newport city homes

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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Board members and professional advisors

For the year ended 31 March 2021

Board from 1 April 20 to 23 September 2020

Nicola Somerville (Chair)

Alex Stephenson (Vice Chair)

Kevin David Ward

Janice Averil Morgan (RC Chair)

Guy Stenson (ARC Chair)

Christian Cadwallader

James Tarrant

Amelia John (Co-optee until 19 May 2020)

Chris Sutton (Co-optee)

Board from 23 September 2020 to 31 March 2021

Nicola Somerville (Chair)

Christian Cadwallader (Vice Chair)

Kevin David Ward

Janice Averil Morgan (RC Chair)

Guy Stenson (ARC Chair)

James Tarrant

Chris Sutton (Co-optee)

Robiu Adekunle Salisu
(Co-optee from 8 September 2020)

Michael John Usher
(Co-optee from 8 September 2020)

Company Secretary and Registered Office

Joanna Fairley

Nexus House
Mission Court
Newport
NP20 2DW

Executive Officers

Ceri Doyle
Chief Executive

Tim Jackson
Executive Director of Transformation

Robert Lynbeck
Executive Director of Operations
(until 25 September 2020)

Sonia Furzland
Executive Director of Operations
(from 15 February 2021)

Matthew Davies
Executive Director of Development

Gareth Yeoman-Evans
Executive Director of Finance and Resources
(from 4 January 2021)

Bankers

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

Lenders

Royal Bank of Scotland plc

Barclays Bank plc

Legal and General Assurance Society Limited

The Housing Finance Corporation Limited

bLEND Funding plc

Principal Solicitors

Hugh James
Two Central Square
Cardiff
CF10 1FS

Blake Morgan
Bradley Court
11 Park Place
Cardiff
CF10 3DR

Trowers & Hamlins LLP
55 Princess Street
Manchester
M2 4EW

Valuers

Savills
Embassy House
Queens Avenue
Bristol
BS8 1SB

External Auditors

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

Internal Auditors

RSM UK
Regus House
Malthouse Avenue
Cardiff Gate Business Park
Cardiff
CF23 8RU

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 2021

The board is pleased to present its strategic report, board report and the audited financial statements for Newport City Homes Housing Association Limited (the association) for the year ended 31 March 2021.

Legal status

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

Principal activities and geographical coverage

We are a not-for-profit organisation administered by a remunerated board of management. We provide management, maintenance and improvement services to 9,049 rented homes, which includes shared ownership properties, 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 646 leasehold flats, have a portfolio of 92 premises let on commercial terms, manage 153 garages and hold between 25% and 75% equity in 132 shared ownership properties on which we receive rental income.

Statement of vision

During 2020, we launched NCH Strategy 2025 which sets out our priorities for the next five years to deliver our purpose of providing homes in communities where people want to live. Built on the success of our 2020 Vision, our strategy was developed over two years using a thorough understanding of our operating environment as well as intelligence, which was gathered from evidence, insight and extensive engagement with our customers, colleagues, and stakeholders.
We have identified four strategic priorities:

We will continue to invest in quality homes and services.

We will define and deliver our social purpose.

We will maximise the supply of new homes.

We will remain strong, effective and well-run.

Our strategy is designed to be flexible to ensure we keep pace with the emerging challenges, opportunities, and evolving trends in our rapidly changing operating environment.

These priorities are underpinned by three key principles, which serve as the foundation for everything we do and every decision we make as we deliver NCH Strategy 2025.

- We will deliver value for money
- We will improve customer satisfaction
- We will grow our association.

The NCH Strategy 2025 shows that our focus is on being more than a provider of homes, through our social purpose priority we are actively working to enhance and regenerate our communities, investing in people and place and not just homes.

We are committed to minimising the impact the association has on the environment and will work with those who share our vision to improve environmental sustainability. We are formulating plans to reduce carbon emissions created by the homes we manage and the new homes we are developing and in the operations of the association. We are working with colleagues and customers to help them live low carbon lives.

Our commitment to equality, diversity and inclusion is fundamental to our values and in ensuring our success as a high performing association. We will continue to build an inclusive and diverse association that provides equality of access and opportunity as both an employer and provider of homes and services.

In 2020/21 we have delivered against the first year of our strategy. It saw us continue to deliver quality services to our customers and communities under the most challenging circumstances caused by Covid-19. Despite these challenges, we proved ourselves to be a strong and resilient housing association with customers at the heart of every decision we make.

Newport City Homes has never been just a housing association. We are proud to play a key role in transforming the city of Newport, by creating vibrant and safe communities our customers are proud to work and live in. We are uniquely placed to ensure our customers and communities are given opportunities to grow and succeed as society responds to the challenges ahead.

Response to covid-19

The safety of our customers and colleagues has always been our number one priority. This has never been truer than in the first few months of 2020/21 when we all felt the dramatic and immediate impacts of Covid-19.

In March 2020, we initiated our business continuity plan and established an Incident Management Team to oversee the strategic management of the incident.

A Business Recovery Team (BRT) was also set up to manage our response to the pandemic Our compassionate and effective response ensured we could keep customers safe in their homes at a time when home has never been so important.

During this period, many of our colleagues have worked from home where it's possible do so and our systems and ways of working adapted to ensure the smooth running of the association. Covid-19 risk assessments and safe working practices were introduced to create safe environments for colleagues and customers.

Our strong financial position and organisational preparedness stood us in good stead to deal with the multiple and complex challenges caused by Covid-19. Our extensive stress testing and business continuity plans meant we were well placed to deal with impacts of the pandemic which reflects our strong governance and approach to risk management. This resilience and commitment ensured our performance remained stable even in the most challenging of circumstances.

Quality homes and services

We will invest in homes and services that our customers want.

Keeping our customers safe in their homes

The safety of our customers has always been our number one priority. Now more than ever, we want our customers to be warm, safe, and secure in their homes. When Covid-19 hit the UK, we responded by making immediate changes to keep our customers and colleagues safe. This included moving to an emergency only repairs service until restrictions eased.

Our planned safety works were largely unaffected by the pandemic as we put in place Covid-19 risk assessments and safe working practices to ensure we could continue to fulfil our duty of care to our customers. We also adapted our planned investment programmes by prioritising activity that could be delivered safely, which has been mainly outdoors.

99.9%
Homes gas safe compliant

32,020
Repairs carried out

£10.2m
Investment in home improvements

99.9%
Homes are electrical compliant

82.4%
Repairs completed within target time

71
Average home energy efficiency (SAP) rating

100%
Homes legionella compliant

67.6%
Customers satisfied with repairs & maintenance service

65.3%
Customers satisfied with their neighbourhood as a place to live

99.6%
Communal areas with a valid fire risk assessment

79.5%
Customers satisfied with quality of repair

Keeping in touch

While we've had to significantly reduced face-to-face contact with customers, they have still been able to get in touch in a number of ways to access our services.

62,800
Calls answered

2:10 minutes
Average time to answer calls

92.6%
Customers said our colleagues were helpful

6,507
Webchats answered

3.3%
Calls abandoned

82.8%
Customers satisfied their queries were answered in a reasonable time

Supporting customers facing financial hardship

In April 2020, we committed to support customers facing financial hardship as a result of the pandemic. We committed to:

- Keeping them safe and secure in their home
- Helping them get the financial support they need
- Finding solutions if they have difficulty paying their rent
- Doing everything we can to support their wellbeing.
- Not taking eviction action against any customers who are facing financial hardship as a result of the pandemic

£1,367,255
Additional income secured for customers

1,116
Customers supported to achieve successful outcomes based on their needs and circumstances

Zero
Evictions into homelessness

Customer story

We supported a new customer who was struggling financially and maximised their income by over £10,500 a year.

Pension
+ £70 a week

Housing benefit
+ £116 a week

Council tax
- £16.13 a week

Funding worth
£750

"I am so thankful for the time and effort you spent on helping me to make my house a home. You have made such a huge difference to my life and I cannot thank you enough."

Our new social rent setting policy

Ensuring our rents remain affordable for years to come and our services deliver value for money have never been more important for our customers. We've listened to what customers told us to make sure we get the right balance between rental income, affordability and providing the services they want.

The way we assess affordability and set our rents is based on the income levels of lower earners in Newport. This has meant we have been able to freeze rent for households currently at or above the affordable Living Rent assessment for their home, while making affordable increases to rent where it is currently below the affordable Living Rent Assessment for their home.

Improving our services

Delivering value for money is the right thing to do as a social landlord. It's what our customers expect from us and we're working to improve the experience they receive to make NCH a housing association to be proud of.

To help us do this, we've established a Business Transformation Portfolio to focus on improving the services that matter most to customers. As we recover from the disruption caused by the pandemic, the feedback and learning we receive from customers and their experience of our services will inform the changes and improvements we make to them.

Our customer scrutiny partnership has been part of our transformation work to make sure our customers' voices are heard. They have also looked at a range of projects and services, including how customers were supported during the first lockdown, the new social rents policy, improvements to the repairs service and the ways we engage with customers digitally.

Introducing NCH Connected

In January 2021, we launched a new way of engaging with customers through an online customer only community called NCH Connected. Within three months, 320 customers joined and told us what they think about a wide range of subjects that matter to them.

Social purpose

We will define and deliver our social purpose to support thriving communities, where people want to live.

Keeping our customers safe in their homes

Our social purpose is met through being much more than a provider of housing. We're passionate about playing our part and working collaboratively to deliver so much more for the people, communities, and economy of Newport as part of a sustainable Wales.

While we've not been able to engage in communities in the usual ways, we're pleased to have provided a diverse range of community groups, projects and local schools with support including £21,000 through our community benefits funding.

Supporting our customers and communities

One of the things we're most proud of is our commitment to helping our customers who need extra support. The association focussed on the immediate needs of customers during the initial stages of the pandemic to ensure they were able to access tenancy and additional support.

31,264
Calls to customers to check on their welfare

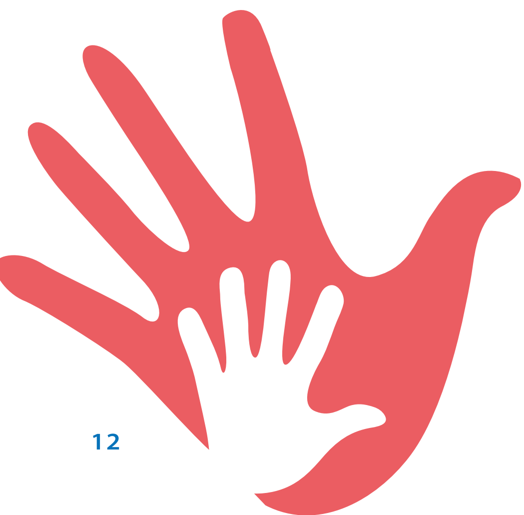
369
Referrals to Trussell Trust food banks

£1,367,255
Additional income secured for customers

£49,400
Emergency grants distributed with Save the Children

254
Customers received weekly calls

£21,000
Community investment funding from our contractors



Provide new homes

We will maximise the supply of quality new homes and regenerate our communities where people want to live.

There is a housing crisis, not just in Newport, but across Wales and the UK, and we have a major role to play in addressing this. Our strong financial position has enabled us to put in place the funding to deliver 250 well designed, affordable and energy efficient new homes in sustainable communities every year from 2022/23.

81
New homes completed this year

£13.6m
Investment in development and regeneration

213
New homes on-site under construction (as of 31 March 2021)

1,900
New homes in the pipeline

£7.8m
Development grant funding received from Welsh Government to support the provision of new homes

While there was disruption to our development programme in the early stages of the pandemic, all development sites reopened in July 2020 in line with government guidance. .

Regenerating communities

We want our homes to be high quality and meet the needs of our customers now and in the future.

We have a number of ongoing regeneration projects in Ringland, Lliswerry and Pillgwenlly which have experienced only minor disruption due to the restrictions in place throughout the pandemic.

As part of our regeneration work, we consider how we should invest in homes that require significant improvement work.

Our dynamic asset management approach enables us to assess the social and financial performance of our stock. We engage with specialist consultants to assess the financial viability of our properties as well assess how they are meeting customers' needs and expectations. This data is in turn used to identify the most appropriate approach for each home to ensure that over time, all NCH stock is financially viable, desirable and high quality.

Strong and effective organisation

We will be an employer of choice, demonstrating we are a well-run association with a strong financial performance.

Our strong financial position allows us to deliver great things – from maintaining and updating our existing homes and communities so our customers can thrive. Every penny we make is reinvested into improving customers' homes, building new homes, investing in communities, and improving our services to ensure we deliver value for money.

During the year, the association secured further funding provision through the Housing Finance Corporation bLEND product. This funding has been secured at beneficial interest rate and will ensure the association has in place the money to improve service delivery and deliver on our ambition.

The association's operating margin has improved from 16.82% to 18.66% during the year. This is partly down to the impact of the pandemic delaying expenditure in some areas and also the efficiency gains made by the association. This improvement has meant we have increased the resources we have available to improve services, existing homes, and new homes.

Supporting our colleagues

Since the start of the pandemic, our colleagues have adapted to huge changes in the way we work. Whether it's been providing services in the community, in customers' homes, working from home or in our offices, colleagues across NCH have worked tirelessly to continue delivering essential services and keeping the association running smoothly.

Your NCH

During the year, we launched a new colleague benefit package 'Your NCH'. We want our colleagues to feel appreciated, supported with their wellbeing and given the flexibility to maintain a good work-life balance.

67
New colleagues recruited to support the delivery of NCH Strategy 2025

133
Colleagues received safeguarding training

1,400
E-learning courses completed

2.4%
Gender pay gap (Median hourly pay for women is 2.4% lower than men's)

73%
Colleague engagement score

100%
Colleagues supported to work from home where possible

6
Apprentices inc. 2 starting with NCH this year

16
Colleagues supported with professional development through our Sponsorship to Study Scheme

Our commitment to the environment

We recognise more must be done to tackle the climate emergency. We're measuring the carbon footprint of our activities which will prioritise the action we take to become a much greener association. This means investing in customers' homes to improve their energy efficiency, changing where and how we work, and utilising renewable and emerging technologies.

We have signed up to the Gwent Sustainable Travel Charter to reduce the impact of business travel and colleague travel-to-work on the environment. We have also secured close to £500,000 from Welsh Government as part of a Wales-wide collaboration to test different home upgrades to inform our long-term investment plans.

Financial Performance

For the year ended 31 March 2021

Newport City Homes (NCH) continues to be in a strong financial position and aims to maintain this financial strength. Our surpluses are used to invest in our homes and communities. All our surpluses are re-invested in our on-going activities, together with our commitment to provide new homes to meet the housing needs of Newport and South East Wales. We are also committed to maintaining its existing assets in a sound condition, in line with WHQS and to providing great services for our residents. These aims drive our financial performance.

Turnover

Turnover in the year was £51,811k (2019/20: £49,783k). The majority of this was made up of rent from social housing, £43,703k, service charge income, £3,082k and amortisation of social housing grants £3,602k. The remainder came from a number of smaller sources.

Turnover includes £40k rent from the 80 garages we let, and £582k from our commercial properties. We received £172k 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.

	2021 £'000	2020 £'000
Day to day maintenance*	**13,645**	14,519
Planned maintenance*	**4,785**	6,264
Capital maintenance	**9,293**	9,263
	27,723	**30,046**

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

Expenditure on planned and capital maintenance in 2002/21 was lower than in 2019/20 primarily due to slippage in planned maintenance schemes and lower volume of repairs due to the pandemic impact on service delivery. The capital maintenance programme was realigned during 2020/21 to external works, which included roofing and external wall insulation, from the replacement of kitchens and bathrooms to maintain safe environments for both customers and colleagues.

Management and Employee Costs

Our overall management costs in 2020/21 were £10,960k compared with the previous year of £10,577k. The increase is due to inflationary growth, incremental increases to the organisational structure, and an investment in the association's business transformation programme that is focused on improving service delivery and delivering value for money.

Overall employee costs were £17,527k compared with £17,480k in 2020/21. Salaries and social security costs have increased by 12%, this is partially due to the effect of the pay award of 1% (pay, pension and national insurance) from 1 April 2021 along with an increase in staff numbers, however due to a reduction in the current and past service costs in the Local Government Pension Scheme actuary report pension costs reduced by 28%. There were no changes to the employer's contributions rates deducted from employees, the pensions charges included in the accounts are per the 2020/21 Local Government Pension Scheme actuary report.

Gain on disposal of properties

The association received £96k net income from three properties that were shared ownership staircased (homeowners took the opportunity to increase their equity share in the property), one freehold reversion and 13 land sales.

Depreciation

This is a measure of the wear and tear of our properties with other assets such as existing components including kitchens, windows, and bathrooms. We replace these periodically. Depreciation costs in 2020/21 were £8.7 million compared with £8.1 million in 2019/20. Depreciation has increased as the asset base increases in line with continued investment.

Treasury

Following the successful refinancing exercise in July 2019, NCH continued to progress the raising of the remaining bond commitment of £13 million. However early discussions with the issuer offered NCH the opportunity to transfer the outstanding commitment of £13 million into a bLEND product as a first-time issuance, with a required nominal value of £25 million.

NCH achieved the required Moody credit rating to qualify for the bLEND product, which allowed NCH to access the following bLEND product benefits:

- Bonds can be raised in the market on a recurring basis.
- It is designed for housing associations with a minimum of £25m funding needs.
- It provides a variety of terms between 10-40 years of fixed rate funding.
- Asset cover of 105%.
- No interest cover.
- Loans/funding arrangements are as follows:
- £15 million 5-year revolving credit facility (undrawn)
- £15 million 10-year revolving credit facility (undrawn)
- £95 million private placement drawn in four tranches. Three tranches drawn on 25 July 2019 totalling £80 million and one deferred tranche for £15 million drawn on 28 July 2020
- £12 million amended bond drawn on 2 October 2019
- £25 million bond with the drawdown deferred until October 2021

At 31 March 2021, the association had loan facilities drawn with two lenders.

Treasury risk management

There is a well-defined framework for key financial controls with a robust process of reporting and monitoring financial performance to the board. The association's treasury management policy is the mechanism by which the board outlines the type and amount of risk it is prepared to assume to deliver its strategy and run day-to-day operations. Its treasury management activities are defined as:

"The management of the association's investments and cash flows, its banking, money market, capital markets and derivative transactions, and its security portfolio; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"

The board has an approved set of 'golden rules' that provides a clear view of the association's financial risk appetite and how they are utilised as a control in balancing strategic ambitions with continued financial resilience. These include maintaining appropriate thresholds on covenant compliance and a liquidity rule that outlines the requirement to have the next two and half years business plan activity funded, through a combination of cash and revolving credit facilities. As at 31 March 2021, the association had over five years' funding in place.

Loan Covenants

NCH is required by its lenders to meet two key covenants within the loan agreements: (i) EBITDA-MRI interest cover; and (ii) net debt per unit. The association operated comfortably within the covenant limits for the year ended 31 March 2021, with actual interest cover at 477% and net debt per unit of £4,858.

Other Balance Sheet items

The value of social housing properties in Fixed Assets, have increased by £10.7 million. This is as a result of the costs of the development and capital maintenance programmes during the year.

Debtors falling within one year have decreased by £1.9m which is mainly the result of a VAT reclaim on the Pillgwenlly scheme being received.

Debtors falling due after more than one year is disclosed at £1.9 million, this reflects deferred Welsh Government Housing Finance Grant (HFG) which has been awarded towards covering the borrowing costs associated with the Pillgwenlly and Cot Farm schemes over a thirty-year period.

The cash invested has increased since 2019/20, which is due to underspends in maintenance and development the drawdown of the LGIM deferred bond of £15m.

Pensions

The association participates in two pension schemes:

The NOW Pension Scheme is a defined contribution scheme. The contributions payable is charged to the statement of comprehensive income as an expense during the year in which the employees have become entitled to this benefit. The association is only liable for the contributions and therefore there is no requirement to include a liability in the statement of financial position.

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

The pension deficit on the LGPS scheme is recorded in the accounts. The deficit at 31 March 2021 was £25.3 million compared with £13.8 million at 31 March 2020. This largely reflects the changes to the financial assumptions in the 2020/21 actuary report and in particular a decrease in real discount rate and an increase in the pension increase rate (CPI). The increased liability is a non-cash adjustment that does not impact on the association's loan covenants and ongoing employers' pension contribution rates.

Key Accounting Policies

The principal accounting policies are set out in Note 1 to the financial statements on pages 45-52.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the association that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The association has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Specifically, this includes whether there is an impairment indicator for a cash-generating unit. For these purposes a cash-generating unit is defined as a property scheme.

Defined benefit pension scheme

The association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend upon a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Bad debt provision

The association must provide for any outstanding debt where management consider the full value is not recoverable. The level of provision is based on historical experience and future expectations set out in the association's bad debt policy.

Accruals

The association will provide for items that have been incurred or earnt during the financial period but have not been recorded within the financial statements. The accruals would be either based upon actuals where available or estimates based upon the latest information available.

Categorisation of properties between investment properties and property, plant and equipment

The association bases this assessment depending upon the use of the asset and the level of rent charged.

Estimation uncertainty

The association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Depreciation

Tangible fixed assets, other than investment properties, are depreciated over their useful lives based upon various factors. The actual lives of the assets are re-assessed on a periodic basis and may vary depending upon the standard of the asset. For housing property assets, the assets are broken down into components based upon management's assessment of the properties and the specific costs incurred in replacing these components. Individual useful economic lives are assigned to these components.

Going Concern

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

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

The Coronavirus Pandemic

The Coronavirus (Covid-19) has continued to have a significant global impact, since it was declared a pandemic by the World Health Organisation in March 2020. When transmission of the virus within the UK was confirmed in February 2020 the association implemented the business continuity plan and established an Incident Management Team to oversee the strategic management of the incident and a Business Recovery Team (BRT) to oversee the delivery of business critical services, as a result of the business interruption caused by the pandemic.

The BRT implemented the association's plan to ensure both customers and colleagues remained safe and the delivery of the essential services was maintained through a Covid-19 operating model. The association has been able to maintain a high level of services, with most colleagues being able to work fully from home.

Essential services being delivered include emergency repairs, compliance safety checks and work, essential cleaning and caretaking, wellbeing checks of residents, help and support residents to maintain healthy rent accounts, and key corporate services. The association established key service performance triggers with the board and clear routes for escalation on the materialisation of any areas of concern.

The association's business recovery plan included mechanisms and protocols for the reintroduction of a fuller level of services when permitted. The plan enabled the association to move between different stages of restrictions during 2020/21.

During 2020/21 the association reported to board on the full stress-testing of the business plan against the various scenarios presented by the pandemic including short, medium and long-term disruption and the possibility of a post-pandemic recession. The testing shows the association is in a very strong position to respond to these scenarios. The reality was that the actual disruption to services wasn't as severe as first thought as both the association and the operating environment adjusted to life under government restrictions.

Throughout the ongoing period of disruption, the association continued to focus on the continuity of key service provision and adapted the delivery of services through managing customer and colleague safety at all times.

Summary

Overall, in the year the association achieved a surplus after tax of £6.8 million.
Comparisons of the major items for this year and last year are set out in the table below:

	2021 £'000	2020 £'000
Surplus on social housing letting	9,146	5,419
Surplus on commercial properties and garages	521	221
Interest received and disposal of assets	683	3,173
Interest payable	(3,587)	(4,440)
Total (deficit)/surplus	6,763	4,373
Exceptional items	-	(30,095)
Total (deficit)/surplus after exceptional items	6,763	(25,722)

The increase in surplus on social housing lettings is primarily due to the completion of a number of schemes.

The surplus on commercial properties and garages has increased due to the additional properties acquired through the Olympia House acquisition in November 2019.

The disposal of assets decreased by £298k to £96k due to the Welsh Government Right to Buy scheme closing in January 2019. Sale proceeds relate to the shared ownership properties that have staircased, sales of land and a freehold reversion.

The 2019/20 exceptional items included £34.1 million in breakage fees due to the repayment of an old loan during the refinancing exercise and income of £4 million received in respect of the original tower block cladding. The refinancing exercise created longer-term benefits of lower interest rates and less restrictive loan covenants improves NCH's financial strength overall and provides more financial flexibility to support future growth plans and aspirations.

Summary five year financial performance

	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000
Income & Expenditure Account					
Turnover	**51,811**	49,783	48,791	47,326	45,486
Operating Costs (incl'ds finance costs)	**(45,048)**	(75,505)	(45,326)	(46,228)	(42,778)
Surplus/(Deficit)	**6,763**	(25,722)	3,465	1,098	2,708
Balance Sheet					
Fixed Assets	**162,066**	149,263	129,744	119,134	104,033
Net Assets / (Liabilities)	**(43,080)**	(43,326)	(38,404)	(26,787)	(14,056)
Loans	**(113,450)**	(97,571)	(63,000)	(63,000)	(63,000)
	5,536	8,366	28,340	29,346	26,527
Reserves	**5,536**	8,366	28,340	29,346	26,527
Cashflow Statement					
Net Cash Inflow - Operating Activities	**19,978**	13,545	13,795	9,786	12,757
Servicing of Financing and Investing	**(2,990)**	(4,171)	(5,358)	(4,307)	(6,120)
Exceptional Items	**-**	(30,095)	-	-	-
Capital Expenditure (net of grant)	**(9,676)**	(15,828)	(2,669)	(9,496)	1,479
Financing	**15,162**	34,571	-	-	-
Increase/(decrease) in cash	**22,474**	(1,978)	5,768	(4,017)	8,116

Assurance Framework and Value for Money

For the year ended 31 March 2021

Risk Management Framework & Assurance Framework

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

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

Risk management is a key part of our assurance framework. As our ambitions for growth increase and our operating environment becomes more volatile, it is important that we are able to identify and assess the risks that we face and how we will manage them. Whilst we ended the year in a strong financial position, we face a number of challenges to financial wellbeing, largely arising from uncertain future policy priorities of the UK and Welsh governments, the uncertain impact on the UK economy being outside the European Union and the major impact of the Covid-19 pandemic and the effect that will have on the economy and government expenditure priorities during the period of recovery.

We continually monitor and understand the risk and opportunities presented within our dynamic operating environment. We have fully examined and tested the potential impact of a range of events including the coronavirus pandemic, landlord health and safety issues, ongoing welfare policy changes and funding and policy priorities of the Welsh Government including the targets and support for new development and environmental sustainability objectives. We have analysed the potential impacts on our business plan as well as evaluating the potential consequences for our customers and partners.

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 on the association's thirty year business plan are carried out and reported annually to the board. The board has set its activity limits and golden rules for the association and these are reviewed annually.

The board annually review and confirm the association's risk appetite. To inform this, the association's risk capacity is reviewed within the context of the strategic priorities, with the association understanding the aggregate risk exposure and the effectiveness of key controls. The risk appetite is agreed within strict parameters that ensure we are not exposed to a risk level that compromises the integrity or validity of the association.

Our key risks, with key controls and sources of assurance are shown in the table below.

Risk Area	Key control(s) and actions	Key Assurance
Income Receivable Key Concern Loss of dowry funding – reallocation of resources by Welsh Government (WG) due to public finance pressure.	Control: Stress testing of the business plan and contingency planning. Action: Asset management plan incorporating decarbonisation investment plan aligned with business plan (2022).	Business plan (including stress-testing) presented to board for review and approval annually.
Landlord Health & Safety Key Concern Ineffective working practices leading to H&S failure.	Control: Health & Safety Policy with delivery and compliance reporting to Health & Safety Committee. Asset golden record: weekly reconciliation and reporting with management spot-checks.	Six monthly health & safety reporting to ARC. Key metrics reported to board and leadership team quarterly.
Service Delivery Key concern Failure to provide services that meet resident expectations.	Action: Services reviews of all key service areas in progress and managed through the Transformation Portfolio. Control: External assurance reporting at each stage of every transformation service review.	Quarterly reporting of performance and improvement actions through integrated reporting
Income Collection Key Concerns Rent arrears rise as a result of household income decreasing as end of furlough and economic turbulence. Universal Credit (UC) households unable to maintain strong rent accounts.	Control: Clear processes in place for income collection and debt recovery, recently overhauled to place an additional emphasis on taking a supportive, customer focused approach to rent payment	Weekly monitoring of demand and service level by leadership team. Quarterly reporting to board.
Cyber Security Key concern Significant increase in threat level including ransomware.	Control: Maintains up-to-date firewalls and Next-Gen Anti-virus software. Control: Independent and continuous penetration testing with live reporting to manager.	Independent cyber security review on "effectiveness of measures in place to ensure its environment is "secure", reported to ARC.
Business Continuity Key concern Covid-19 restrictions limit the ability or the association to undertake key activities.	Control: Business Continuity & Recovery Plan managed by weekly business recovery team (BRT).	Weekly monitoring by executive team of board agreed business continuity measures with agreed escalation triggers.

Value for Money (VfM)

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

Objectives

Doing the right things: meet the association's core purpose, ensuring resources are invested in what matters most.

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

Monitoring and Reporting

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

We are adopting the housing sector score card measures to enable the monitoring of VfM performance and these are reported annually through the Financial Statements. In addition, the board receives quarterly key performance indicators (KPI's) that reports on all sector score card measures.

Understanding our position and taking informed action to improve it is the cornerstone of our value for money approach. We undertake annual VfM benchmarking to enable the understanding of our comparative performance against the sector. This is undertaken using the sector scorecard, the Welsh housing association global accounts and service quality benchmarking.

The comparative data is set out in the table on page 26 and compares our value for money performance over the last two years against the sector averages for 2019/20.

Value for money key metrics

	2020/21	2019/20	Sector Averages* 2019/20
Operating Margin	**18.7%**	16.8%	21.5%
Operating margin (social housing lettings)	**18.2%**	16.7%	23.6%
EBITDA MRI %	**477%**	339%	158%
Gearing	**30.2%**	37.7%	33.8%
Reinvestment %	**22.3%**	20.7%	6.1%
Return on capital employed (ROCE)	**4.5%**	4.6%	2.8%
Management costs per unit (£)	**1,229**	1,191	1,054
Service charge cost per unit (£)	**411**	430	251
Maintenance cost per unit (£)	**2,067**	2,341	1,162
Major repairs cost per unit (£)	**827**	931	812
Headline social housing costs per unit (£)	**4,674**	4,898	4,023
Percentage of respondents very or fairly satisfied with the overall service provided	**72.8%**	72.6%	84.8%
Ratio of responsive repairs to planned maintenance	**0.97**	0.94	0.71
Rent collected from current and former tenants as a percentage of the rent due	**99.6%**	99.6%	99.7%
Occupancy	**98.0%**	98.6%	99.4%

**Sector average: UK wide peer group comparison: RSLs 7,500-20,000 homes*

The comparative data provides the association with an understanding of our performance and where we can target action to make further improvements. Our costs are higher, and satisfaction is lower than the sector average 2019/20 in some areas. The main findings of the comparative analysis are:

- Operating margin improved in last year due to planned efficiency gains. Further increases in the margin as a result of delayed expenditure caused by the pandemic.
- Maintenance costs per unit reduced as a result of scheduled service improvements through the increasing of work completed by the in-house trades team and reduced expenditure on contractors.
- Reinvestment decreased during the year, the acceleration of the new development programme was partially offset in the reduced planned maintenance expenditure on existing homes as a result of delays caused by the pandemic restrictions.
- Rent collection remained strong during the year despite challenges presented by the pandemic. This is the result of the proactive support provided to customers to help them maintain healthy rent accounts.

- The occupancy level was impacted by the impact of the pandemic of lettings and the number of homes scheduled for redevelopment through planned regeneration schemes.

Customer satisfaction with services provided remains lower than the sector average. This is a priority for us, we have implemented a programme of service reviews to deliver sustainable improvements to our financial and service performance in areas. The reviews have undertaken a comprehensive review to understand our current performance, comparing to the sector on cost, quality and satisfaction. In addition, the "as is" analysis has reviewed the current delivery models including the mapping of the customer journey to identify the value stream. The reviews have clearly identified where service costs and quality and customer satisfaction are not where we want and shown what action is required to change this.

Improvements plans have been informed by the associations improved data capability to ensure the solutions are based on reliable evidence. The plans have been developed to redesign business processes to deliver what customers value, eliminate ineffective working practices and improve the quality of service while improving efficiency. The improvement plans will embed a place-based management model, placing the customer and community at the heart of how we work. The provision of proactive and right first-time service models will improve customer satisfaction and the cost-effectiveness of our services.

The repairs service review has already delivered benefits, increasing the proportion of work delivered by the in-house team and reducing contractor spend. This has seen significant savings in repair costs while delivering a more customer focused model.

Value for Money: Examples of efficiency savings achieved to date

Headquarter office costs

We have already successfully renegotiated the lease of the head office from April 2019, resulting in a recurring annual saving of £250k from 2019/20. The pandemic and the environmental crisis have provided us with the opportunity to critically look at how we work and deliver services going forward. A 'Ways of Working' (WoW) programme has been established to look at how, where and when we work. The programme will be defining the association's accommodation strategy and the use of customer facing buildings, which will also consider the headquarter provision and identify any potential future efficiencies that could be realised.

Procurement services

We have undertaken market analysis and benchmarking on common and repetitive spend and have switched suppliers or accessed external procurement frameworks where appropriate to secure better value for money and legal compliance, and significantly improved service delivery.

Adapting to the pandemic, we have ensured continuity of supply and transitioned from internal to external works, particularly roofing and external wall insulation (EWI). A solid contractor base has been developed that consistently submits competitive responses resulting in best value for customers and the association whilst countering the resource difficulties being experienced caused by the pandemic. Additionally, longer term arrangements have been put in place for the delivery of environmental works with focus on developing greater supplier relationships, by guaranteeing work in a difficult climate, resulting in better value than alternative solutions from the market.

Expansion of the in-house trade teams

We are continuing with a programme to expand the size of the internal trade teams, who will then be able to deliver the majority of maintenance services to our customers. The drive to increase the proportion of in-house delivery as opposed to external contractors will improve the quality of works, reduce inefficiencies and increase customer satisfaction.

Treasury

Low cost financing has been achieved through the refinancing exercise that was carried out in 2019/20. To date £600k of interest costs have been saved that can be re-invested in services and the provision of new homes to support the association's growth aspirations.

Our future VfM priorities

Our priority is to improve our financial performance, whilst improving our service performance and customer satisfaction. We are developing a picture of what our customers want and need, and are in the process of redesigning our processes to deliver that, focusing on reducing complexity, duplication, and waste in the way we work. The priority for the year ahead continues to be the transformation of high-volume service activities through implementing new delivery models that will deliver improved customer satisfaction and achieve higher service quality and efficiency resulting in declining management and maintenance costs per unit.

The VfM action plan includes further approved initiatives to improve the financial position of the association. These include increasing the income from our commercial and leaseholds assets and reducing our accommodation costs We also have a targeted procurement forward plan that will aim to deliver on our VfM priorities.

Our Plans for the future; our financial plan 2021/51

Our financial plan for 2021/51 supports the review of the association's assets and includes a long-term programme to address health and safety, a decarbonisation pilot and environmental issues required to be delivered over the next five years along with a development and regeneration programme based upon delivering a net two fifty hundred new homes from 2021/22 onwards.

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

	2021/22	2022/23	2023/24	2024/25	2025/26
Number of social housing units	9,279	9,512	9,779	9,996	10,220
Operating margin	20%	23%	22%	24%	25%
EBITDA MRI	221%	241%	236%	232%	263%
Net debt per unit*	10,052	14,089	15,640	-	-
Historical cost	-	-	-	49%	50%

After 2023/24 net debt per unit loan covenant changes to net debt which must not exceed 70% of historic cost.

The key projections included in the financial plan for 2021/51 are:

- Revenue operating surpluses are being generated from 2021/22 for the remainder of the plan and the operating margin grows steadily. This reflects the impact of stabilising the cost base and the proactive asset management approach to improving ongoing reactive maintenance costs.
- The business plan includes a total of 2,904 additional new units, for both rental and sale, which have been included and profiled up until to 2030/31. The number of new units, in any one year, have been shown as being completed in that year and the new rental income has been included in the year following the completion.
- Peak debt increases to £272 million and assumes drawdown of the pre-agreed deferred draw downs, of bLEND £25 million in December 2021, one RCF of £15 million terming out to a fixed loan in 2024/25, plus new debt being raised from 2022/23 to 2029/30 totalling £140 million.
- The balance sheet shows total fixed assets of £583 million at the end of the plan in 2051. This has decreased, compared with the 2020/50 plan due to the change in tenure mix within the new development and regeneration programme.
- The EBITDA MRI covenant calculation is 221% for 2021/22 and 304% in 2030/31 and remain above 300% until 2043/44 where climbs above 400% for the remainder of the plan to reinvest in our homes and services.

Governance Report

For the year ended 31 March 2021

Board and senior executives

Membership of the board and the executive team is set out on pages 3 & 4. The senior executives of the association do not hold share capital in the association and although not having the legal status of directors, they act as executives within the authority delegated to them by the board.

Board member obligations

The board has role profiles in place for the chair of the board, vice chair of the board, chairs of committees and board members and Co-optees setting out the personal attributes, skills, knowledge & experience and eligibility criteria of the roles, this includes the collective accountabilities to ensure the effectiveness of:

- Strategic direction
- Internal controls
- Governance
- Financial viability

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 Cooperative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Statement of Recommended Practice for registered local housing providers 2018 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2015. The board is also responsible for ensuring that the assets of the association are safeguarded and to prevent and detect fraud and other irregularities. The board has a current policy on the prevention, detection and reporting of fraud and has delegated responsibility to the ARC to receive compliance information in relation to fraud and other matters.

Board member skills, qualities and experience

The board assesses its collective and individual member's skills on an annual basis as part of its governance effectiveness process.

The analysis is used by the board to inform the skills required by the association in order to deliver its strategic decision making effectively and these skills are added to the role profile and used to identify learning and development opportunities for existing board members and to assess any future candidates who apply for board and co-optee vacancies.

For the period 2020/21, the board identified the following skills being required:

- Customers & Communities
- New Homes
- Finance & Treasury
- HR & EDI
- Risk & Assurance
- Strategy & Governance
- Corporate

Board remuneration

Remuneration for members was introduced in April 2020 following the Board decision to remunerate in November 2019.

Remuneration fees are set out in page 55 and reflect the specific fees agreed by the Board of:

- Board chair - £10k
- Vice chair, chair of committees - £7k
- Board members and co-optees - £5k

As approved by the board, remuneration will be reviewed every three years by the Remuneration Committee who will consider benchmarking with support from an independent third party, before making any recommendations to the board for consideration.

Board membership and governance structure

Board membership

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

The board can comprise of up to 12 non-executive members and is responsible for strategic direction and monitoring the activities of the association. The board have determined a preferred size of 10, with the flexibility to increase to 12 when and if required.

Board members are drawn from a wide background bringing together a professional, commercial, local and customer focus. Co-optees have specific skills identified as a gap or vulnerability in the board's skills matrix and have specific terms of office, as determined by the board.

The board formally met six times during the reporting period, attended a number of themed workshops and undertook one strategic planning day. All meetings were held virtually in accordance with Welsh Government restrictions.

The board is supported by the audit and risk committee (ARC) and the remuneration committee (RC).

The association has adopted the existing Community Housing Cymru (CHC) Code of Governance. CHC has undertaken a review and launched a new Code in June 2021. , The board will consider the adoption of, and compliance with, the new code during 2021/22.

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 recruitment

Following an options appraisal, the board determined not to conduct a board recruitment campaign during the early stages of the pandemic. To address identified skills gaps, the board approved the appointment of two co-optees who took up position in September 2020.

Governance effectiveness

The board undertakes an annual review of its effectiveness, which includes an appraisal meeting between each member and the board chair and annual objectives are set for the forthcoming year.

Under the adopted code of governance, the board has agreed to consider external support every three years in undertaking its review.

Scrutiny Partnership (SP)

The Scrutiny Partnership (SP) is a group of highly involved customers, who have been recruited for their skills, in order to assist in the continuous improvement of Newport City Homes' services to customers and communities.

As part of their work programme, the SP gather, review and analyse a range of evidence and provide insight on areas identified for improvement; this intelligence is used in the re-design of services and to contribute to the decision making around the development of operational improvements. The SP works closely with the ARC, which helps to ensure that customer scrutiny is embedded within the association's internal governance.

Committees

Audit & Risk Committee (ARC)

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

The chair of SP attends ARC meetings as a participating observer, with the ability to contribute fully towards non-confidential discussions held at the meeting. A standard agenda item is included at each ARC for observations and comments to be made by the SP.

Remuneration Committee (RC)

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

Internal Control

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

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

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

- experienced and suitably qualified staff take responsibility for important business functions;

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

The coronavirus pandemic

Ahead of the major disruption caused by the coronavirus pandemic the association put in place protocols to ensure the full continuation of all governance activities and an enhanced assurance framework to ensure the correct scrutiny, assessment and reporting of risk management, and control processes for the association during the event. The board has agreed the key performance and assurance triggers for priority areas of operation which are continuously monitored by leadership team who have clear escalation criteria for any areas of concern.

Governance arrangements remained fully operational and effective during the period of disruption with the board and all committee meetings happening as scheduled virtually.

Colleagues

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

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

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

Share membership

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

Individuals who are interested in becoming a share member can obtain more information from the Company Secretary of the association at the address on page 3.

Disclosure of Information to Auditors

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

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

An external audit tender is currently in progress and a resolution to appoint the successful provider of that tender as auditor will be proposed at the Annual General Meeting on 15 September 2021.

Approved by the board and signed on its behalf by:

N Somerville

Nicola Somerville
Chair of the board
21 July 2021

Independent Auditor's Report

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

For the year ended 31 March 2021

Opinion

We have audited the financial statements of Newport City Homes for the year ended 31 March 2021 which comprise the statement of comprehensive income, the statement of changes in reserves, the statement of financial position, the cash flow statement and its related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31st March 2021 and of the association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis for Opinion

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

Conclusions relating to going concern

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

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

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The board are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the parent association has not kept proper accounting records; or
- the parent 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.

Responsibilities of the board

As explained more fully in the Statement of Responsibilities of the board (set out on page 29), the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then, design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

Identifying and assessing potential risks related to irregularities.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
    - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas;
    - purchasing in relation to the development and maintenance programmes, including any sales to connected individuals at below market value;
    - the recognition of development and maintenance expenditure in the correct period;
    - the rationale of any major fund flows during the period;
    - the potential of rent fraud arising as a result of collusion between the asset and housing teams.
- obtaining an understanding of the legal and regulatory frameworks that the company operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Association, the key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

Audit response to risks identified

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

This description forms part of our Report of the Auditors.

Use of our report

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

Bevan Buckland LLP

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

Date: 21 July 2021

In addition to our audit on the financial statements for the year ended 31st March 2020, we have reviewed the board's statement of Newport City Homes Housing Association Limited's ("The Association") compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

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

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

Opinion

With respect to the board's statement on internal financial control on page 32, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.

Bevan Buckland LLP

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

Date: 21 July 2021

Statement of comprehensive income

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Turnover	2	**51,811**	49,783
Operating expenditure	2	**(42,144)**	(44,143)
Operating surplus	2	**9,667**	5,640
Gain on disposal of property, plant and equipment	5a	**96**	2,904
Exceptional items	5b	**-**	(30,095)
Interest receivable		**587**	269
Interest and financing costs	10	**(3,587)**	(4,440)
Surplus/(deficit)/ before taxation		**6,763**	(25,722)
Taxation		**-**	-
(Deficit)/surplus for the year		**6,763**	(25,722)
Actuarial (loss)/gain in respect of pension schemes	23	**(9,593)**	5,748
Total comprehensive income for the year		**(2,830)**	(19,974)

Statement of changes in reserves

For the year ended 31 March 2021

	2021 £'000	2020 £'000
At beginning of year	**8,366**	28,340
Surplus/(deficit) for the year	**6,763**	(25,722)
Actuarial (loss)/gain in respect of pension schemes	**(9,593)**	5,748
At end of year	**5,536**	8,366

Statement of Financial Position

For the year ended 31 March 2021

As at 31 March 2021	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible Fixed Assets			
Social Housing Properties	11	**158,155**	147,414
Investment Properties	12	**2,012**	-
Other property & fixed assets	13	**1,899**	1,849
		162,066	149,263
Current assets			
Inventories	14	**764**	164
Debtors: amounts falling due within one year	15a	**3,926**	5,918
Debtors: amounts falling due after more than one year	15b	**1,947**	1,964
Cash and cash equivalents		**64,410**	41,936
		71,047	49,982
Less: Creditors: amounts falling due within one year	16	**(15,396)**	(14,460)
Total current assets less current liabilities		**55,651**	35,522
		217,717	184,785
Creditors: amounts falling due after more than one year	17	**(186,864)**	(162,632)
LGPS pension liability	23	**(25,317)**	(13,787)
Total net assets		**5,536**	8,366
Capital and reserves			
Share capital	19	**-**	-
Reserves		**5,536**	8,366
		5,536	8,366

The financial statements were approved by the Board of Management on 21 July 2021 and signed on its behalf by:

N Somerville

Nicola Somerville
Chair

J Fairley
Company Secretary

Cash flow statement

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Net cash flow from operating activities	(a)	18,910	13,545
Returns on investment and servicing of finance			
Interest received		509	269
Interest paid		(3,497)	(4,440)
		(2,988)	(4,171)
Exceptional Items			
Adjudication result		-	3,988
Loan facility break costs		-	(34,083)
		-	(30,095)
Capital Expenditure			
Purchase and construction of housing and other properties		(23,697)	(32,921)
Capital grants received		15,638	13,461
Purchase of other fixed assets		(781)	(508)
Sale of housing properties and land		230	4,140
		(8,610)	(15,828)
Free cash generated/(consumed)/ before Loan repayments		7,312	(36,549)
Financing			
Housing loans received		15,162	97,571
Housing loans repaid		-	(63,000)
	(b)	15,162	34,571
Free cash generated/(consumed)/ after Loan repayments	(c)	22,474	(1,978)
Cash and cash equivalents at the beginning of the year		41,936	43,914
Cash and cash equivalents at the end of the year		64,410	41,936

(a) Reconciliation of operating surplus to net cash inflow from operating activities

	2021 £'000	2020 £'000
Operating surplus	9,667	5,386
Depreciation of tangible assets	8,679	7,497
Amortisation of government grant funding	(3,602)	(2,822)
Fixed asset write off	(1,069)	-
Prepaid loan fees	-	(1,069)
LGPS – movement between current and past service cost and contributions paid	1,937	2,903
	15,612	11,895
Working Capital Movements		
(Increase)/decrease in stock	(600)	59
(Increase)/decrease in operating debtors	2,194	(1,130)
Increase/(decrease) in operating creditors	1,811	2,521
Increase/(decrease) in provisions	(107)	200
Net cash flow from operating activities	18,910	13,545

(b) Reconciliation of net cash inflow to movement in net debt

	2021 £'000	2020 £'000
Increase/(decrease) in cash	22,474	(1,978)
(Increase) in loans	(15,162)	(34,571)
Decrease/(increase) in net debt	7,312	(36,549)
Net debt at 2020	(55,635)	(19,086)
Net debt at 2021	(48,323)	(55,635)

(c) Analysis of net debt

	Cash at bank and in hand £'000	Loans due in less than one year £'000	Loans due in more than one year £'000	Changes in net debt £'000
At 1 April 2020	41,936	-	(97,571)	(55,635)
Net cash flows	22,474	-	(15,162)	7,312
At 31 March 2021	**64,410**	**-**	**(112,733)**	**(48,323)**

Notes to the Financial Statements

For the year ended 31 March 2021

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) 2018 for "Accounting by Registered Social Housing Providers", and comply with the Accounting Requirements for Social Landlords registered in Wales General Determination 2015.

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

Financial instruments

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

Turnover

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

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

Social housing properties

In March 2009, all housing properties transferred at no cost from Newport City Council. Housing properties are included at cost within the accounts.

Investment works in the housing property stock that have been capitalised are valued at cost less depreciation.

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

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

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

The surplus or deficit arising on a disposal of a property is the difference between the sale price and the aggregate of the depreciated cost and any associated costs of disposal such as valuation and Legal fees. Any Social Housing grant (SHG) originally received on a property is repayable in full in the case of a disposal, demolition or change of use to an ineligible activity, save that in circumstances where the 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.

Useful lives of depreciable assets

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

The association depreciates its housing properties in accordance with the Statement of Recommended Practice (SORP) "Accounting by Registered Social Housing Providers". Depreciation is charged on the historic cost of property (excluding land).

The depreciable amount is written off over the estimated useful lives as follows:

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

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

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

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

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

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

Dowry Grant/Gap Funding

The association received financial assistance from the 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, Grant is amortised over the expected useful economic life of the components.

Housing Finance Grants

Housing finance grants (HFG) are capital grants receivable from the Welsh Government which are repayable to the extent that such amounts have been received in the event of the disposal, demolition or change of use to an ineligible activity. These are designed as a contribution towards the capital cost of providing new social housing and are received in instalments over a term of 30 years commencing once a scheme is approved for development.

Government Grants

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

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

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Welsh Government. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

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

Other grants

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

Impairment

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

Repairs and maintenance

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

Operating leases

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

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

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

Other tangible fixed assets

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

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

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

Stock

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

Debtors

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

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

Creditors

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

Classification of loans as basic

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

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

Right to Buy sales

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

Value Added Tax

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

Provisions

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

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

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

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

Pension costs

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

The association participates in two pension schemes:

- The NOW Pension Scheme is a defined contribution scheme. The contributions payable for by the association are charged to the statement of comprehensive income as an expense during the year in which the employees have become entitled to this benefit. The association is only liable for the contributions and therefore no requirement to include a liability in the statement of financial position.
- The Local Government Pension Scheme (LGPS), a defined benefit 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.

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 23).

Fair value measurement

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

2. Turnover, operating costs and surplus

	Year ended 31 March 2021			Year ended 31 March 2020		
	Turnover £'000	**Operating Costs £'000**	**Operating Surplus £'000**	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Income and expenditure from lettings						
General needs housing	**50,387**	**41,241**	**9,146**	48,383	42,964	5,419
Fully rented housing accommodation	**50,387**	**41,241**	**9,146**	48,383	42,964	5,419
Garages	**40**	**6**	**34**	35	5	30
Commercial properties and other activities	**1,384**	**897**	**487**	1,365	1,174	191
Total	**51,811**	**42,144**	**9,667**	49,783	44,143	5,640

3. Turnover from lettings

	2021 £'000	2020 £'000
Rents receivable (net of void loss)	**43,703**	42,604
Service charges receivable	**3,082**	2,551
Amortisation of Social Housing & Other Government Grants	**3,602**	3,221
Supporting People Grant	**-**	7
Turnover from social housing lettings	**50,387**	48,383

4. Operating costs from lettings

	2021 £'000	2020 £'000
Management costs	**10,960**	10,577
Service charge costs	**3,661**	3,822
Planned maintenance	**4,785**	6,264
Day to day maintenance	**13,645**	14,519
Depreciation of housing properties	**7,966**	7,478
	41,017	42,660
Rent losses from bad debt	**224**	304
Operating costs on social housing activities	**41,241**	42,964
Operating surplus on social housing lettings	**9,146**	5,419
Rent loss due to voids (memorandum note)	**952**	636

5a. Disposal of property, plant and equipment

	2021 £'000	2020 £'000
Sales proceeds	**233**	3,937
Cost of sales	**(3)**	(243)
Prior year dowry disposal	**(134)**	(790)
Surplus on disposal	**96**	2,904

5b. Exceptional Items

	2021 £'000	2020 £'000
Adjudication result – tower blocks	**-**	3,988
Finance break costs	**-**	(34,083)
	-	(30,095)

6. Operating surplus for the period

	2021 £'000	2020 £'000
Operating surplus on disposals for the period is stated after charging/(crediting):		
Amortisation of social housing & government grants	**(3,602)**	(3,221)
Depreciation	**8,679**	8,141
Rent losses from bad debts	**224**	304
Operating leases	**499**	547
Auditor's remuneration (inclusive of VAT)	**18**	18

7. Board members and senior executive's emoluments

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

	2021 £'000	2020 £'000
Emoluments (including pension contributions and benefits in kind)	**1,121**	930
Emoluments (excluding pension contributions) paid to the highest paid senior executive	**152**	150

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

	2021 No.	2020 No.
£ Nil	**-**	10
£1 - 50,000	**12**	-
£50,001 - £60,000	**1**	1
£60,001 - £70,000	**3**	2
£70,001 - £80,000	**1**	3
£80,001 - £90,000	**1**	-
£90,001 - £100,000	**1**	-
£100,001-£110,000	**1**	2
£110,001-£120,000	**1**	-
£150,001-£160,000	**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 £23,484 (2020 £26,232). Newport City Homes does not make any further contribution to any individual pension arrangement for the Chief Executive. The emoluments paid to the Chief Executive include a 10% car allowance.

8. Employee and employer costs

	2021 £'000	2020 £'000
Staff costs during the year:		
Wages and salaries	**12,854**	11,627
Social security costs	**1,255**	1,125
Other pension costs	**3,418**	4,728
	17,527	17,480

	2021 Number	2020 Number
Average number of full-time equivalent employees during the year:		
Management and administration	**258**	242
Wardens, caretakers and cleaners	**65**	43
Housing repair service	**90**	81
	413	366

9. Interests and related party transactions

During the year the association provided rented accommodation to one board member who was a tenant of the association and charged rent on the association's standard terms. Board members who are tenants are unable to use their position to their advantage.

10. Interest and financing costs

	2021 £'000	2020 £'000
Interest payable and similar charges	**3,462**	4,067
Refinancing fees	**125**	373
	3,587	4,440

11. Property, Plant and Equipment

Social Housing Properties

	Freehold Housing properties held for letting £'000	Housing properties in the course of construction £'000	**2021 Total £'000**
Cost			
At 31 March 2020	169,742	29,226	**198,968**
Additions during the year	9,293	11,899	**21,192**
Schemes completed during the year	14,253	(14,901)	**(648)**
Transfer to investments	-	(1,788)	**(1,788)**
Write off adjustments during the year	(968)	-	**(968)**
Write off adjustments prior year	519	-	**519**
At 31 March 2021	192,839	24,436	**217,275**
Depreciation			
At 31 March 2020	51,289	266	**51,555**
Charges for the year	7,847	123	**7,970**
Write off adjustments during the year	(366)	-	**(366)**
Write off adjustments prior year	(39)	-	**(39)**
At 31 March 2021	58,731	389	**59,120**
Net book value			
At 31 March 2021	**134,108**	**24,047**	**158,155**
At 31 March 2020	118,453	28,960	147,413

Housing properties in the course of construction contains the association's equity share of shared ownership properties.

Write offs during the year relate to the data cleansing exercise that took place prior to the migration of data to a new system. The cost relating to the disposals is £968k and depreciation of £366k.

11. Property, Plant and Equipment

Social Housing Properties continued

Major repairs and investment in housing properties to let during the year amounted to £14m million (including capitalised salaries of £351k). This has been accounted for as follows:

	2021 Total £'000	2020 Total £'000
Planned maintenance (revenue)	4,785	6,264
Investment (capital)	9,293	8,268

	2021 No.	2020 No.
Units in Management:		
General needs housing properties in management	8,917	8,879
Shared ownership	132	136
Leasehold management services	646	644
Garages	153	153
	9,848	9,812

12. Investment Properties

	2021 £'000	2020 £'000
Cost		
At 31 March 2020	-	-
Transfers during the year	1,788	-
Additions during the year	224	-
Disposals during the year	-	-
At 31 March 2021	**2,012**	-

13. Property, Plant and Equipment

Other fixed assets

	Other Property* £'000	Office premises £'000	Service assets £'000	Vehicles & office equipment £'000	**2021 Total £'000**
Cost					
At 31 March 2020	455	1,340	778	6,055	**8,628**
Additions during the year	57	192	20	512	**781**
Disposals during the year	-	-	-	-	**-**
Write off adjustments	-	-	(66)	44	(22)
At 31 March 2021	512	1,532	732	6,611	**9,387**
Depreciation					
At 31 March 2020	77	990	618	5,094	**6,779**
Charge for the year	18	184	27	480	**709**
Disposals during the year	-	-	-	-	**-**
At 31 March 2021	95	1,174	645	5,574	**7,488**
Net book value					
At 31 March 2021	**417**	**358**	**87**	**1,037**	**1,899**
At 31 March 2020	378	350	160	961	1,849

*Other property is comprised of the Malpas depot and commercial shops.

14. Inventories

	2021 £'000	2020 £'000
Stocks of materials	**116**	164
Investment in Shared Ownership properties	**648**	-
	764	164

15a. Debtors: amounts falling due within one year

	2021 £'000	2020 £'000
Arrears of rent and service charges	**1,834**	1,560
Less: Provision for bad and doubtful debts	**(988)**	(1,048)
	846	512
Accrued grant income	**642**	1,074
Government Grant Debtor (note 18)	**34**	31
Debtors and prepayments	**2,404**	4,301
	3,926	5,918

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

	2021 £'000	2020 £'000
Government Grant Debtor (note 18)	**1,947**	1,964

16. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade Creditors	**752**	3,986
Grants in advance	**466**	-
Social Housing and other Government grants (Note 18)	**3,470**	2,822
Employee benefits	**165**	125
Accruals and deferred income	**9,346**	6,363
Prepayments of rents and service charges	**1,078**	1,017
Prepayment of other charges	**102**	129
Deposits	**18**	18
	15,396	14,460

HFG grant of £31k was included under Accruals and Deferred Income in 2020. The corresponding balance of £25k in 2021 has been reclassified under Social Housing and Other Government Grants.

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

	2021 £'000	2020 £'000
Housing loans	**107,333**	92,000
Loan premium	**5,400**	5,571
Social housing and other Government grants (Note 18)	**74,131**	65,061
	186,864	162,632

HFG grant of £1,964k was included under Deferred Grant Income in 2020. The corresponding balance of £1,964k in 2021 has been reclassified under Social Housing and Other Government Grants.

As part of the Welsh Government's 'Land for Housing' initiative, the Association received a public benefit entity concessionary loan of £1m during the year. The loan was specifically used for the acquisition of land and is repayable when construction of the scheme begins or within five years, whichever is earlier.

Loans are secured on 41% of properties where the association holds an interest.
At 31 March 2020, the association had un-drawn loan facilities of £58 million.
Loan interest payable varies between 1.15% and 5.20%.

Prepaid loan arrangement fees totalled £717k as at 31 March 2021.

Loans repayable by instalments fall due as follows:

	2021 £'000	2020 £'000
In five years or more	**110,939**	96,860
Between two and five years	**1,659**	540
	112,598	97,400
In one year or less	**135**	171
	112,733	97,571

18. Grants

	Dowry £'000	Other Grants £'000	SHG/HFG/R2O £'000	**Total £'000**
Cost				
At 31 March 2020	68,500	4,326	12,687	**85,513**
Additions during the year	6,056	497	9,085	**15,638**
Disposals during the year	(413)	-	-	**(413)**
Write off adjustments	(104)	(8)	-	**(112)**
At 31 March 2021	74,039	4,815	21,772	**100,626**
Amortisation				
At 31 March 2020	19,007	514	73	**19,594**
Amortised in year	3,323	164	115	**3,602**
Amortisation written back on disposal	(137)	-	-	**(137)**
Write off adjustments	(21)	(13)	-	**(34)**
At 31 March 2021	22,172	665	188	**23,025**
Net book value				
At 31 March 2021	**51,867**	**4,150**	**21,584**	**77,601**
At 31 March 2020	49,493	3,812	12,614	65,919

	2021 £'000	2020 £'000
Grants fall due as follows:		
In one year or less	**3,775**	2,822
Between one and two years	**8,438**	4,203
Between two and five years	**13,699**	12,607
After more than five years	**51,689**	46,287
	77,601	65,519

19. Non-equity share capital

Shares of £1 issued:	2021 £'000	2020 £'000
At 31 March 2020	**196**	201
Issued during the year	**3**	1
Cancelled during the year	**(99)**	(6)
At 31 March 2021	**100**	196

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

20. Operating leases

At 31 March 2021 the association had commitments under operating leases as follows:

Motor vehicle and office equipment expiring:	2021 £'000	2020 £'000
Within one year	**85**	73
Between one and two years	**12**	-
Between two and five years	**7**	-
	104	73

Land and buildings expiring:	2021 £'000	2020 £'000
Within one year	**302**	302
Between one and two years	**308**	302
Between two and five years	**925**	974
Over five years	**2,084**	2,392
	3,619	3,970

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

The association signed a fifteen-year lease for office accommodation at Nexus House, Newport which expires in March 2034.

21. Capital commitments

	2021 £'000	2020 £'000
Capital expenditure contracted but not provided for in the financial statements	**34,367**	13,138
Capital expenditure authorised by the board but not contracted	**41,007**	20,327

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

22. Net assets

The net assets of the association were £5.5 million as at 31 March 2020, a decrease of £2.9m from the previous year.

The association made a surplus of £9.7m on ordinary activities during the year (2020: £5.6m).

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.

23. Pension costs

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

The most recent valuation was carried out at the 31 March 2021 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 2021. 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 during the year was 17.0% of members' contributions. This rate will continue until 31 March 2023.

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

	2021 %pa	2020 %pa
Rate of increase in pension (CPI)	**2.80%**	1,80%
Rate of increase in salaries	**3.10%**	2.10%
Discount rate	**2.05%**	2.30%
Actual returns from the period	**30.60%**	(7.00%)
The movement in the net surplus for the period were:		
Fair value of plan assets	**59,821**	44,381
Value of funded obligations	**(85,138)**	(58,168)
Total estimated scheme (deficit)/surplus	**(25,317)**	(13,787)
Market value of plan assets		
Equities	**48,455**	32,398
Bonds	**10,170**	10,208
Property	**1,196**	1,331
Cash/liquidity	**-**	444
	59,821	44,381

Components of pension costs for year:	**2021**	2020
Current service cost	**3,355**	4,020
Past service cost	**-**	175
Net interest cost	**335**	428
Total pension cost recognised in income and expenditure account	**3,690**	4,623

Statement of recognised surpluses and deficits

Actuarial gains/(losses)	**(9,593)**	5,748
Total pension surplus / (cost) recognised in the statement of comprehensive income	**(9,593)**	5,748

Changes to the fair value of assets during the year:

Present value of scheme assets at 1 April	**44,381**	45,841
Interest income on plan assets	**1,039**	1,120
Contributions by the employer	**1,753**	1,720
Contributions by the participants	**697**	609
Benefits and transfers paid	**(813)**	(857)
Expected return on assets	**12,764**	(4,052)
Total fair value of plan assets at 31 March	**59,821**	44,381

Changes to present value of liabilities during the year:	**2021**	2020
Present value of scheme liabilities at 1 April	**58,168**	62,473
Current service cost	**3,355**	4,020
Past service costs	**-**	175
Interest costs	**1,374**	1,548
Contributions by the participants	**697**	609
Benefits and transfers paid	**(813)**	(857)
Changes in financial assumptions	**21,769**	(9.056)
Changes in demographic assumptions	**1,140**	(3,050)
Other experience	**(552)**	2,306
Total value of funded obligations at 31 March	**85,138**	**44,381**

Sensitivity analysis

The sensitivity regarding the principal assumptions used to measure the LGPS scheme liabilities are set out in the table below:

Change in assumptions at 31 March 2021:	**Approximate % increase to Defined Benefit Obligation**	Approximate monetary amount £000s
0.5% decrease in Real Discount Rate	**13%**	11,033
0.5% increase in the Salary Increase Rate	**2%**	1,340
0.5% increase in the Pension Increase Rate (CPI)	**11%**	9,456

24. Contingent Liability

The association received a grant from the Welsh Government in a previous year for a specific activity and due to a subsequent event, there is a remote possibility that a small amount may become repayable. The liability value is not considered to be an adjusting event and therefore has not been recognised in the financial statements.

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