



FINANCIAL STATEMENTS

For the year ended
31 March 2016



SUFFRYN ENERGY CENTRE

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BOARD MEMBERS AND PROFESSIONAL ADVISORS

For the year ended 31 March 2016

BOARD

Tenant Board Members

Christopher England

Cecelia Beal

Suzanne Porretta

William Edwin Groves

Jayne Anne Rose

Peter Gillon

Council Board Members

Sheila Davies

Jane Mudd (Chair)
(elected 8 September 2015)

Val Delahaye
(reappointed 2 February 2016)

Omar Ali
(stood down February 2016)

Sally Mlewa

Independent Board Members

John Harrhy

David Taylor
(reappointed September 2015)
(term ended October 2015)

Iain Logue

Nicola Somerville

Paula Kennedy
(reappointed September 2015)

Secretary and Registered Office

Nicola Bowen

Nexus House

Mission Court

Newport

NP20 2DW

Executive Officers

Ceri Doyle
Chief Executive

Lynda Clark
Director of Finance & IS
(resigned March 2016)

Nick Hampshire
Director of Asset
Management & Investment
(resigned June 2015)

Robert Lynbeck
Executive Director Operations
(role change November 2015)

Adela Rogers
Director of Corporate Services
(resigned June 2015)

Bankers

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

Principal Solicitors

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

External Auditors

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

Lenders

Royal Bank of Scotland
 Nationwide Building Society
 Barclays Bank plc

Blake Morgan
 Bradley Court
 11 Park Place
 Cardiff
 CF10 3DR

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 2016

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 2016.**

NATURE, OBJECTIVES AND STRATEGIES

Legal Status

The Association is a registered society under the Co-operative and Community Benefit Societies Act 2014. It is registered with the Welsh Government (WG) as a Registered Social Housing Provider (RSHP).

Principal Activities and Geographical Coverage

This review covers the year to 31 March 2016 and outlines plans and goals for the coming years.

The Association is a not-for-profit organisation administered by a voluntary Board of Management. It provides management, maintenance and improvement services to 8,937 rented homes located within the administrative boundary of Newport City Council.

The Association also provides management services to 638 leasehold flats, has a portfolio of 99 premises let on commercial terms, manages 673 garages and holds between 25% and 75% equity in 156 shared ownership properties on which it receives rental income.

Statement of Vision

The Association has completed its seventh year of operation since transfer. The Association has delivered the key Offer Document promises to residents and achieved compliance with the Welsh Housing Quality Standard (WHQS).



STRATEGIC REPORT

for the year ended 31 March 2016

2020 VISION

Launched in 2015, 2020 Vision, our five year strategy, set out our ambitious and exciting plans to transform Newport.

Work has already progressed to ensure we meet our four focus areas and this is evidenced in the difference we are making in our communities.

1 Putting residents at the heart

During the year, we adopted a new approach to resident engagement that focuses on putting people at the heart of what we do.

This approach is embedding throughout the business and has started delivering insight to improve and determine our services; enhance our communities; and positively contribute to our reputation.

Specifically, we have a more representative and diverse group of engaged residents that contribute to what we do. Geographically, this means 17 out of 20 wards across Newport are represented in determining the services we offer to residents. Additionally, as a consequence of our focused youth engagement, the average age of our engaged residents has reduced from 62 to 43.

Go Girls

Working with partner housing associations Charter and Bron Afon, we have launched Go Girls. This project aims to help build confidence and self-esteem among women aged 14-25 years old. It encourages them to develop self-respect, nurture healthy relationships and value their own abilities and qualities. Participant Abbie Naylor said: "Go Girls lets us have our say; it gives us a voice. We get to meet new friends and I hope to get some new training and skills to help me get a job."

UNITY (United Newport Inspiring Tomorrow's Youth) forum

A group made up of young people who represent future tenants on issues that could affect them in the home or their community.

In October 2015, we launched Community Voice: a resident group whose purpose is to feed community insight back to us. Community Voice has 24 resident members, 11 of which are newly engaged residents, representing 14 wards.

We have embraced new channels of communication so that residents are able to participate and engage with us in a way that they choose. We ran a number of social media training sessions to support residents in developing

STRATEGIC REPORT

for the year ended 31 March 2016

their digital skills as well as enabling them to access our services online. Using Facebook and Twitter, residents can now post enquiries at any time of day, at a time and place convenient to them.

We have invested time and effort in building relationships so that we can better understand community need and respond to it. The challenges of securing sustainable employment was evident.

Supporting residents back into work

To support people getting back into work, we held a series of free initiatives including 'Launchpad'. Focusing on helping residents find employment, write job applications, and prepare for interviews; 'Launchpad' has been a great success with 75% of attendees now in full-time work.

2 Investing in homes and neighbourhoods

Our multi-million regeneration project for Pillgwenlly signaled a change in our investment approach, as we are now focusing on regeneration and new build. The current design and layout in the area has historically contributed to increased deprivation and crime. This project tackles these issues and improves the environment for all residents.

A resident perspective

Gill Healey, a resident of 34 years, said: "We are pleased with the outcome of what is being done. The results will benefit 99 per cent of the people around here and anti-social behaviour will be knocked on the head."

Work was also undertaken on our new biomass boiler project in Duffryn, which will deliver heat to more than 900 homes. An environmentally-friendly boiler that runs on locally-sourced woodchip, it is due to be operational this summer. The project has provided employment to local apprentices and we've installed 400 smart energy meters in people's homes - allowing them to have greater control over their energy costs.

2015/16 marked a milestone in our commitments to our residents and the people of Newport, as we completed all the work required for our homes to meet the Welsh Housing Quality Standard. This is the Welsh Government standard to which our homes should be maintained, to ensure they are all in good condition.

We refurbished a number of properties in Temple Street, turning the flats into modern homes, which have subsequently been let. The previous condition of the properties was very poor and unsuitable for the area.



STRATEGIC REPORT

for the year ended 31 March 2016

3 Providing new homes

We were delighted that both our Board and lenders agreed to us embarking on our development aspirations to build an additional 400 units by 2020. We are now working in partnership with a number of stakeholders to realise this ambition and work towards meeting the housing need of the city. One exciting development we are proud to be associated with is the proposal for the former Sainsbury's site on Pugsley St. We worked in partnership to help promote the potential for this key site in the city.

4 Making a difference in our communities

We know we can have a bigger difference in our communities by working effectively with our partners than if we work in isolation. This approach means communities will benefit on a greater scale.

Rescue and restore

We worked with Growing Space to create a rescue and restore shop, where unwanted wooden furniture is upcycled and donated to people in need.

Safer communities

Effective partnership working and new powers brought in by the Anti-Social Crime and Policing Act 2014 means we have been able to address inappropriate behaviours that are having a detrimental impact to community cohesion. We are also working with tenants to tackle anti-social behaviour through education and behavioural change.

Supporting young people

With support from Gwent Police, we have created 'youf gang' to help tackle anti-social behaviour in the Shaftesbury area. The project encourages young people to have pride in their community and improve their local environment. They hold monthly meetings and litter picks. The scheme helps to educate young people to understand the impact of their behaviours.

Influencing local services

We continued to be an active partner of the Public Services Board where our involvement allowed us to provide insight from our residents which was used to inform and influence decision making across the city.

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.



STRATEGIC REPORT

for the year ended 31 March 2016

Summary Five Year Financial Performance

	SORP 2014 2015/16 £'000	SORP 2014 2014/15 £'000	2013/14 £'000	2012/13 £'000	2011/12 £'000
Income & Expenditure Account					
Turnover	44,285	42,545	39,634	38,832	36,967
Operating Costs	(41,523)	(44,134)	(37,468)	(34,133)	(31,093)
Surplus/(Deficit)	2,762	(1,589)	2,166	4,699	5,874

Balance Sheet

Fixed Assets	99,045	98,916	61,248	55,680	43,388
Net Current Assets / (Liabilities)	(10,989)	(33,862)	9,880	9,433	(3,132)
Loans	(63,000)	(42,000)	(42,000)	(42,000)	(21,000)
	25,056	23,054	29,128	23,113	19,256
Reserves	25,056	23,054	29,128	23,113	19,256

Cashflow Statement

Net Cash Inflow - Operating Activities	8,733	9,978	9,541	12,112	10,413
Servicing of Financing and Investing	(4,298)	(6,011)	(3,030)	(3,125)	(2,077)
Capital Expenditure	1,285	(8,706)	(8,387)	(17,697)	(21,427)
Financing	-	-	-	21,000	13,500
Increase / (decrease) in cash	5,720	(4,739)	(1,876)	12,290	409

Future Financial Performance

The financial plan for the period 2016-46 has been approved by the Board and our Lenders. The Association's financial plan demonstrates the capacity to deliver the aspirations of the Association. The key projections included in the Financial Plan are:

- **income & expenditure account** - turnover is projected to rise from £44million in 2015/16 to £48million

by 2020/21. Significant investment in properties continues to be a key feature of the financial plan with £153million projected expenditure on improvements and maintenance of properties between 2016 and 2021.

- **balance sheet** - total housing assets are projected to be £213million as at 31 March 2021. Net fixed assets will amount to £104million at this date. These assets are funded by loans

STRATEGIC REPORT

for the year ended 31 March 2016

totalling £84million and grant totalling £79million.

- **the cashflow forecast** - gives a more complete picture of the financial position of the Association than the income and expenditure account. A large proportion of the Association's expenditure is on the investment programme which is not reflected fully in the income and expenditure account.

Total cash deficits over the five years to 2021 amount to £22million which will be funded through receipt of dowry, loans and cash reserves; and

- **peak debt** - is projected to be £84million in 2018. The debt is fully repaid by 2034 in line with the terms of the loan agreement.

As a not-for-profit RSHP all resources are reinvested in improvements to homes, services and neighbourhoods for the benefit of residents and the city.

Key Accounting Policies

The principal accounting policies are set out in Note 1 to the financial statements

on pages 24 to 27. 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. These two accounting policies have changed from the previous year with the adoption of FRS102.

Going Concern

After making enquiries, the Board of Management 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 2016

The Board presents its report and the audited financial statements for the year ended 31 March 2016.

PERFORMANCE FOR THE YEAR

The Board reports a surplus for 2015/16 of £2million. The surplus does not include capital expenditure of £6.3million. During the year the Association spent £28.3million on reactive, cyclical and planned repairs, adaptations and improvements to housing properties.

The Consolidated Statement of Financial Position shows housing assets of £97million and capital grants received of £47million. Net current assets as at 31 March 2016 were £29million. There were loans of £63million outstanding at 31 March 2016.

The cashflow statement shows an increase in cash of £5.7million.

Board and Senior Executives

Membership of the Board and the Executive team is set out on page one. 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 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

In March 2015, the Board agreed a Person Specification setting out the obligations of each Member and that of the Board. This specification is reviewed on an annual basis and 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.
- 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 NCH.
- Promote a culture of transparency and accountability ensuring continuous improvement in driving a performance culture.

BOARD REPORT

for the year ended 31 March 2016

- 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 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 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 Act 1996 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 reviewed the current register of irregularities.



BOARD REPORT

for the year ended 31 March 2016

Board Member Skills, Qualities and Experience

The skills of the Board is assessed on an annual basis as part of the Board Member one to one process.

The analysis is used by the Board to inform the skills required by the Association in order to deliver our 2020 Vision effectively and these skills are added to the Person Specification which is used to assess candidates who apply for Board vacancies. For the period 2015/16, the Board identified the following skills requirement:

- Asset management
- Performance management, business improvement and analysis
- Regeneration
- Corporate management and business planning
- Treasury management, investment planning and funding
- Organisational development and change management
- Communications & PR

BOARD MEMBERSHIP AND GOVERNANCE STRUCTURE

Board Membership

Members are selected/elected and reported to the Annual General Meeting for a term of three years. Members can serve a maximum of three consecutive terms.

The Board currently comprises up to 15 non-executive members and is responsible for strategic direction and monitoring the activities of the Association. The Board comprises six tenants, five independents (with one vacancy being held) and four nominees from Newport City Council. Board Members are drawn from a wide background bringing together a professional, commercial, local and resident focus.

The Board meets formally six times a year and undertakes two strategic planning days each year. The Board is supported by the Audit & Risk Committee and the Remuneration Committee.

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.

BOARD REPORT

for the year ended 31 March 2016

COMMITTEES

Audit & Risk

The Audit & Risk Committee was formed in October 2015 following recommendations made by the Audit, Risk & Value for Money Task & Finish Group. The Committee comprises of five Members, meets at least three times a year and 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

Membership of the Remuneration Committee is appointed by the Board and comprises of:

- Board Chair,
- Board Vice Chair (Committee Chair)
- Two other Board Members (to be decided by the Committee Chair)

The Committee 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 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.
- the Audit & Risk Committee reviews 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 Audit & Risk Committee makes regular reports to the Board.

BOARD REPORT

for the year ended 31 March 2016

Employees

The strength of the Association relies on the commitment from its staff. The Association's ability to meet its key objectives and commitments to the residents of Newport depends on the contribution of employees throughout the Association.

In pursuit of the Association's commitment to be an organisation that listens, learns and improves, it has continued to invest in targeted training and development of staff during the year, as we recognise this is one of the key drivers of improved business performance and service delivery outcomes for residents.

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

In particular, the Association supports the employment of and retention of employees with protected characteristics in relation to the Equalities Act.

Share Membership

The Association has a policy in relation to Share Membership which aims to encourage as many people living within our communities to engage with the Association and participate in defining its direction.

All tenants, leaseholders and those who share ownership of their home with NCH 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 the Company Secretary of the Association at the address on page one.

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 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 re-appoint Haines Watts Wales LLP as the Association's External Auditors will be proposed at the Annual General Meeting on 29 September 2016.

Approved by the Board and signed on its behalf by:



Jane Mudd
Chair of the Board
5 July 2016

INDEPENDENT AUDITORS REPORT

to the members of Newport City Homes Limited
for the year ended 31 March 2016

We have audited the financial statements of Newport City Homes Limited ('the Association') for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, the Cash Flow Statement 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 Association's members, as a body corporate, 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 Registered in Wales - General Determination 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 13, 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 Practice 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;

INDEPENDENT AUDITORS REPORT

to the members of Newport City Homes Limited
for the year ended 31 March 2016

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 Strategic Report and the Board 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 2016 and of its income and expenditure for the year then ended;
- 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; or
- 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

25 July 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Notes	2016 £'000	2015 (Restated) £'000
Turnover	2	44,285	42,545
Operating expenditure	2	(38,930)	(38,908)
Operating surplus		5,355	3,637
Gain on disposal of property, plant and equipment	5	1,705	763
Interest receivable		180	224
Interest and financing costs	10	(4,478)	(6,213)
Surplus/(deficit) before tax		2,762	(1,589)
Taxation		-	-
Surplus/(deficit) for the year		2,762	(1,589)
Actuarial (loss)/gain in respect of pension schemes	24	(760)	(4,487)
Total comprehensive income for the year		2,002	(6,076)

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2016

	Designated Reserves				2016
	Duffryn district heating system £'000	Major repairs & Regeneration £'000	Total £'000	General reserve £'000	Total £'000
At 1 April 2015	293	22,317	22,610	736	23,346
Restatement				(294)	(294)
At 1 April 2016	293	22,317	22,610	442	23,052
Surplus for year	-	-	-	2,002	2,002
At 31 March 2016	293	22,317	22,610	2,444	25,054

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2016	Notes	2016	2015
		£'000	(Restated) £'000
Fixed assets			
Tangible Fixed Assets			
Social Housing properties	11	97,024	96,727
Other Property	12	146	136
Other fixed assets	13	1,875	2,053
		99,045	98,916
Current assets			
Stock	14	51	51
Debtors: amounts falling due within one year	15a	13,391	12,123
Debtors: amounts falling due after more than one year	15b	1,154	11,729
Cash and cash equivalents		34,047	28,327
		48,643	52,230
Less:			
Creditors: amounts falling due within one year	16	(18,996)	(19,824)
Net current assets		29,647	32,406
Total assets less current liabilities		128,692	131,322
Creditors: amounts falling due after more than one year	17	(99,031)	(105,118)
LGPS pension liability	24	(4,605)	(3,150)
Total net assets		25,056	23,054
Capital and reserves			
Share capital	19	2	2
Reserves		25,054	23,052
		25,056	23,054

The financial statements were approved by the Board of Management on 5 July 2016 and signed on its behalf by:



J Mudd
Chair



N Somerville
Vice Chair



N Bowen
Secretary

CASH FLOW STATEMENT

for the year ended 31 March 2016

	Notes	2016	2015
		£'000	(Restated) £'000
Net cash flow from operating activities	(a)	8,733	9,978
Returns on investment and servicing of finance			
Interest received		180	197
Interest paid		(4,478)	(6,208)
		(4,298)	(6,011)
Capital Expenditure			
Purchase and construction of housing & other properties		(8,113)	(15,990)
Capital grants received		6,626	6,950
Purchase of other fixed assets		485	(513)
Sale of housing properties & land		2,287	847
Sale of other fixed assets		-	-
		1,285	(8,706)
Free cash generated/(consumed) before loan repayments		5,720	(4,739)
Financing			
Housing loans received		-	21,000
Housing loans repaid		-	-
	(b)	-	21,000
Free cash generated/(consumed) after loan repayments	(c)	5,720	16,261

NOTES TO THE CASHFLOW STATEMENT

for the year ended 31 March 2016

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

	2016	2015 (Restated)
	£'000	£'000
Operating surplus	5,355	3,637
Depreciation of tangible fixed assets	6,256	6,022
Amortisation of intangible fixed assets	(2,129)	(1,842)
Prepaid loan fees	68	68
LGPS - movement between current and past service cost and contributions paid	695	179
	10,245	8,064

Working Capital Movements

Decrease/(increase) in stock	-	34
(Increase)/decrease in operating debtors	10,231	11,069
Increase/(decrease) in operating creditors	(10,752)	(9,109)
(Decrease)/increase in provisions	(991)	(80)
Net cash flow from operating activities	8,733	9,978

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

	2016	2015 (Restated)
	£'000	£'000
(Decrease)/increase in cash	5,720	16,262
(Increase) in loans	-	(21,000)
(Increase) in net debt	5,720	(4,738)
Net debt at 1 April 2015	(34,673)	(29,935)
Net debt at 31 March 2016	(28,953)	(34,673)

c. Analysis of net debt

	Cash at bank and in hand £'000	Loans due in more than one year £'000	Changes in net debt £'000
At 1 April 2015	28,327	(63,000)	(34,673)
Net cash flows	5,720	-	5,720
At 31 March 2016	34,047	(63,000)	(28,953)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

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.

Adoption of Housing SORP 2014

During the year, the Association being a Registered Social Housing Provider, adopted SORP 2014 and as appropriate Financial Reporting Standard 102 (“FRS 102”). All results for 2016 are stated in accordance with these accounting standards and the comparative financial information presented for 2015 has been fully restated to reflect the same accounting treatments as 2016. The change in accounting policy has given rise to prior year adjustments to the results and financial position of the Association for the previous year. Note 22 provides details of the adjustments made from the signed financial statements for the year ended 31 March 2015 and the restated comparatives included in these financial statements.

Turnover

Turnover comprises:

- rent and service charges receivable net of empty property voids;
- fees;
- revenue grants; and
- Amortisation of Social Housing & Other Government Grants

Social Housing properties

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

The Association does 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 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 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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

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

Grants

The Association received financial assistance from the Welsh Government to support the delivery of the business plan and the achievement of the Welsh Housing Quality Standard. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

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

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 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 the Association's best estimate of potential liabilities.

Pension costs

The Association participates 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. 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 FRS 102 – Employee Benefits.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

2. TURNOVER, OPERATING COSTS AND SURPLUS

	Year ended 31 March 2016			Year ended 31 March 2015 (Restated)		
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Income and expenditure from lettings						
General needs housing	42,825	38,334	4,491	41,098	37,725	3,373
Fully rented housing accommodation	42,825	38,334	4,491	41,098	37,725	3,373
Garages	223	27	196	247	412	(165)
Other activities	1,237	569	668	1,200	771	429
Total	44,285	38,930	5,355	42,545	38,908	3,637

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

3. TURNOVER FROM LETTINGS

	2016	2015 (Restated)
	£'000	£'000
Rents receivable (net of void loss)	38,164	36,725
Service charges receivable	2,274	2,245
Government Grants taken to Income		
Amortisation of Social Housing & Other Government Grants	-	-
Supporting People Grant	280	286
Turnover from social housing lettings	42,825	41,098

4. OPERATING COSTS FROM LETTINGS

	2016	2015 (Restated)
	£'000	£'000
Management costs	6,046	5,705
Service Charge costs	4,468	4,251
Planned maintenance	9,005	10,635
Day to day maintenance	13,049	11,585
Depreciation of housing properties	5,605	5,337
	38,173	37,513
Rent losses from bad debts	161	212
Operating costs on social housing activities	38,334	37,725
Operating surplus on social housing lettings	4,491	3,373
Rent loss due to voids (memorandum note)	826	889

5. DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2016	2015 (Restated)
	£'000	£'000
Sale proceeds	1,933	859
Cost of sales	(222)	(96)
Prior year dowry disposal	(6)	-
Surplus on disposal	1,705	763

During the year the Association sold 26 properties under Right to Buy, 2 properties staircased and there were 6 land sales.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

6. OPERATING SURPLUS FOR THE PERIOD

	2016	2015 (Restated)
	£'000	£'000
Operating surplus for the period is stated after charging:		
Depreciation	5,605	4,180
Rent losses from bad debts	161	212
Operating leases	466	531
Auditor's remuneration (inclusive of VAT):		
in their capacity as auditors	15	15

7. BOARD MEMBERS AND SENIOR EXECUTIVES EMOLUMENTS

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

	2016	2015 (Restated)
	£'000	£'000
Emoluments (including pension contributions and benefits in kind)	421	568
Emoluments (excluding pension contributions) paid to the highest paid senior executive	135	105

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:

	2016	2015 (Restated)
	No.	No.
£Nil	13	14
£1 - £50,000	-	
£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 £16,157 (2015 - £13,573). 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

8. EMPLOYEE AND EMPLOYER COSTS 2016

	2016	2015 (Restated)
	£'000	£'000
Staff costs during the year:		
Wages and salaries	8,135	7,755
Social security costs	641	668
Other pension costs	1,525	1,682
	10,301	10,105

	2016	2015 (Restated)
	No.	No.
Average number of full time equivalent employees during the year:		
Management and administration	208	200
Wardens, caretakers and cleaners	32	36
Housing repair service	57	68
	297	304

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

	2016	2015 (Restated)
	£'000	£'000
Interest payable and similar charges	4,478	6,213
	4,478	6,213

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

11. PROPERTY, PLANT AND EQUIPMENT

Social Housing Properties

Cost	Freehold Housing properties held for letting £'000	Housing properties in the course of construction £'000	2016 Total £'000
At 1 April 2015	116,250	-	116,250
Additions during the year	6,344	-	6,344
Disposals during the year	(516)	-	(516)
At 31 March 2016	122,078	-	122,078
Depreciation			
Original Depreciation	12,787	-	12,787
Prior year restatement	6,736	-	6,736
Restated	19,523	-	19,523
Charge for the year	5,605	-	5,605
Disposals during the year	(74)	-	(74)
At 31 March 2016	25,054	-	25,054
Net book value At 31 March 2016	97,024	-	97,024
At 1 April 2015	96,727	-	96,727

Major repairs and investment in existing Housing properties to let during the year amounted to £15.6 million (including capitalised salaries of £242,829). This has been accounted for as follows:

	2016	2015 (Restated)
	£'000	£'000
Planned maintenance (revenue)	9,005	10,635
Investment (capital)	6,344	14,583

Units in Management:	2016	2015 (Restated)
	No.	No.
General needs housing properties in management	8,937	8,940
Shared ownership	156	158
Leasehold management services	638	638
Garages	673	673
	10,404	10,409

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

12. PROPERTY, PLANT AND EQUIPMENT OTHER PROPERTY

Other Property

	Other Property Assets £'000	2016 Total £'000
Cost		
At 1 April 2015	150	150
Additions during the year	9	9
Disposals during the year	-	-
At 31 March 2016	169	169
Depreciation		
At 1 April 2015	14	14
Charge for the year	19	19
Disposals during the year	-	-
At 31 March 2016	23	23
Net book value at 31 March 2016	146	146
At 1 April 2015	136	136

13. PROPERTY, PLANT AND EQUIPMENT

Other Fixed Assets

	Office premises £'000	Service assets £'000	Vehicles & office equipment £'000	2016 Total £'000
Cost				
At 1 April 2015	1,327	323	4,030	5,680
Additions during the year	-	183	281	464
Disposals during the year	-	-	-	-
At 31 March 2016	1,327	506	4,311	6,144
Depreciation				
At 1 April 2015	475	106	3,046	3,627
Charge for the year	94	92	456	642
Disposals during the year	-	-	-	-
At 31 March 2016	569	198	3,502	4,269
Net book value at 31 March 2016	758	308	809	1,875
At 1 April 2015	852	217	984	2,053

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

14. STOCK	2016	2015
	£'000	(Restated) £'000
Stocks of materials	51	51
	51	51
15A. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:		
	2016	2015
	£'000	(Restated) £'000
Arrears of rent and service charges	966	1,028
Less: provision for bad and doubtful debts	(331)	(365)
	635	663
Prepaid loan monitoring fees	-	79
Prepaid loan facility fees	68	68
Debtors and prepayments	2,181	1,431
Transfer Development Agreement	10,507	9,882
	13,391	12,123
15B. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:		
Prepaid loan facility fees	1,154	1,222
Transfer Development Agreement	-	10,507
	1,154	11,729
16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	2016	2015
	£'000	(Restated) £'000
Trade Creditors	954	20
Amortisation of grants (Note 18)	2,343	2,129
Transfer Development Agreement	10,507	9,882
Employee benefits	49	46
Accruals and deferred income	4,157	6,529
Over recovery of service charges	52	250
Prepayments of rents and service charges	779	804
Prepayments of other charges	152	162
Deposits	3	2
	18,996	19,824

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015 (Restated)
	£'000	£'000
Housing loans	63,000	63,000
Social housing and other Government grants (Note 18)	36,031	31,611
Transfer Development Agreement	-	10,507
	99,031	105,118

Loans are secured on all properties where the Association holds an interest.

At 31 March 2016, 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:

	2016	2015 (Restated)
	£'000	£'000
In five years or more	63,000	63,000
Between two and five years	-	-
	63,000	63,000
In one year or less	-	-
	63,000	63,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

18. GRANTS	Dowry	Other Grants	2016
	£'000	£'000	£'000
Original Grant	39,260	1,218	40,478
Additions during the year	6,500	129	6,629
Cost	45,760	1,347	47,107
Original Amortisation	-	-	-
Prior year restatement	6,630	108	6,738
Restated	6,630	108	6,738
Amortised in year	2,081	48	2,129
Amortisation written back on disposal	(131)	(3)	(134)
Amortisation	8,580	153	8,733

Net book value

At 31 March 2016	37,180	1,194	38,374
At 1 April 2015 (Restated)	32,630	1,110	33,740

	2016	2015 (Restated)
	£'000	£'000
Grant falls due as follows:		
In one year or less	2,343	2,129
After more than one year	36,031	31,611

19. NON-EQUITY SHARE CAPITAL

	2016	2015 (Restated)
	£'000	£'000
Shares of £1 issued:		
At 1 April 2015	1,652	1,862
Issued during the year	35	21
Cancelled during the year	(118)	(231)
At 31 March 2016	1,569	1,652

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

20. OPERATING LEASES

At 31 March 2016 the Association had commitments under operating leases as follows:

	2016	2015 (Restated)
	£'000	£'000
Motor vehicle and office equipment expiring		
Within one year	50	100
Between two and five years	458	687
	508	787

	2016	2015 (Restated)
	£'000	£'000
Land and buildings expiring		
Within one year	-	-
Between two and five years	932	1,398
Over five years	-	-
	932	1,398

The expenditure incurred during the year is detail in Note 6 - Operating Surplus for the period.

The Association signed a 15 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.

21. CAPITAL COMMITMENTS

	2016	2015 (Restated)
	£'000	£'000
Capital expenditure contracted but not provided for in the financial statements	5,525	12,252
Capital expenditure authorised by the Board but not contracted	18,451	25,463

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

22. TRANSITION TO FRS 102

The Association adopted FRS 102 with a transition date of April 2014, representing the earliest period for which comparative information has been provided in these (first) financial statements produced in accordance with the new standard.

The impact of the transition is, as follows:

Reconciliation of Reserves	£'000
Reserves as at April 2014 under previous UK GAAP	29,126
Transfer Development Agreement Debtor	30,988
Transfer Development Agreement Creditor	(30,988)
Amortisation of grant	4,895
Additional depreciation	(4,895)
Reserves as at April 2014 under FRS 102	29,126

Reconciliation of Reserves as at March 2015	£'000
Reserves as at March 2015 under previous UK GAAP	23,346
Transfer Development Agreement Debtor	20,389
Transfer Development Agreement Creditor	(20,389)
Amortisation of grant	6,737
Additional depreciation	(6,737)
Over recovery of GN Service charges	(124)
Over recovery of Leasehold Service charges	(124)
Employee Benefit accrual - untaken leave	(46)
Reserves as at March 2015 under FRS 102	23,052

22. TRANSITION TO FRS 102 RECONCILIATION OF RESERVES (CONTINUED)

The following were changes in accounting policies arising from the transition to FRS 102:

1. Employee Benefits:

The cost of all employee benefits to which employees have become entitled as a result of their service to the Association during the reporting period should be included as a liability.

2. Revenue recognition:

Service charge income must be recognised when expenditure is incurred as this is considered to be the point at

which the service has been performed and the revenue recognition criteria met.

3. Transfer Development Agreement:

Due to the adoption of FRS 102/SORP 2014 the Association has for the first time been required to show the separate elements of the outstanding amounts relating to the original transfer of assets.

As detailed above and shown in notes 15/16/17 an amount has been calculated in relation to the value of works still to be completed. This amount has not been

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

based on the original agreement but has instead been based on the experience of the Association in the intervening years as to the true cost of the works to be completed. It is felt that this amount is a more accurate representation of the actual costs still to be completed.

4. Depreciation

Under previous SORP government grants were set against the component costs

of the asset to which the funding related with depreciation being charged on the net amount.

Under SORP 2014 government grants are reanalysed to be included in creditors and amortised over the life of the component asset that they have been allocated to.

Depreciation is now charged on the gross component cost.

Reconciliation of Statement of Comprehensive Income for the year ended March 2015

	£'000
Deficit for the year ended March 2015 under previous UK GAAP	(829)
Amortisation of Grant	1,842
Additional depreciation	(1,842)
Over recovery of GN Service charges	(125)
Over recovery of Leasehold Service charges	(125)
Holiday pay accrual	(46)
Changes in pension past service deficit contribution liability on revaluation	(4,951)
Deficit for the year ended March 2015 under FRS 102	(6,076)

The following were changes in accounting policies arising from the transition to FRS 102:

1. Revenue recognition:

Service charge income must be recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

2. Employee benefits:

Post-employment benefits, including retirement benefits such as pensions should be included as an expense in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

23. NET ASSETS

The balance sheet of the Association is reporting net assets of £25million as at 31 March 2016, compared to net assets of £23million at the end of the previous financial year.

The £2million increase in the net assets position is largely due to a surplus of £2.7million on ordinary activities and an actuarial loss of £0.7million arising from the LGPS.

The Association 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 five years to 2021 which will be funded through receipt of dowry, loans and cash reserves.

The Welsh Government 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 Welsh Government are sufficient to ensure that the Association will be able to meet its future liabilities as they fall due.

24. PENSION COSTS

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

LGPS

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. 9th 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 the Association therefore relate solely to the period since transfer.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

The most recent valuation was carried out at the 30 September 2013 and has been updated by independent actuaries to the scheme to take into account the requirements of FRS 102 in order to assess the liabilities of the fund at 31 March 2016. 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 2015 to 31 March 2016 was 13.2% of members' contributions.

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS 102 purposes were:

	2016	2015
	%pa	%pa
Discount rate	3.6%	3.4%
Rate of increase in salaries	3.7%	3.6%
Rate of increase in pensions	2.2%	2.1%
Rate of RPI Inflation	n/a	n/a
Rate of CPI Inflation	2.1%	2.1%

	2016	2015
	% pa	% pa
Expected rates of return on:		
- Equities	3.6%	6.5%
- Government bonds	3.6%	2.2%
- Other bonds	3.6%	2.9%
- Property	3.6%	5.9%
- Cash/liquidity	3.6%	0.5%
- Other	3.6%	6.5%
Expenses deduction	0.4%	0.26%

	2016	2015
	£'000	£'000
Market value		
Equities	25,630	25,683
Bonds	5,515	5,111
Property	973	890
Cash/liquidity	324	198
Other	-	1,088
	32,442	32,970

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

The movement in the net surplus for the period to 31 March 2016 is as follows:

	2016 £'000	2015 £'000
Reconciliation of funded status to balance sheet		
Fair value of plan assets	32,442	32,970
Value of funded obligations	(37,047)	(36,120)
Total estimated scheme (deficit)/surplus	(4,605)	(3,150)
	2016 £'000	2015 £'000
Components of pension costs for year:		
Current service cost	(1,342)	967
Interest on pension liabilities	1,127	1,279
Expected return on assets	(1,244)	(1,787)
Effect of curtailments or settlements	-	123
Total pension cost recognised in income and expenditure account	(1,459)	582
	2016 £'000	2015 £'000
Statement of recognised surpluses and deficits		
Actuarial losses/(gains)	(760)	(4,951)
Total pension cost recognised in the statement of comprehensive income	(760)	(4,951)
	2016 £'000	2015 £'000
Changes to the fair value of assets during the year:		
Present value of scheme assets at 31 March 2015	32,970	29,024
Expected return on assets	2,032	1,787
Business combinations	-	-
Actuarial (losses)/ gains on assets	(2,937)	1,674
Contributions by the employer	764	868
Contributions by the participants	365	378
Benefits and transfers paid	(752)	(761)
Total fair value of plan assets	32,442	32,970

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

Changes to present value of liabilities during the year:

	2016	2015
	£'000	£'000
Present value of scheme liabilities at 31 March 2015	36,120	27,509
Current service cost	1,342	967
Interest cost	1,244	1,279
Contributions by the participants	365	378
Actuarial(gains)/losses on liabilities	-	6,625
Curtailments	-	123
Benefits and transfers paid	(752)	(761)
Changes in financial assumptions	(1,051)	-
Other experience	(221)	
Total value of funded obligations	37,047	36,120





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