Board and senior executives**

Membership of the board and the executive team is set out on page 4. All board members, except for council nominees, hold share capital in the association, with Newport City Council being issued with one share. The senior executives 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. This specification is reviewed on an annual basis and any amendments and additions agreed. A review took place in May 2016 and this resulted in changes being made to the skills. Board member obligations include:

- To work as a team to ensure that NCH complies 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 NCH's strategy, policy and planning.
- To ensure the association places residents at the heart of all it does and is open to their involvement and influence.
- To support the development of performance criteria that enable the board to manage the strategic direction of NCH.
- To promote a culture of transparency and accountability ensuring continuous improvement in driving a performance culture.
- To ensure the board conducts itself in accordance with the highest standards of public life.
- To support the creation of positive partnership arrangements, promoting the profile of the association with the range of agencies it works with.

- To support the effective and efficient use of NCH resources to deliver strategic objectives, maintaining the association's long term financial viability and safeguarding assets.

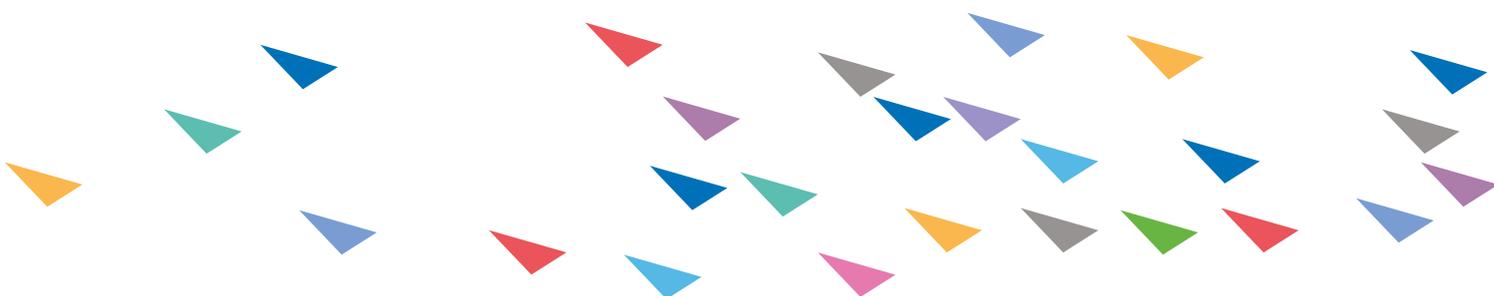
## Responsibilities of the board

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 the 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 our affairs and the surplus or deficit for that period.

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

- To select suitable accounting policies and then ensure that they are applied consistently;
- To make judgements and estimates that are reasonable and prudent;
- To 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
- To 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 our organisation. It must also ensure its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2015.

The board is also responsible for ensuring that our assets are safeguarded and for preventing and detecting 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 skills of the board are assessed on an annual basis as part of the board member self-assessment process.

The analysis is used by the board to inform the skills required us to deliver our 2020 Vision effectively. 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 2016/17, the board identified the following skills requirement:

- Previous experience of housing sector
- Experience of working in the local community or being a social housing tenant
- Knowledge of equal opportunities legislation and good practice

- Financial management
- Development and regeneration
- Legal
- Treasury/funding
- Organisational development
- Business analysis
- Governance
- Marketing/PR/media

Through its analysis of existing members' skills, the board identified the need for additional support for the ARC and, as a result, recruited an ARC support member who joined in December 2016.

### **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 three years, with the opportunity to serve a maximum of three consecutive terms.

The board currently comprises up to 12 non-executive members and is responsible for our strategic direction and monitoring our activities. The board comprises six tenants, five independents (with two vacancies being held) and three nominees from Newport City Council (NCC). Board members are drawn from a wide background bringing together a professional, commercial, local and resident focus.

The board meets formally at least six times a year and undertakes two strategic planning days each year. ARC and remuneration committee (RC) support the board.



Compliance with the 2015/16 adopted code of governance of Community Housing Cymru continues and is reported to the ARC quarterly and the board annually.

The board is responsible for our 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 and risk committee (ARC)

The ARC comprises of four members, plus the ARC support member. It meets at least three times a year. ARC advises and provides assurance to the board on the adequacy and effectiveness of internal controls in order to ensure we understand the risks we face and has in place the tools to manage these risks.

### Remuneration committee (RC)

Membership of the RC comprises of:

- The board chair
- The board vice chair (RC chair)
- Two other board members (to be decided by the committee chair)

The RC advises the board on the remuneration and terms and conditions of service for staff.

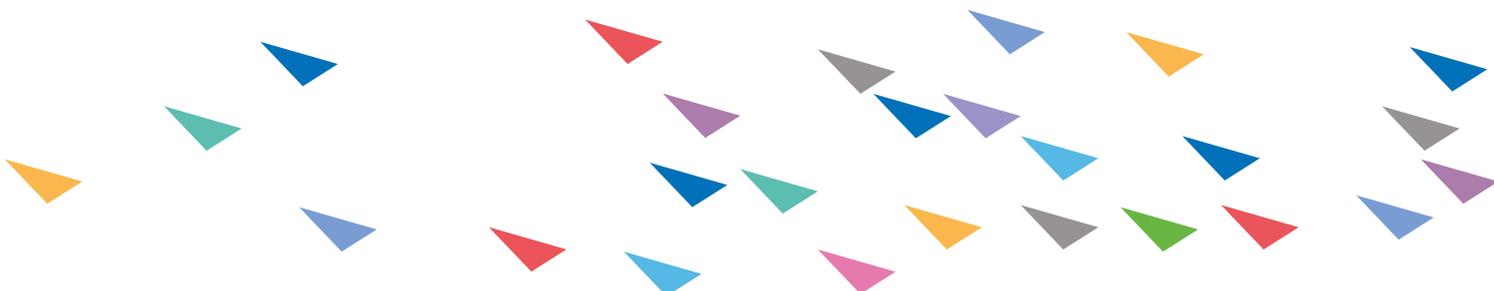
## Internal control

The board acknowledges its ultimate responsibility for ensuring that we have controls in place that are appropriate for the various business environments in which we operate. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used by us 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 our assets;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures; and
- the ARC reviews reports from management and the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed.



## Employees

Our strength relies upon the commitment from our staff. Our ability to meet our key objectives and commitments to the residents of Newport depends upon the contribution of our employees.

In pursuit of our commitment to be an organisation that listens and improves, we have continued to invest in targeted training and development of staff during the year. This is one of the key drivers for improved business performance and service delivery outcomes for residents.

We are fully committed to equal opportunities and value the diversity of all our employees, residents and communities we serve.

We support the employment of and retention of employees with protected characteristics in relation to the Equalities Act.

## Share membership

We have a policy in relation to share membership and all tenants, leaseholders and those who share ownership of their home with us are eligible to become share members. Share membership is a standard agenda item at board meetings and applications are considered by the board.

Individuals who are interested in becoming a share member can obtain more information from our company secretary.

## Disclosure of information to auditors

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

Member to make themselves aware of any relevant audit information and to establish that the association's auditors are aware of that information.

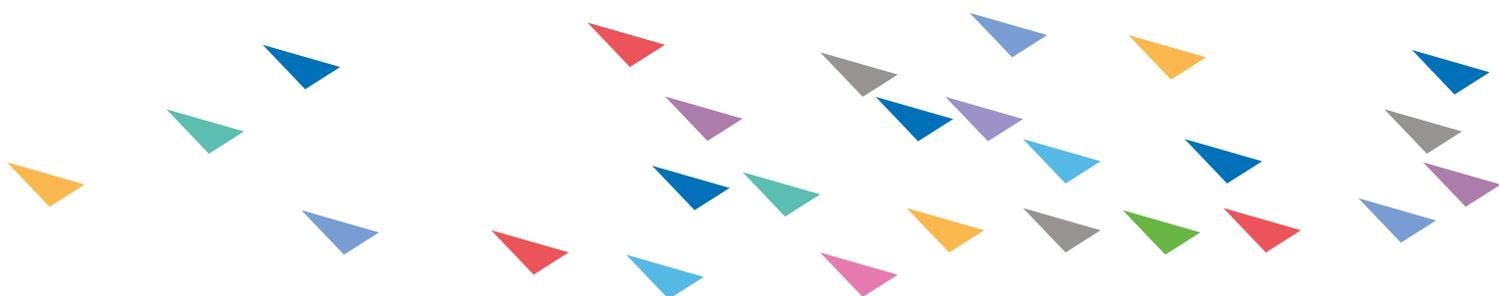
A resolution to appoint the association's external auditors will be proposed at the annual general meeting on 21 September 2017.

Approved by the board and signed on its behalf by:



**Jane Mudd**  
**Chair of the board for the period**  
**April 2016 to March 2017**

18 July 2017





# Independent auditors report

## to the members of Newport City Homes limited

For the year ended 31 March 2017

We have audited the financial statements of Newport City Homes for the year ended 31 March 2017, which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the housing association's members, as a body, in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Schedule 1 to the Housing Act 1996 and the accounting requirements for social landlords in Wales - general determination order 2015. 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.

## Respective responsibilities of the board and the auditor

As explained more fully in the statement of board's responsibilities set out on page 24, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We review whether the board's statement on internal financial control reflects the association's compliance with the Housing for Wales Circular HFW 02/10 "Internal controls and reporting" and we report whether the statement is not inconsistent with the information of which we are aware from our audit of 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.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the

overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on internal control

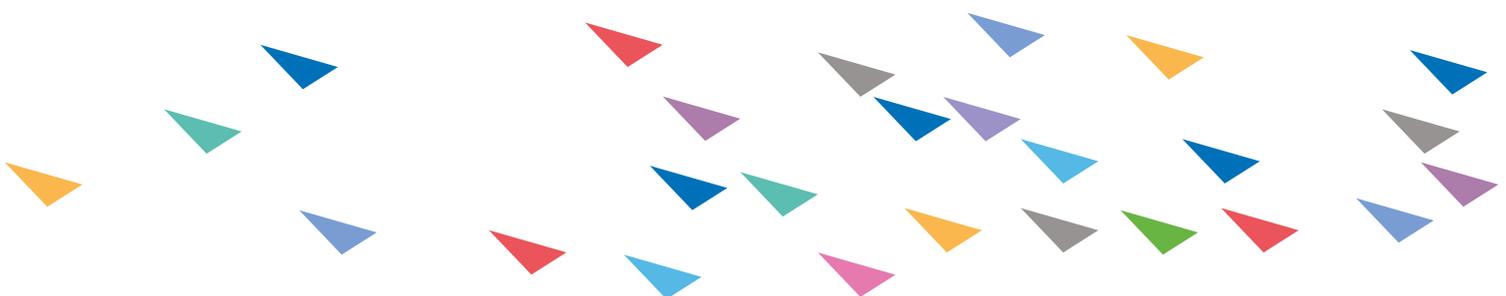
In our opinion, with respect to the board's statement on internal financial control:

- The board has provided the disclosures required by the circular and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

## Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales - General Determination 2015.



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

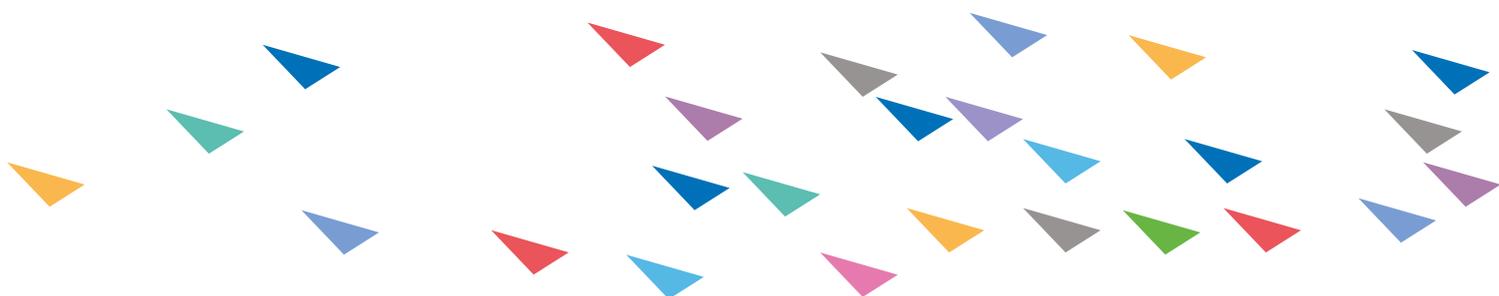
We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

*Haines Watts Wales LLP*

### **Haines Watts Wales LLP Statutory Auditor**

7 Neptune Court  
Vanguard Way  
Cardiff  
CF24 5PJ  
18 July 2017



## Statement of Comprehensive Income For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	45,486	44,285
Operating expenditure	2	(37,500)	(38,930)
Operating surplus		7,986	5,355
Gain on disposal of property, plant and equipment	5a	848	1,705
Exceptional Income	5b	3,980	-
Interest receivable		171	180
Interest and financing costs	10	(6,297)	(4,478)
<b>Surplus/(deficit) before tax</b>		<b>6,688</b>	2,762
Taxation		-	-
<b>Surplus/(deficit) for the year</b>		<b>6,688</b>	2,762
Actuarial (loss)/gain in respect of pension schemes	23	(5,217)	(760)
<b>Total comprehensive income for the year</b>		<b>1,471</b>	2,002

## Statement of changes in reserves For the year ended 31 March 2017

	Designated Reserves				2017 Total £'000
	Duffryn district heating system £'000	Major repairs & Regeneration £'000	Total £'000	General reserve £'000	
At 1 April 2016	293	22,317	22,610	2,444	25,054
Restatement			-		-
At 1 April 2017	293	22,317	22,610	2,444	25,054
Surplus for year	-	-	-	1,471	1,471
<b>At 31 March 2017</b>	<b>293</b>	<b>22,317</b>	<b>22,610</b>	<b>3,915</b>	<b>26,526</b>

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

## Statement of financial position

### As at 31 March 2017

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
<b>Tangible Fixed Assets</b>			
Social Housing properties	11	102,136	97,024
Other Property	12	179	146
Other fixed assets	13	1,718	1,875
		<b>104,033</b>	99,045
<b>Current assets</b>			
Stock	14	183	51
Debtors: amounts falling due within one year	15a	2,775	13,391
Debtors: amounts falling due after more than one year	15b	1,086	1,154
Cash and cash equivalents		42,163	34,047
		<b>46,207</b>	48,643
Less:			
Creditors: amounts falling due within one year	16	(9,092)	(18,996)
<b>Total assets less current liabilities</b>		<b>37,115</b>	29,647
		<b>141,148</b>	128,692
Creditors: amounts falling due after more than one year	17	(104,105)	(99,031)
LGPS pension liability	23	(10,516)	(4,605)
<b>Total net assets</b>		<b>26,527</b>	25,056
<b>Capital and reserves</b>			
Share capital	19	1	2
Reserves		26,526	25,054
		<b>26,527</b>	25,056

The financial statements were approved by the Board of Management on 18 July 2017 and signed on its behalf by:



J Mudd  
Chair



N Somerville  
Vice Chair

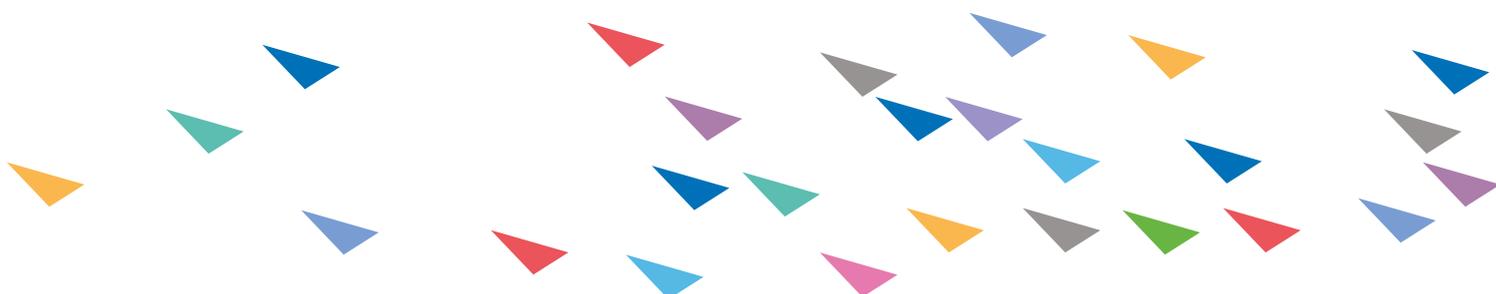


T Jackson  
Secretary

## Cash flow statement

### For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
<b>Net cash flow from operating activities</b>	(a)	<b>12,757</b>	8,733
<b>Returns on investment and servicing of finance</b>			
Interest received		171	180
Interest paid		(6,291)	(4,478)
		<b>(6,120)</b>	(4,298)
<b>Capital Expenditure</b>			
Purchase and construction of housing & other properties		(7,071)	(8,113)
Capital grants received		7,973	6,626
Purchase of other fixed assets		(384)	485
Sale of housing properties & land		961	2,287
Sale of other fixed assets		-	-
		<b>1,479</b>	1,285
<b>Free cash generated/(consumed) before Loan repayments</b>		<b>8,116</b>	5,720
<b>Financing</b>			
Housing loans received		-	-
Housing loans repaid		-	-
	(b)	-	-
<b>Free cash generated/(consumed) after Loan repayments</b>	(c)	<b>8,116</b>	5,720
		<b>8,116</b>	5,720



## Notes to the cashflow statement For the year ended 31 March 2017

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

	2017 £'000	2016 £'000
Operating surplus	7,987	5,355
Depreciation of tangible fixed assets	6,926	6,256
Amortisation of intangible fixed assets	(2,704)	(2,129)
Prepaid loan fees	68	68
LGPS - movement between current and past service cost and contributions paid	694	695
	<b>12,971</b>	10,245
<b>Working Capital Movements</b>		
Decrease/(increase) in stock	(132)	-
(Increase)/decrease in operating debtors	139	10,231
Increase/(decrease) in operating creditors	(191)	(10,752)
(Decrease)/increase in provisions	(30)	(991)
<b>Net cash flow from operating activities</b>	<b>12,757</b>	8,733

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

	2017 £'000	2016 £'000
(Decrease)/increase in cash	8,116	5,720
(Increase) in loans	-	-
(Increase) in net debt	8,116	5,720
Net debt at 1 April 2016	(28,953)	(34,673)
Net debt at 31 March 2017	(20,837)	(28,953)

### c. Analysis of net debt

	Cash at bank and in hand £'000	Loans due in more than one year £'000	<b>Changes in net debt £'000</b>
At 1 April 2016	34,047	(63,000)	<b>(28,953)</b>
Net cash flows	8,116	-	<b>8,116</b>
<b>At 31 March 2017</b>	<b>42,163</b>	<b>(63,000)</b>	<b>(20,837)</b>



# Notes to the financial statements

For the year ended 31 March 2017

## 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.

### Turnover

Turnover comprises:

- Rent and service charges receivable net of empty property voids;
- Fees;
- Revenue grants; and
- Amortisation of social housing and other government grants

### Social housing properties

In March 2009 all housing properties transferred at no cost from Newport City Council.

They were also subject to a nil valuation based on an independent report using the basis of existing use value for social housing. 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.

We do not capitalise interest on loans raised to finance schemes prior to completion.

Some residents have rights under their tenancy agreement to purchase their homes at prices that 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 Welsh Government 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.

## Depreciation

We depreciate our 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 and IT equipment	4 to 10 years
Vehicles and equipment	5 to 20 years

## Grants

We receive financial assistance from Welsh Government 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, the grant is amortised over the expected useful economic life of the components.

## 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

Housing properties are annually reviewed for impairment. Where there is evidence of impairment, housing properties are written down to their recoverable amount. The review undertaken during the year has indicated that no impairment has occurred.

## 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

Costs in respect of operating leases are charged to the statement of comprehensive income as they are incurred.

## Stock

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

## 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.

## Value Added Tax

We are 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 where uncertainty exists regarding the timing or amount that may be required to settle potential liabilities. Any amounts provided are charged to the statement of comprehensive income and credited to the statement of financial position based upon our best estimate of potential liabilities.

## Pension costs

We participate in two pension schemes:

- The NOW Pension Scheme is a defined contributions scheme. The contributions payable for employees and employers are charged to the statement of

comprehensive income as an expense during the year in which the employees have become entitled to this benefit. We are 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.

## 2. Turnover, operating costs and surplus

	Year ended 31 March 2017			Year ended 31 March 2016		
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
<b>Income and expenditure from lettings</b>						
General needs housing	44,226	36,611	7,615	42,825	38,334	4,491
<b>Fully rented housing accommodation</b>	44,226	36,611	7,615	42,825	38,334	4,491
Garages	118	7	112	223	27	196
Other activities	1,142	882	260	1,237	569	668
<b>Total</b>	<b>45,486</b>	<b>37,500</b>	<b>7,986</b>	44,285	38,930	5,355

### 3. Turnover from letting

	2017 £'000	2016 £'000
Rents receivable (net of void loss)	39,234	38,164
Service charges receivable	2,026	2,274
Amortisation of social housing & other government grants	2,704	2,107
Supporting people grant	262	280
Turnover from social housing lettings	44,226	42,825

### 4. Operating costs from lettings

	2017 £'000	2016 £'000
Management costs	6,610	6,046
Service charge costs	2,514	4,468
Planned maintenance	7,475	9,005
Day to day maintenance	13,555	13,049
Depreciation of housing properties	6,375	5,605
	36,529	38,173
Rent losses from bad debts	82	161
Operating costs on social housing activities	36,611	38,334
Operating Surplus on social housing lettings	7,615	4,491
Rent loss due to voids (memorandum note)	1,099	826



## 5a. Disposal of Property, plant and equipment

	2017 £'000	2016 £'000
Sale proceeds	899	1,933
Cost of sales	(51)	(222)
Prior year dowry disposal	-	(6)
Surplus on disposal	<b>848</b>	1,705

During the year the association sold 10 properties. 3 under Right to Buy and 7 under Right to Acquire, 3 properties staircased and there were 8 land sales.

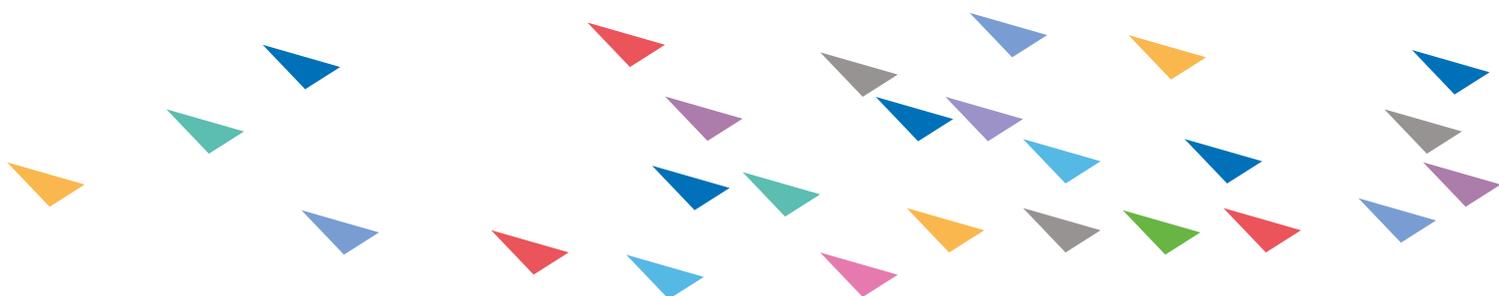
## 5b. Exceptional Income

	2017 £'000	2016 £'000
Duffryn Biomass Boiler re-assessment	<b>3,980</b>	
	<b>3,980</b>	

In the year the biomass boiler valuation was reassessed to also include the amount of expenditure that was provided by British Gas. It has been confirmed that the association is the legal owner of the facility.

## 6. Operating surplus for the period

	2017 £'000	2016 £'000
Operating surplus for the period is stated after charging:		
Depreciation	<b>6,705</b>	5,605
Rent losses from bad debts	<b>82</b>	161
Operating leases	<b>466</b>	466
Auditor's remuneration (inclusive of VAT): in their capacity as auditors	<b>13</b>	15



## 7. Board members and senior executives emoluments

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

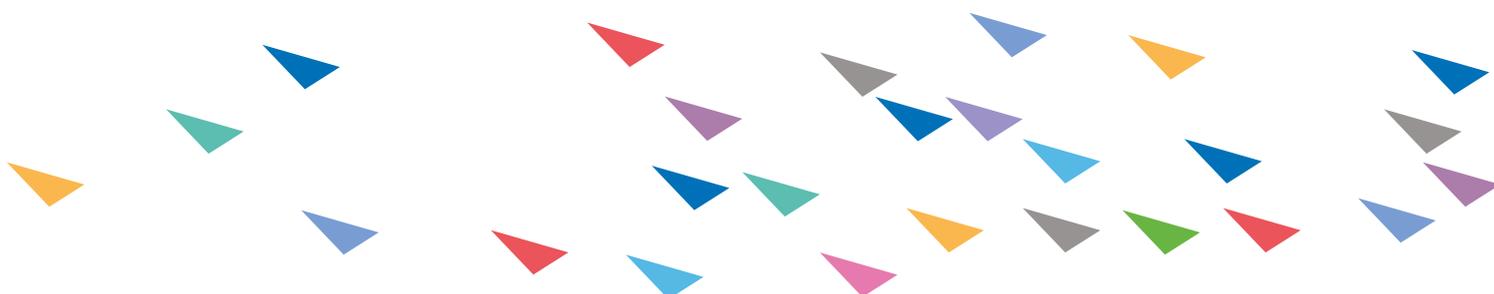
	2017 £'000	2016 £'000
Emoluments (including pension contributions and benefits in kind)	308	421
Emoluments (excluding pension contributions) paid to the highest paid senior executive	137	135

No remuneration was paid to the members of the board of management during the year.

The emoluments of board members and senior employees, excluding pension contributions were in the following ranges:

	2017 No.	2016 No.
£Nil	12	13
£1 - £50,000	1	
£50,001-£60,000	-	
£60,001-£70,000	-	
£70,001-£80,000	-	
£80,001 - £90,000	-	
£90,001 - £100,000	1	1
£100,001 - £110,000	-	
£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 £16,399 (2016 - £16,157). 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. One of the executive director's started late November 2016.



## 8. Employee and employer costs

	2017 £'000	2016 £'000
Staff costs during the year:		
Wages and salaries	8,133	8,135
Social security costs	877	641
Other pension costs	1,529	1,525
	<b>10,539</b>	10,301

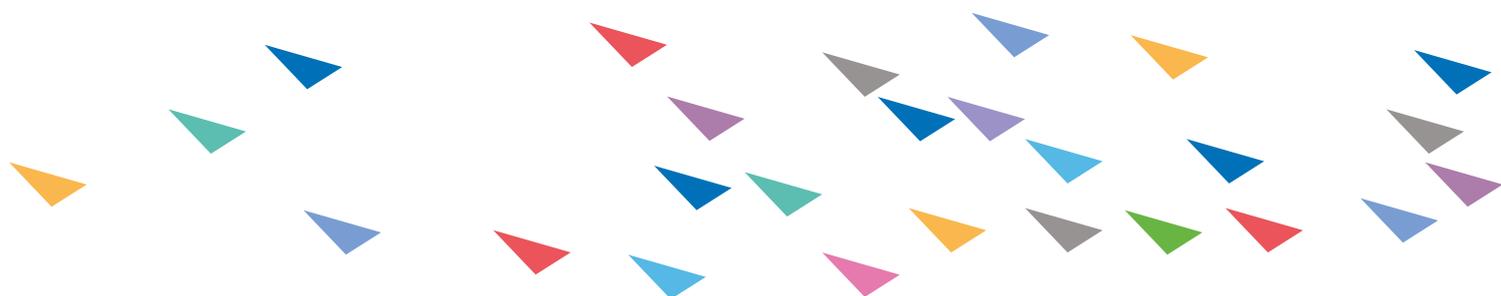
	2017 No.	2016 No.
Average number of full time equivalent employees during the year:		
Management and administration	219	208
Wardens, caretakers and cleaners	41	32
Housing repair service	57	57
	<b>317</b>	297

## 9. Interests and related party transactions

During the year the association provided rented accommodation to five 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 arms length basis and as such board members are unable to use their position to their advantage.

## 10. Interest and financing costs

	2017 £'000	2016 £'000
Interest payable and similar charges	6,297	4,478
	<b>6,297</b>	4,478



## 11. Property, Plant and Equipment

### Social Housing Properties

	Freehold Housing properties held for letting £'000	Housing properties in the course of construction £'000	<b>2017 Total £'000</b>
<b>Cost</b>			
At 1 April 2016	122,078	-	<b>122,078</b>
Additions during the year	11,315	241	<b>11,556</b>
Disposals during the year	(93)	-	<b>(93)</b>
At 31 March 2017	133,300	241	<b>133,541</b>
<b>Depreciation</b>			
Original Depreciation	25,054	-	<b>25,054</b>
Charge for the year	6,375	-	<b>6,375</b>
Disposals during the year	(24)	-	<b>(24)</b>
At 31 March 2017	31,405	-	<b>31,405</b>
<b>Net book value</b>			
<b>At 31 March 2017</b>	101,896	241	<b>102,136</b>
At 1 April 2016	97,024	-	<b>97,024</b>

Major repairs and investment in existing housing properties to let during the year amounted to £19 million (including capitalised salaries of £0.5 million). This has been accounted for as follows:

	<b>2017 £'000</b>	2016 £'000
Planned maintenance (revenue)	<b>7,475</b>	9,005
Investment (capital)	<b>11,315</b>	6,344

	<b>2017 No.</b>	2016 No.
<b>Units in Management:</b>		
General needs housing properties in management	<b>8,922</b>	8,937
Shared ownership	<b>150</b>	156
Leasehold management services	<b>642</b>	638
Garages	<b>1,082</b>	1,200
	<b>10,796</b>	10,931

## 12. Property, Plant and Equipment

### Other Property

	Other Property Assets £'000	2017 Total £'000
<b>Cost</b>		
At 1 April 2016	169	169
Additions during the year	43	43
Disposals during the year	-	-
At 31 March 2017	212	212
<b>Depreciation</b>		
At 1 April 2016	23	23
Charge for the year	10	10
Disposals during the year	-	-
At 31 March 2017	33	33
<b>Net book value</b>		
<b>At 31 March 2017</b>	179	179
At 1 April 2016	146	146

## 13. Property, Plant and Equipment

### Other Fixed Assets

	Office premises £'000	Service assets £'000	Vehicles & office equipment £'000	2017 Total £'000
<b>Cost</b>				
At 1 April 2016	1,327	506	4,311	6,144
Additions during the year	-	160	224	384
Disposals during the year	-	-	-	-
At 31 March 2017	1,327	666	4,535	6,528
<b>Depreciation</b>				
At 1 April 2016	569	198	3,502	4,269
Charge for the year	94	127	320	541
Disposals during the year	-	-	-	-
At 31 March 2017	663	325	3,822	4,810
<b>Net book value</b>				
<b>At 31 March 2017</b>	664	341	713	1,718
At 1 April 2016	758	308	809	1,875

## 14. Stock

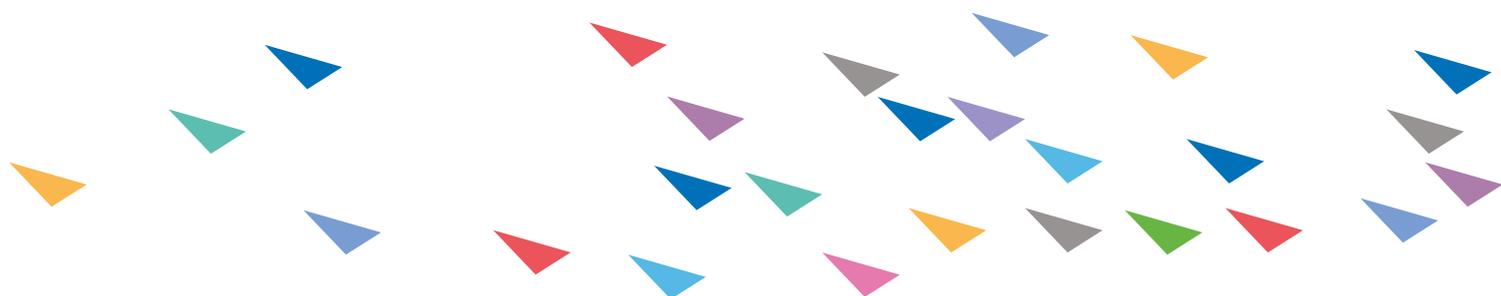
	2017 £'000	2016 £'000
Stocks of materials	183	51
	<b>183</b>	51

## 15a. Debtors: amounts falling due within one year:

	2017 £'000	2016 £'000
Arrears of rent and service charges	1,279	966
Less: provision for bad and doubtful debts	(505)	(331)
	<b>774</b>	635
Prepaid loan monitoring fees	-	-
Prepaid loan facility fees	68	68
Debtors and prepayments	1,933	2,181
Transfer Development Agreement	-	10,507
	<b>2,775</b>	13,391

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

	2017 £'000	2016 £'000
Prepaid loan facility fees	1,086	1,154
	<b>1,086</b>	1,154



## 16. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade Creditors	940	954
Amortisation of grants (Note 18)	2,582	2,343
Transfer Development Agreement	-	10,507
Employee benefits	59	49
Accruals and deferred income	4,537	4,157
Over recovery of service charges	-	52
Prepayments of rents and service charges	848	779
Prepayments of other charges	123	152
Deposits	3	3
	<b>9,092</b>	18,996

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

	2017 £'000	2016 £'000
Housing loans	63,000	63,000
Social housing and other Government grants (Note 18)	41,105	36,031
	<b>104,105</b>	99,031

Loans are secured on all properties where the association holds an interest. At 31 March 2017, 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:

	2017 £'000	2016 £'000
In five years or more	63,000	63,000
Between two and five years	-	-
	<b>63,000</b>	63,000
In one year or less	-	-
	<b>63,000</b>	63,000

## 18. Grants

	Dowry £'000	Other Grants £'000	SHG £'000	<b>Total £'000</b>
Original Grant	45,760	1,347	-	<b>47,107</b>
Additions during the year	6,500	-	1,473	<b>7,973</b>
Disposals during the year	(140)	(7)	-	<b>(147)</b>
<b>Cost</b>	<b>52,120</b>	<b>1,340</b>	<b>1,473</b>	<b>54,933</b>
Original Amortisation	8,580	153	-	<b>8,733</b>
Amortised in year	2,362	49	-	<b>2,411</b>
Amortisation written back on disposal	101	1	-	<b>102</b>
<b>Amortisation</b>	<b>11,043</b>	<b>203</b>	<b>-</b>	<b>11,246</b>
<b>Net book value</b>				
At 31 March 2017	41,077	1,137	1,473	<b>43,687</b>
At 1 April 2016	37,180	1,194	-	<b>38,374</b>

	<b>2017 £'000</b>	2016 £'000
<b>Grant falls due as follows:</b>		
In one year or less	<b>2,582</b>	2,343
After more than one year	<b>41,105</b>	36,031

## 19. Non-equity share capital

	<b>2017 £'000</b>	2016 £'000
Shares of £1 issued:		
At 1 April 2016	<b>1,569</b>	1,652
Issued during the year	<b>2</b>	35
Cancelled during the year	<b>(80)</b>	(118)
<b>At 31 March 2017</b>	<b>1,491</b>	1,569

The shares provide members with the right to vote at general meetings. The shares carry no right to a dividend, 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 2017 the association had commitments under operating leases as follows:

	2017 £'000	2016 £'000
Motor vehicle and office equipment expiring :-		
Within one year	-	50
Between two and five years	418	458
	<b>418</b>	508

	2017 £'000	2016 £'000
Land and buildings expiring :-		
Within one year	-	-
Between two and five years	932	932
Over five years	-	-
	<b>932</b>	932

The expenditure incurred during the year is detailed in Note 6 - Operating Surplus for the 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 12th March 2014.

## 21. Capital commitments

	2017 £'000	2016 £'000
Capital expenditure contracted but not provided for in the financial statements	7,879	5,525
Capital expenditure authorised by the Board but not contracted	<b>10,358</b>	18,451

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

## 22. Net assets

Our balance sheet is reporting net assets of £26.5m as at 31 March 2016, compared to net assets of £25.1m at the end of the previous financial year.

We made a surplus on ordinary activities during the year.

Significant investment in our properties continued to be a key feature during the year with WHQS compliance achieved. The financial plan shows cash deficits over the following five years which will be funded through receipt of dowry, loans and cash reserves.

Welsh Government has undertaken to pay a dowry to us in acknowledgement of the level of work required. This dowry is payable in annual instalments phased to reflect our long term financial plan.

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

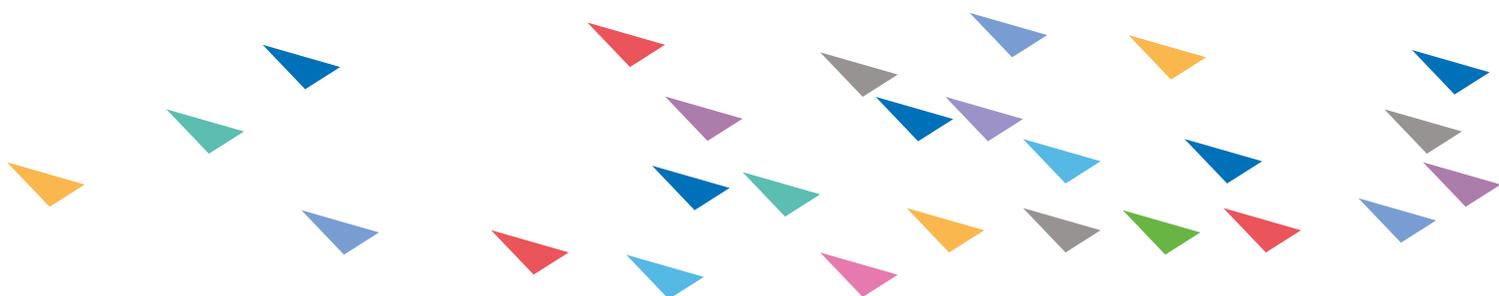
## 23. Pension costs

We participate in the Torfaen County Borough Council (Greater Gwent) pension scheme (LGPS). Further information on each scheme is given below:

### LGPS

We are participate in the Torfaen County Borough Council (Greater Gwent) pension scheme which is a defined benefit scheme based on final pensionable salary. Certain employees of ours 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 ie 9 March 2009. As part of the transfer agreement, liability for the proportion 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 us therefore relate solely to the period since transfer.

The most recent valuation was carried out at the 31 March 2017 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 2017. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. Our contribution rate from 1 April 2015 to 31 March 2016 was 13.2% of members' contributions. This will be increased for the coming three years to 19.3%, to reflect changing conditions since the last valuation in 2013.

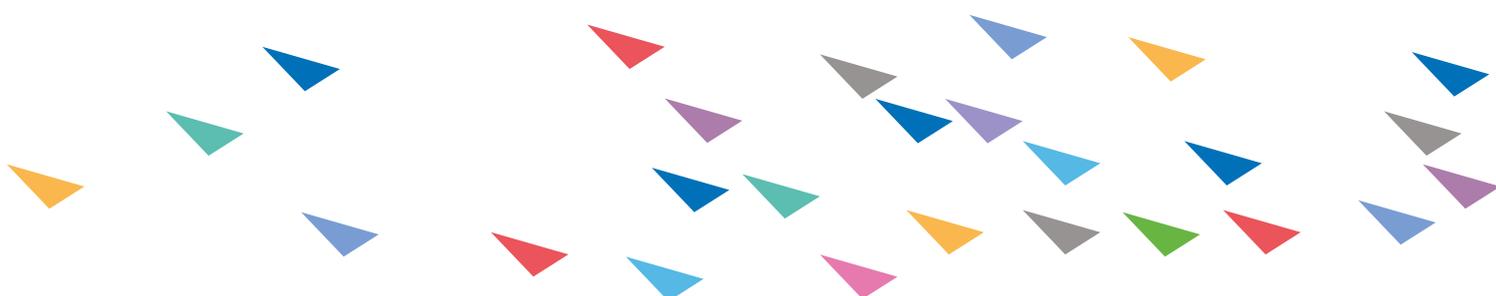


The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS102 purposes were:

	2017 %pa	2016 %pa
Discount rate	2.6%	3.6%
Rate of increase in salaries	2.8%	3.7%
Rate of increase in pensions	2.4%	2.2%
Rate of RPI inflation	n/a	n/a
Rate of CPI inflation	2.7%	2.1%

	2017 %pa	2016 %pa
<b>Expected rates of return on:</b>		
- Equities	2.6%	3.6%
- Government bonds	2.6%	3.6%
- Other bonds	2.6%	3.6%
- Property	2.6%	3.6%
- Cash/liquidity	2.6%	3.6%
- Other	2.6%	3.6%
Expenses deduction	0.4%	0.4%

	2017 %pa	2016 %pa
<b>Market value</b>		
Equities	32,039	25,630
Bonds	6,724	5,515
Property	791	973
Cash/liquidity	-	324
	<b>39,554</b>	<b>32,442</b>



The movement in the net surplus for the period to 31 March 2017 is as follows:

	2017 £'000	2016 £'000
<b>Reconciliation of funded status to balance sheet</b>		
Fair value of plan assets	39,554	32,442
Value of funded obligations	(50,070)	(37,047)
<b>Total estimated scheme (deficit)/surplus</b>	<b>(10,516)</b>	<b>(4,605)</b>
<b>Components of pension costs for year:</b>		
Current service cost	(1,272)	(1,342)
Interest on pension liabilities	1,176	1,127
Expected return on assets	(1,351)	(1,244)
Effect of curtailments or settlements	-	-
<b>Total pension cost recognised in income and expenditure account</b>	<b>(1,447)</b>	<b>(1,459)</b>
<b>Statement of recognised surpluses and deficits</b>		
Actuarial losses/(gains)	(5,217)	(760)
<b>Total pension cost recognised in the statement of comprehensive income</b>	<b>(760)</b>	<b>(760)</b>
<b>Changes to the fair value of assets during the year:</b>		
Present value of scheme assets at 31 March 2016	32,442	32,970
Expected return on assets	5,434	2,032
Business combinations	-	-
Actuarial (losses)/ gains on assets	1,176	(2,937)
Contributions by the employer	753	764
Contributions by the participants	379	365
Benefits and transfers paid	(630)	(752)
<b>Total fair value of plan assets</b>	<b>39,554</b>	<b>32,442</b>

## Changes to present value of liabilities during the year:

	2017 £'000	2016 £'000
Present value of scheme liabilities at 31 March 2016	37,047	36,120
Current service cost	1,272	1,342
Interest cost	1,351	1,244
Contributions by the participants	379	365
Actuarial (gains)/losses on liabilities	-	-
Curtailments	-	-
Changes in demographic assumptions	(1,153)	
Benefits and transfers paid	(630)	(752)
Changes in financial assumptions	9,974	(1,051)
Other experience	1,830	(221)
<b>Total value of funded obligations</b>	<b>50,070</b>	37,047

