



**Bron Afon Community Housing Ltd**

**Annual Report & Financial Statements**

**For the year ended 31 March 2020**

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## **BOARD MEMBERS, EXECUTIVE OFFICERS AND PROFESSIONAL ADVISORS**

### **Board Members**

Andrew Lawrence (Chair)  
Patrick Harkness (Vice Chair)  
David Michael  
Mandy Eddolls  
Joanne Oak  
Stephen Lodge  
Bethan Evans (left 30<sup>th</sup> June 2019)  
Craig Nowell  
Brian Jones (left 18<sup>th</sup> September 2019)  
Veronica Crick  
Jessica Powell  
Hilary Drinkwater  
Teresa Barter (appointed 19<sup>th</sup> September 2019)  
Peter Jackson (appointed 20<sup>th</sup> November 2019)

### **Executive Officers**

Alan Brunt	Chief Executive
Neil Edwards	Director of Resources and Company Secretary
Ian Simpson	Director of Community Housing and Support (left 30 <sup>th</sup> September 2019)
Unji Mathur	Director of Organisational Development
Catherine Love	Director of Customer Experience (appointed 17 <sup>th</sup> June 2019)

### **Registered Office:**

Tŷ Bron Afon  
William Brown Close  
Llantarnam Industrial Park  
Cwmbran, Torfaen, NP44 3AB

**BOARD MEMBERS, EXECUTIVE OFFICERS AND PROFESSIONAL ADVISORS  
(continued)**

**External Auditor:**

Mazars LLP  
45 Church Street  
Birmingham  
B3 2RT

**Internal Auditors:**

Barcud Shared Services  
2 Alexandra Gate  
Ffordd Pengam  
Cardiff  
South Glamorgan, CF24 2SA

**Bankers:**

National Westminster Bank Plc  
Cwmbran and District Branch  
36-37 Gwent Square  
Torfaen  
NP44 1YW

**Funders:**

The Royal Bank of Scotland Plc  
Portfolio Management  
Corporate & Institutional Banking  
9<sup>th</sup> Floor  
280 Bishopsgate  
London  
EC2M 4RB

Principality Building Society  
PO Box 89  
Principality Buildings  
Queen Street  
Cardiff  
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100 Boulevard Konrad Adenauer  
L-2950 Luxembourg

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## **STRATEGIC REPORT**

### **Introduction**

This document is presented against a background of uncertainty and change as we live through the Covid-19 pandemic and the consequent economic uncertainty. The pandemic started during the tail end of the financial year in March and so has had limited effect on the financial and service performance during 2019/20. However it has had a marked effect on the services we can offer and the way they are provided, at least in the early months of 2020/21, and on the financial targets and expectations for the next year and beyond. However Bron Afon, like much of the social housing sector in Wales, is financially strong, risk aware and with a relatively secure income stream. As demonstrated in these accounts Bron Afon has strong liquidity with £40m in cash and investments and is able to play its part in supporting social and economic stability in the local area. Our response to the pandemic and subsequent recovery allows us to remain focused on our plans to develop and improve services with a strong customer focus and sense of mutuality.

It is in these circumstances that the Board presents the Strategic Report, Board Report and the audited consolidated financial statements for Bron Afon Community Housing Ltd (Bron Afon) and its subsidiaries for the year ended 31 March 2020.

### **Who Are We?**

Bron Afon is a not-for-profit social enterprise and Registered Social Landlord which received the transfer of over 8,000 properties from Torfaen County Borough Council on 31<sup>st</sup> March 2008. Bron Afon has been established as a Community Mutual and we:

- Provide high quality affordable homes and excellent services to tenants and leaseholders in Torfaen and
- Promote and support vibrant, sustainable, safe, clean and healthy communities and maximise other benefits to the community.

Our specific objectives on transfer were to maintain and improve services to tenants and leaseholders and to meet the commitments made in the Offer Document issued by the Council and supplemented by our Corporate Plan.

### **Legal Structure**

Bron Afon Community Housing Ltd is authorised and regulated by the Financial Conduct Authority as a registered Society with charitable rules. It is registered with the Welsh Government (WG) as a Registered Social Landlord (RSL). Bron Afon currently has 2,497 shareholder/members all of whom must be either residents of Torfaen or Board members.

Bron Afon also has two active subsidiaries and the financial statements include the accounts for the Group and for Bron Afon Community Housing Ltd. Afon Community Trust (ACT) is a registered charity and aims to attract and direct charitable funding to support those in distress, support employment and contribute to the regeneration of

communities. It spent just £726 (2019: £730) on administration costs. Afon Community Services Limited (ACS) is a commercial subsidiary set up to carry out work which does not meet our direct charitable objectives. It was not active during 2019/20 although it made a loss of £5.6k on administration costs and corporation tax relating to 2018/19. We also have a third subsidiary, Afon Energy Limited, which is currently dormant.

## Vision, Objectives and Strategy

Bron Afon's main aim is to improve the quality of life and life chances of people living in Torfaen and neighbouring communities with a particular focus on those who face disadvantage. Our current Corporate Plan runs from 2018/19 to 2022/23 and sets out our vision:

**“to create flourishing communities in our part of Wales, where everyone has a quality home to live in and where people who need it are supported and encouraged.”**

In support of this vision our commitment is by 2023, led by our members, Bron Afon

- will be an agile, effective and efficient business, delivering the services our tenants and customers need;
- will provide a powerful voice and a trusted presence for those who need us;
- and will have built hundreds of new homes and created thousands of life changing opportunities.

As part of the review we sharpened and simplified our values to make them REAL. These are shown on the right.

### Respect

We value everyone, and treat all fairly, politely, with dignity and respect.

### Engage

We are proud to be owned by the community. We support and involve others in shaping what we do to make lives better.

### Ambition

We bring passion, creativity and commitment to what we do and want to be the best. We take pride in our work and celebrate successes.

### Listen

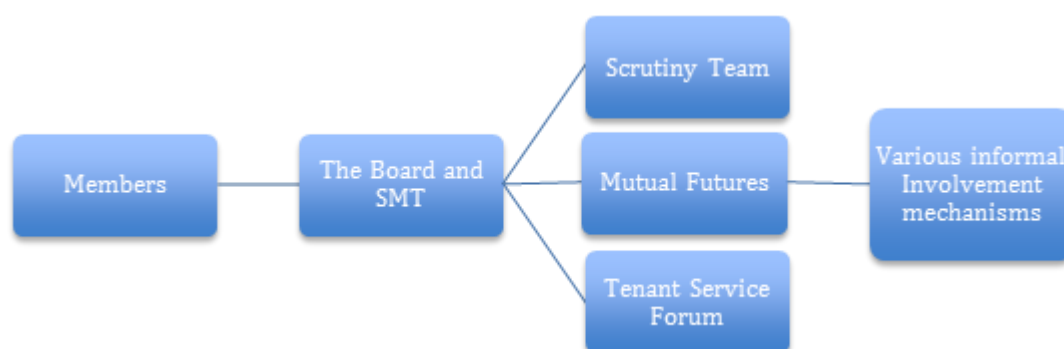
We listen to understand what's important. We are caring, responsive and open to change and improvement.

## Governance

The Board consists of twelve members and is supported by three committees:

- a) Audit and Ethics Committee
- b) Staffing Committee
- c) Asset Management and Development Committee.

The diagram below shows the governance structure and how the membership involvement structure links to the Board. The aim is to engage the membership in both strategic thinking (Mutual Futures) and in operational matters (Scrutiny Team, Tenant Services Forum).



A review of the relationship between Board and Committees and their remit started in 2019/20 with the support of Central Consultancy to ensure that the changing nature and work of Bron Afon is reflected in the governance structure and that the voice of the tenants is being heard effectively by Board members. The review will be completed in 2020/21 and the changes implemented before the end of the financial year.

## Financial Review

### Overview

The financial statements for 2019/20 have been prepared under FRS102 accounting requirements introduced in 2015/16. The 2018 Housing SORP (“Statement of Recommended Practice”) clarified the appropriate presentation and disclosure of certain items and consequently income and expenditure arising on disposal of fixed assets, such as right to buy sales, is now presented within operating surplus rather than after it but before Net Surplus. The prior year results have been restated to reflect this change in presentation. This restatement means that figures prior to 2018/19 are not directly comparable and so the table below shows the summary annual financial results for just the last two years. The revenue surplus for 2019/20 of £3.6m is c.£2.3m lower than the previous year’s results.

<b>Statement of Comprehensive Income</b>	<b>2018/19 Group £'000</b>	<b>2019/20 Group £'000</b>
Turnover	45,891	48,151
Operating surplus	9,961	7,753
Net Interest Payable	(3,354)	(3,289)
Pension Scheme Net Interest Charge	(735)	(887)
<b>Surplus/(deficit) for the year before tax</b>	<b>5,872</b>	<b>3,577</b>

### *Turnover*

Turnover has increased by 4.9% or £2.3m up to £48.2m. The main source of income is rent which has increased by £875k (2.3%) to £39.4m (see note 4) since 2018/19. This reflects the rent increase of 2.4% (2019: 2.4%), in line with Welsh Government (WG) guidelines, plus an adjustment of +/-£2.00 applied to those rents that are in transition to the Bron Afon target rent for their particular property type.

Other major changes in Turnover:

- We receive Gap Funding from the Welsh Government of £5.8m, of which £2.4m (2019: £1.7m) is credited to Turnover (see note 3).
- We received a VAT refund of £808k covering the financial years 2015/16 to 2018/19. No such refund was received in 2018/19.

### *Expenditure*

There has been an increase of £2.9m (7.2%) in operating expenditure. This is in part because of the additional cost incurred of £1.49m in implementing the major structural change as part of our One Bron Afon project, including 25 redundancies. There has been an overall reduction in staff of 46 FTE, with the number of full time equivalent staff at 31<sup>st</sup> March 2020 at 386, compared with 432 the same time the previous year (Note 11).

There has also been an increase in overall revenue maintenance expenditure up from £17.8m to £20.2m, an increase of £2.4m (13.5%). This is partly due to additional expenditure arising from the storms in the winter months and also the downtime for the internal labour force in the last couple of weeks of the financial year due to the outbreak of Covid-19. This will have more of an effect in 2020/21.

Meanwhile depreciation of housing properties is up £482k (5.4%) (2019: 4.1%) reflecting the continuing capital investment being made in the stock.



*Amount Owed (Debtors)*

The bad debt provision has been supplemented by an additional one off amount of £235k to provide for a possible increase in arrears arising from the Covid-19 pandemic. In the final week of March arrears increased by £235k, from £1,152k to £1,387k; subsequently arrears increases have been much smaller. This suggests that there was an initial 'spike' in arrears levels following the UK lockdown, followed by a general settling of the arrears levels; taking a prudent view it may be that tenants are staying on top of their more current debt. However we have provided for the initial increase in arrears, as this may be harder to recover.

*Statement of Financial Position*

A summary of the Statement of Financial Position is shown below.

	<b>2015/16 Group £'000</b>	<b>2016/17 Group £'000</b>	<b>2017/18 Group £'000</b>	<b>2018/19 Group £'000</b>	<b>2019/20 Group £'000</b>
Housing Properties	143,520	149,558	158,594	163,039	167,661
Other properties	1,696	1,907	1,867	1,959	1,915
Other fixed assets	5,372	4,958	4,684	4,277	3,911
Intangible assets	736	754	553	521	452
<b>Total fixed assets</b>	<b>151,324</b>	<b>157,177</b>	<b>165,698</b>	<b>169,796</b>	<b>173,939</b>
Net current assets/(liabilities)	207,149	200,802	198,713	205,488	205,040
Pension liability	(17,455)	(28,848)	(25,425)	(33,381)	(29,468)
Net loan balance	(72,562)	(78,701)	(80,256)	(83,160)	(83,215)
VAT Shelter Agreement	(203,296)	(192,248)	(185,852)	(179,787)	(173,634)
Government Grants	(35,052)	(37,550)	(43,150)	(48,553)	(52,229)
Other Long Term Creditors	-	-	(1,017)	(1,357)	(1,331)
<b>Share capital and reserves</b>	<b>30,108</b>	<b>20,632</b>	<b>28,711</b>	<b>29,046</b>	<b>39,102</b>

*Our Properties*Sales and Acquisitions

In the ten years since April 2008 when we were formed to March 2018 we sold on average 8 properties per year through Right To Buy (RTB). However, following the Welsh Government's announcement that RTB applications would cease in January 2019, 2018/19 saw a significant increase and 35 were sold in that year. A further 22 have been sold in 2019/20 bringing the total sold through RTB since transfer to 141. There are still 9 live applications that could possibly be sold in 2020/21.

We also sold 1 property as part of our strategic asset management programme and equity shares in 1 shared ownership property. Overall sales generated £1.923m (2019: £3.376m) in net receipts.

Our new development programme continues to grow and we acquired/built 34 new properties (2019: 36 properties):

- 1) 12 General Needs flats at Tŷ Newidiadau, Garndiffaith, Pontypool;
- 2) 2 General Needs flats and 3 General Needs houses along with 2 Intermediate Rented houses let at Melin y Bedol, Pontnewynydd;
- 3) 9 flats, 2 bungalows and 2 houses let on a General Needs basis and 2 houses let on an Intermediate Rent basis at Oakfield Grange, Cwmbran.

In addition 2 flats previously sold by Torfaen Council under Right to Buy legislation were purchased as part of our buyback strategy.

£4.35m has so far been drawn down of our £30.5m development loan facility to fund the work over the last three years. This facility is only available until December 2020, so work is taking place to secure loan funding for the period after this date.

#### Investing in our properties

There has been an increase in the gross value of housing properties within the Statement of Financial Position from zero at transfer in 2007/08 to £168m in 2019/20, funded in part by £80m of loan drawn down for WHQS work by 2016/17. All further work on existing properties is funded through internal resources supplemented by grant where available.

The quality of our housing stock is key in providing good quality homes to our tenants. In 2019/20 we spent £5.6m (2019: £8.9m) (see Note 15) on capital investment in our existing stock. We are conscious of the need to invest effectively in the stock and as part of our asset management strategy we use an Asset Performance Evaluation model to assist in our investment strategy, taking financial, demand and social considerations into account.

Our garage strategy has been reviewed for the coming year. In 2019/20 we had 2,046 garages. They generated £619k in rent (2019: £650k) and we spent £318k in management and maintenance (capital and revenue) (2019: £322k), providing a surplus of £299k (2019: 328k). However we also had 35% of our garages as void and it is recognised that further investment is needed. To this end we will dispose of those which are uneconomic or hard to manage and invest the receipts in the remaining stock.

#### *Bron Afon Pension Schemes*

##### a) Schemes Available

We are a member of the Local Government Pension Scheme (LGPS) and are obliged under the Transfer Agreement to provide this (or similar) to staff who transferred from the Local Authority in 2008. The scheme was closed to new staff in 2016/17 and an alternative pension scheme was introduced for new employees and current employees who wished to join. It is a defined contribution scheme

administered through the Pensions Trust (which has experience in providing pension schemes for the housing sector) and was introduced on 1<sup>st</sup> September 2016. This is our default scheme for auto enrolment. The LGPS scheme remains in place for those employed prior to 1<sup>st</sup> September 2016.

b) Contribution Rates

The rates for 2019/20 are 19% of payroll costs plus an annual contribution of £460k to fund the deficit. The employer's contribution rate for the LGPS is set every three years following the Triennial Valuation; this was carried out during 2019/20 and will impact 2020/21 onwards. The contribution rates have been held constant. Work is currently taking place with the Scheme Administrators to agree a long term strategy recognising that we will cease to be members once the last employee within the scheme leaves Bron Afon.

The employer's contribution rate for the defined contribution scheme is fixed at a minimum of 6% and a maximum of 10% of payroll costs, depending on the contribution the employee wishes to make into the scheme.

c) FRS102 Pension Calculation

Whilst the Triennial Valuation calculates the financial position of the scheme and the contributions required based on the particular features of the scheme (e.g. its investment strategy), it is also necessary to carry out a calculation of the assets and liabilities of the scheme in accordance with the requirements and assumptions laid down in FRS102. Whilst the Board must approve the assumptions used there is only a limited range over which they can vary. These assumptions are set out in Note 32. The intention of FRS102 is that by using prudent, standardised assumptions, it is possible to compare employers and it is this calculation that features in the accounts.

Under the accounting calculation the deficit as shown in the Statement of Financial Position has decreased by £3.9m from £33.4m to £29.5m (2019: increase of £8m to £33.4m). The effect on the Statement of Comprehensive Income is significant, with a charge of £2.6m attributable to the FRS102 calculation (2019: £2.4m).

<b>Total Charge to SCI</b>	<b>2018/19</b>	<b>2019/20</b>
<i>Service Cost</i>	£3,932,000	£4,781,000
<i>Interest Expense</i>	£735,000	£887,000
<b>Total Gross FRS102 Pension Charge</b>	<b>£4,667,000</b>	<b>£5,668,000</b>
<i>Less Actual Employer Contributions</i>	£2,248,000	£3,102,000
<b>Total Charge to I&amp;E</b>	<b>£2,419,000</b>	<b>£2,566,000</b>

*Treasury Management*

Bron Afon's approach to treasury management is laid out in our Treasury Strategy and Management policy. The key indicator of our effectiveness in this area concerns

the successful identification, monitoring and control of risk. The funding strategy within the Treasury Policy is based on the long term nature of our business. Much of our debt is hedged for long periods, so reducing exposure to short and medium term interest rate fluctuations and therefore providing certainty for a given period of time.

## **Performance Review**

### *Background*

2019/20 has been a transitional year for Bron Afon, re-organising and setting it up to deliver our corporate plan objectives and to achieve the shift to the agile business that we want Bron Afon to become. It's been a year in which in spite of significant upheaval through the business restructure, we have managed to continue to run the business successfully.

Much time has been devoted to putting in the new operating framework. The Senior Management Team has radically changed with the introduction over the last 18 months of the new Customer Experience and Transformation directors, with re-organised teams focused on delivering excellent customer experiences and providing support for the business to improve services to make better decisions.

### *Monitoring Performance*

Bron Afon monitors performance across the organisation, assisted by a set of Strategic outcomes and a suite of performance indicators.

### *Strategic Outcomes*

Our Corporate Plan provides details of our strategic aims and objectives and is supported by a 30 year financial forecast which is monitored and updated regularly. By setting out our ambitions the plan has directed the business in delivering a number of commitments over the life of the plan. We have continued with our business transformation ("One Bron Afon") as described above. This is aimed at changing how we do business and improve our services to help directly achieve the following three specific ambitions, and directly to help deliver all of the 10 ambitions set out in the Corporate Plan:

- to provide services for our customers that are shaped by them;
- to have a great reputation;
- to develop our organisation to meet our business needs.

The Strategic Management Team monitors progress via the One Bron Afon programme and other key projects such as the continuing Older Person's Housing review, our "Work Safe, Be Well" project focused on health, safety and wellbeing and a review of our pay and reward structure for staff.

### *Performance Indicators*

Bron Afon has in place key strategic indicators covering all aspects of the business. These have been structured to fit around the themes of the Corporate Plan.

Detailed KPIs are considered at Committee and Board level. The table below shows the end of year results against the target. 2018/19 figures are included for comparison.

KPI Measure	2018/19 Target	2018/19 Actual	2019/20 Target	2019/20 Actual
<b>Customers</b>				
% of tenancies sustained independently >12 months following provision of support	70.00%	87.50%	90.00%	91.84%
Net Promoter Score (transactional survey)	40	41	40	20*
<b>Homes</b>				
Number of new homes delivered into service per annum	90	36	90	34
% of repairs completed at first visit	94.21%	99.08%	98.00%	99.76%
Housing occupancy level as % of housing stock	98.00%	98.72%	98.75%	98.24%
Average number of calendar days to complete a repair	12	17.91	12	12.50*
Average days to re-let a property (excluding major works)	23	27.3	23	33.16*
<b>Staffing</b>				
Number of RIDDORs	0	6	0	8
Number of accidents	105	115	115	127
Working Days Lost Due to Sickness Per FTE	12	18.28	15	14.73
<b>Customer Services</b>				
Percentage of customer calls answered by the contact centre	95.00%	85.12%	95.00%	77.14%*
First point of contact resolution for customers	80.00%	85.19%	80.00%	90.19
<b>Financial Measures</b>				
Current arrears as a % of rent due	3.10%	3.22%	3.10%	3.21%*
Operating margin		20.0%		16.1%
Operating margin (Adjusted)	7.80%	15.17%	12%	12.11%
Liquidity available sufficient for next 18 months	Yes	Yes	Yes	Yes

Interest cover	1.1:1	4.8:1	1.1:1	4.1:1
Net debt per unit	£10,217	£6,576	£7,527	£5,519
Cashflow before development expenditure	Positive	Positive	Positive	Positive
Total rent and service charges collected as % of total rent and service charges due	97.00%	100.15%	101.00%	99.57%*

\* The service provided in March was disrupted due to Covid-19 and this may distort the results for the year.

### *Delivering Value for Money (VfM)*

Achieving and demonstrating Value for Money (VfM) is integrated into the way we work at Bron Afon. We aim to deliver the best we can making the best use of the resources available to us. This way we can deliver VfM for our tenants, staff and communities from the resources and assets available to us.

Value for Money (VfM) involves creating a culture where we are able to add more value for stakeholders by using less resource and expenditure or obtaining maximum benefit within the resources available whether this be providing a service or obtaining goods. It is about gaining the optimum balance between the 4 E's - Economy, Efficiency, Effectiveness and Equity.

Value for Money is a key strategic objective, reaching across all our activities and shaping key reviews. Our approach to VfM is to embed a culture in the organisation where VfM is considered in every day decisions and service delivery.

During 2017/18 a new set of indicators was discussed by both the English Regulator and the Welsh Government for the housing sector. On the basis of these discussions we have adopted a suite of measures which are shown in the following table. Figures for the Welsh Housing Sector are included for comparison where available.

	Welsh Housing Sector		Bron Afon		
	2017/18	2018/19	2017/18	2018/19	2019/20
Operating costs for lettings per Social Housing unit	£3,186	£3,345	£3,782	£3,454	£3,789
Management costs per Social Housing unit	£1,221	£1,284	£1,314	£1,247	£1,287
Reactive repair costs per Social Housing unit	£1,108	£1,144	£2,197	£2,095	£2,307
Major repairs and component costs per Social Housing unit	£889	£887	£1,119	£1,098	£694
Bad debts per Social Housing unit	£31	£45	£45	£62	£46
Weighted average cost of capital	5.12%	4.50%	4.25%	4.28%	4.24%
Free cash flow (before draw down or repayment of loans)	£247	£585	£368	£649	£1,183
Gross Arrears/Social Housing turnover	4.6%	4.7%	5.3%	4.5%	4.5%

<b>Total rent per Social Housing unit</b>	£5,250	£5,459		£4,783	£5,006	£5,077
<b>Rental void loss per Social Housing unit</b>	£78	£72		£54	£55	61
<b>Operating Margin</b>	Unavailable	Unavailable		9.51%	14.35%	12.11%
<b>Return on Capital Employed (ROCE)</b>	Unavailable	Unavailable		1.18%	1.75%	2.05%
<b>Units developed</b>	Unavailable	Unavailable		16	36	34
<b>Units developed as percentage of units owned</b>	Unavailable	Unavailable		0.20%	0.45%	0.42%

<sup>1</sup> Operating Margin (adjusted) – Operating Surplus is adjusted to remove income and expenditure relating to Property Sales that, prior to the 2018 SORP, were shown after the Operating Surplus but included in Net Surplus.

Compared with the sector as a whole our operating costs per unit are higher, although our unit costs have been falling year on year in recent years. The increase in 2019/20 is partly due to the costs of reorganisation. We also continue to spend more on both reactive repairs and major repairs though the difference has been reducing. The level of capital spend is directed by our asset management plan which identifies expenditure required to keep our stock at WHQS and therefore expenditure will fluctuate over time. Our rental income per property is also lower than the average for the sector, reflecting the lower property rents we can charge under WG rent policy compared with some other parts of Wales.

We have set a target to achieve an operating margin (adjusted) of 15% by 2020/21, involving net savings of £4m over a three year period (where the operating surplus is adjusted to remove income and expenditure relating to property sales). This is being delivered as part of the review of the Target Operating Model and the One Bron Afon programme. At the end of March 2020 our adjusted operating margin was 12.1% (2019: 14.3%), This reduction is due to the one off costs incurred in the implementation of the new operating model; adjusting for the exclusion of these costs gives an underlying operating margin of just over 15%. Whilst our objective is to ensure this level is retained and improved upon in 2020/21, the uncertainty arising from the Covid-19 pandemic means that it is unclear whether the 15% adjusted operating margin will now be met next year.

### Investment in Our Stock

Our focus during the first ten years has been on the achievement and maintenance of WHQS and the commitments detailed in the Offer Documents to tenants. At transfer the stock had a negative valuation and was transferred therefore at zero value. In 2019/20 the value of the stock as shown in the Statement of Financial position has risen to £168m representing the capital expenditure incurred. The annual desktop valuation carried out by Savills at March 2018 provides a valuation of current stock at Existing Use Value – Social Housing with no Gap Funding of £262m at 31<sup>st</sup> March 2020 with projections of this rising to £284m by 31<sup>st</sup> March 2024. (The 2019 valuation is not available as it will be carried out later in the year as part of loan refinancing). This expenditure therefore represents good value for money and builds up an asset base which we can use as security not only for the existing loan facility but for further new development in the future.

## Looking to the Future

### *Corporate Plan*

Our Corporate Plan sets out our overarching aims and objectives from 2018 to 2023. Whilst these still remain in place, a key focus over the coming year is coping with and emerging from the challenges we and the communities we serve face from the Covid-19 pandemic. Other work continues but it needs to be seen in this context.

### *Principal Risks and Uncertainties*

#### Covid-19 and Financial Sustainability

The Covid-19 pandemic has led to financial uncertainty for 2020/21 as we address the issues arising from lockdown both for staff and for tenants and from the potential wider economic implications. Following the implementation of our emergency planning procedures to ensure continuous service we considered the risks arising from the pandemic for Bron Afon. These are continually reviewed as the situation develops. Key risks identified include:

- the health, safety and wellbeing of both staff and tenants,
- issues around community safety and anti-social behaviour,
- delivering our maintenance and compliance obligations as well as our development programme, and
- financial viability – meeting loan covenants, financial market volatility and financial liquidity.

We continually review the financial situation and monitor both arrears and expenditure closely. In April 2020 approximately 52% of our tenants were “self-payers”; this includes those on Universal Credit.

We saw a large increase in arrears (over £230k) identified at the end of March, which was provided for in the 2019/20 accounts. Subsequent indications are that the level of increase in arrears is reducing as tenants settle into a new pattern of payment as they become used to their new situation e.g. being furloughed, increasing reliance on state benefits. There are of course further risks arising as lockdown is phased out and there is the possibility of a second wave of the pandemic, as well as risks arising from the longer term economic impact.

The financial impact on expenditure has been a reduction in both revenue and capital maintenance spend in the early months of 2020/21, although having our own in house DLO has meant that we have a higher level of fixed costs than some other housing associations. Conversely this allows us flexibility in the activities and services we can provide.

Bron Afon is financially strong and it is clear that the business is an ongoing concern, able to successfully trade during and after the pandemic. We have a high level of liquidity, having access to over £40m (see Current Asset Investments and Cash at Bank and In Hand in Statement of Financial Position) which can be used to fund any short fall during the year. We have carried out extensive stress testing of



the business plan to understand the possible implications arising from the pandemic. The Interest Cover Ratio covenant with the lenders is our most sensitive covenant. The target is 1.1:1 and our original budget for the year is 2.2:1. To break the covenant our net income would have to fall by £5.025m, equivalent to self-payers making no payment at all for almost 3 months. By comparison in the eight weeks from the start of the pandemic in the second half of March up to the middle of May (covering two housing benefit cycles) arrears had risen by £270k. The rate of increase was much lower in the second cycle than in the first.

#### Agile Working and “Back to the Future”

As part of our new total operating model work was carried out during 2019/20 to introduce more agile ways of working – increased flexible working, changing processes to further improve both efficiency and customer service, and review our office requirements. This has been rapidly accelerated by the Covid-19 pandemic. Plans for the future ways of working as the pandemic comes to an end are being worked up under the project title “Back to the Future”. The emphasis is on learning the lessons on the way we can deliver services effectively from the changed ways of working and capitalise on the opportunities that have been revealed. At the same time we must ensure that the problems, shortfalls and gaps revealed are addressed and resolved in partnership with staff and tenants.

#### Brexit and Financial Uncertainty

The economic uncertainty arising from the Covid-19 pandemic could be compounded further by the effects of Brexit. Whether there will be a deal struck between the UK and the EU is as yet unclear, or what the details of any such deal might be. Brexit gives rise to a multitude of risks which we have endeavoured to assess and mitigate where possible. These include consideration of the possible effect on our supply chains for materials and for contractors, on our ability to recruit and retain staff and what the possible economic impact might be e.g. rising inflation, unemployment, interest rates and how in turn these might affect Bron Afon and our tenants.

#### Affordable Rent

Following receiving the Independent Review of Affordable Housing Supply report from the expert panel it appointed, the Welsh Government issued its Rent Policy providing for increases up to CPI+1% per annum on average over a five year period from 2020/21. The policy also placed a number of obligations upon housing associations including the requirement that over the coming year we formulate and consult upon a methodology to demonstrate that the rents we charge are affordable.

#### Gap Funding

The Independent Review was also concerned to ensure that such funding offers value for money to the Welsh Government. Rather than a systematic withdrawal of dowry, the report recommended that the regulator conducts a detailed review of individual RSLs' business plans to test the continuing requirement for the dowry in each case. Where the case for dowry is made this would continue to be assessed on a continuing five year rolling basis, rather than the two years at present.

### Decarbonisation

As part of the Welsh Government's challenging targets around emissions and target change, the Panel proposed it requires LSVTs to accelerate programmes of decarbonisation of existing homes in return for a continuing commitment to Gap Funding. Whilst we need to understand more about what the detailed expectation is, this will increase our capital and revenue expenditure at a time when rents are being squeezed and pressure on our services grows.

### Financing Affordable Housing

New affordable housing has three strands of funding, internal resources, loan and capital grant. In order to maximise the output from limited capital grant for new development one measure proposed by Welsh Government is to introduce a standard model for calculating grant rates. The aim is to reduce average grant from 58% to 50%. This was scheduled to be introduced fully by 2021/22, although it has been delayed due to the Covid-19 pandemic. This will put further pressure on internal resources and our capacity to borrow, particularly in the light of the pressures highlighted above.

Our current loan facility is due to expire in December 2020 and we are well underway in seeking a new facility. This includes reviewing the current loan arrangements to amend some of the controls held by the lenders which apply to a new/young LSVT, and move to corporate- style covenants more typically in place for housing associations.

Increasing further our commitment to a major new development programme has inherent risks around availability of land and our ability to manage such a programme effectively. These risks are being managed by working with others, bringing in the right skills into the organisation, and introducing necessary and appropriate controls, policies and procedures.

### *Self Assessment and Appraisal*

In addition to monitoring risks, the Bron Afon Board carries out an annual self-assessment of the organisation which informs our strategic and service planning, major change projects, policy development and service reviews for the following twelve months. Progress is monitored and reported to the Board on a regular basis at Board meetings and through a regular Board update.

Performance is monitored by senior managers and by the Board. In addition, senior managers oversee major change projects focused around particular Corporate Plan priorities.

Welsh Government issued its last regulatory opinion on Bron Afon in March 2020 and concluded that Bron Afon was standard for both Governance and Services and for Financial Viability, where "standard" is the top rating provided.

### *Financial Viability*

Future performance depends on continuing financial viability. The Business Plan is based on certain key assumptions about inflation, interest rates, etc. and on the control of costs and consistent income streams, all of which could change. The Plan has been subject to robust sensitivity analysis to identify the areas of concern and the assumptions are closely monitored. The receipt of the financial assistance (Gap Funding) of £5.8m per annum from WG until 2037/38 is a key part of the plan. The achievement and maintenance of effective cost control and value for money, along with the collection of our rental and other income, is vital to ensure financial viability. The current Covid-19 pandemic provides for financial uncertainty; however our stress testing and assessments have confirmed that our financial strength provides sufficient assurance that the business is a going concern and can continue to operate successfully over the coming years.

## **BOARD REPORT**

### **Principal Activities**

Our principal activities involve assisting people in need by reason of poverty, illness, age or disability to meet their housing needs including the provision and management of affordable housing, and to promote community development and involvement.

Bron Afon owns, manages and maintains 8,002 rented homes, located within the County Borough of Torfaen, plus we have between 20% and 70% equity held in 72 shared ownership properties, on which we receive rental income. We also have 904 Leasehold properties.

In addition to housing management and community development we have a large in-house maintenance arm which is used not only for responsive repairs and voids work but also to carry out our internal improvements work to achieve and maintain the Welsh Housing Quality Standard.

### **Performance for the year**

These accounts have been prepared under the accounting standard FRS102. Under this standard the Board reports a surplus for the year for the Bron Afon Group of £3.6m (2019: £5.9m) which is stated after accounting for gap funding of £2.4m (2019: £1.7) and a pension adjustment of -£2.6m (2019: -£2.4m). The surplus does not include capital expenditure of £14.2m (Housing properties, Tangible Fixed Assets and Property, Plant and Equipment) financed through grant, loan and cash balances.

During the year, the organisation spent £20.2m (2019: £17.8m) on revenue maintenance and improvements expenditure on housing properties. This has been financed through cash balances and operating surpluses.

Details of the changes in to the organisation's fixed assets are shown in notes 15 to 18 to the financial statements.

### **Events since Year End**

There have been no events since the financial year end to the date of these accounts that we are aware of that have had a significant effect on the financial position of the organisation.

### **Board members and executives**

The present Board members (who are detailed on page 2) served throughout the year unless otherwise indicated. Their obligations are set out in the authorities delegated to them by the Board.

The Executive team are set out on page 3. Members of the Executive team hold no interest in Bron Afon or its subsidiaries, acting within the authority delegated to them by the Board.

## **Employees**

Bron Afon recognises that its strength lies in the quality and commitment of its employees. The organisation's ability to deliver its vision, commitments and objectives in an efficient and effective manner depends on the contribution of employees throughout the business.

Bron Afon is committed to equal opportunities for all its employees; Bron Afon pays the Living Wage Foundation rate as a minimum rate, and is committed to becoming a Living Wage accredited employer, and to closing the gender pay gap. There is equal access to extensive training and development opportunities, including professional qualification based training. Bron Afon operates a flexible hours policy. At 31 March 2020, the group employed 386 full time equivalent staff (31 March 2019: 432).

During 2019/20 we spent £315k on training (2019: £313k); this includes the cost of the Learning and Development team. The expenditure equates to an average of £809 per employee (2019: £682). We delivered 6,953 hours of training and development opportunities (excluding conferences and CPD) which equates to 2.6 days per employee across 149 separate learning events. This reflects our commitment to maximising learning and development opportunities to support business priorities

No new apprentices were recruited in 2019/20, 4 existing apprentices have gained their qualification with 3 successfully appointed to permanent roles at Bron Afon.

Sickness for 2019/20 was 14.71 days per FTE a decrease on the 2018/19 figure of 18.28 days/FTE.

## **Board and Committees**

Bron Afon's business is managed by the Board and the Executive. The Board of Management has up to twelve members, with a wide range of skills, knowledge and experience.

The Board is ultimately responsible for setting the future direction and strategy for Bron Afon, for determining policies, managing risk and monitoring performance but must also ensure that there is active community involvement in these activities. The Board is accountable to the members when carrying out these responsibilities. The Board Members are drawn from the following groups:

- Two Tenant members;
- Two Council nominated members;
- Eight Independent members.

## **Board Committees**

1. The Audit and Ethics Committee – gives the Board assurance on matters relating to risk and finance, governance, risk management and internal control.
2. The Staffing Committee – responsible for considering employment matters and organisational structures.
3. Asset Management and Development Committee – responsible for supporting the Board on major repair, improvement and refurbishment schemes, acquisitions and disposals and development schemes.

The Board and its Committees obtain external specialist advice as and when it is necessary. The obligations of the Board Members are set out in the Code of Conduct.

## **Membership**

Tenants and residents of Torfaen can become members of Bron Afon and are issued a 10p share certificate. Members' meetings are held on a regular basis in a number of forums including the Annual Members' Meeting, the function of which is to monitor Bron Afon in the delivery of its objectives. In addition members can become involved in a number of different ways depending on their interests through Bron Afon's Community Involvement team, including the Mutual Futures forum and the Tenant Services Forum.

## **Internal Audit**

Bron Afon established an internal audit shared service – "Barcud Shared Services" – in partnership with three other stock transfer organisations in the South Wales area. These are Merthyr Valleys Homes, Tai Tarian and Valleys to Coast. The service has been running for over seven years. It gives additional benefits through flexibility of service provision, greater understanding of the individual organisations and the provision of shared learning. During 2019/20 Barcud provided internal audit services to two other associations as external customers and provided advice and training services. During the year the structure of Barcud was changed and it was set up as an LLP, with each of the four organisations having a £1 share.

## **Going concern**

After making enquiries, the Board has a reasonable expectation that Bron Afon has adequate resources to continue operations for the foreseeable future. This includes taking into account the Covid-19 pandemic where it has considered the financial resources of Bron Afon and the possible financial risks presented by the pandemic. For this reason the going concern basis has been adopted in these financial statements.

## **Internal Control framework**

The Board acknowledges its responsibilities for Bron Afon's systems of internal control and for reviewing their effectiveness. The Board also acknowledges its responsibility for the wider aspects of risk management.

Whilst the Board cannot delegate ultimate responsibility for the system of internal control, it has delegated responsibility to the Audit and Ethics Committee to review the effectiveness of the system of internal control. The Audit and Ethics Committee has received the Chief Executive's Annual Review of internal controls assurance and the Annual Report of the internal auditors and reported its findings to the Board.

Bron Afon's systems are designed to provide reasonable, and not absolute, assurance against material misstatement or loss, regarding the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information and the management of risks which could adversely affect Bron Afon's ability to achieve its Business Plan objectives.

The following mechanisms constitute the key elements of the framework designed and implemented by management to provide effective internal financial control:

- effective corporate governance arrangements and compliance with the Code of Governance;
- standing orders and financial regulations setting out clearly the system of delegation;
- clearly defined corporate and management responsibilities and reporting structures ensuring that experienced and suitably qualified staff take responsibility for important business decisions;
- careful staff recruitment, appropriate training and the development of individual performance monitoring systems;
- procedure manuals for staff which are constantly being developed, reviewed and updated;
- defined business and strategic planning process including the preparation of annual budgets and a 30 year financial forecasting model and the production and review of monthly management accounts;
- a comprehensive process for assessing and managing strategic, financial and operational risks, including periodic reviews with the Senior Leadership Team supported by the use of Strategic and Operational Risk registers;
- performance management information and control systems, with regular reporting of financial results and other performance indicators against budgets and other appropriate internal and external targets;

- a Board approved treasury management strategy and policy, which is reported against to each Audit and Ethics Committee meeting and as part of the management accounting information;
- an established programme of internal audit activities derived from an assessment of key business risks;
- the Audit and Ethics Committee review and monitor reports from management, from Internal Audit and from External Audit to provide reasonable assurance that control procedures are in place and are being followed;
- monitoring of the control system by the Audit and Ethics Committee, the Internal Auditors and External Auditor and senior management.

### **Risk Management Framework**

Bron Afon recognises it has a responsibility to manage both internal and external risks as a key component of good corporate governance and is committed to embedding risk management into daily operations, from the setting of objectives, to service and financial planning through to departmental processes. We believe that effective risk management will help Bron Afon achieve its corporate objectives and provide better services.

Bron Afon has an ongoing process for identifying, evaluating and managing the significant risks faced by the organisation, we have a corporate/strategic risk register which is continuously updated and operational risk registers for each service area which ensures risks are regularly reviewed at all levels. These form part of an overall Business Assurance Framework. The Audit and Ethics Committee also reviews current and emerging risks on a regular basis and the Board receives biannual reports on the key strategic risks as well as reports on key individual risks as they emerge.

There are a number of Risk Management controls in place which are aimed at reducing the level of risk Bron Afon is exposed to, including insurance, purchasing, management information, contract procurement processes, risk management training and analysis of lessons learnt.

### **Register of Detected Frauds**

The company secretary maintains the register of detected frauds and irregularities. Any known cases of irregularities have been investigated and findings reported to the Audit and Ethics Committee.

### **Effectiveness of Bron Afon's Internal Control System**

The Board has reviewed the effectiveness of Bron Afon's internal control and risk management systems for the period 1 April 2019 to the date the annual accounts are approved. An effective system of internal control has been maintained.



### **Disclosure of information to Auditor**

The Board members who held office at the date of the approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Organisation's auditor is unaware. The Board also confirm that each member has taken all the steps they ought to have taken to make them aware of any relevant information, and to establish that the auditor of Bron Afon Community Housing is aware of that information.

A resolution to appoint the External Auditor will be proposed at the Annual Members Meeting in September 2020.

## STATEMENT OF BOARD'S RESPONSIBILITIES

The Board is responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

The Board is required under the Co-operative and Community Benefit Societies Act 2014 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 Registered Social Landlord 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 apply them consistently;
- Make judgments and estimates which are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that Bron Afon will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the RSL and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of Bron Afon, to prevent and detect fraud and other irregularities, and for maintaining an adequate system of internal control.

### Annual Members Meeting

The Annual Members Meeting will be held on 17<sup>th</sup> September 2020 at Tŷ Bron Afon, Llantarnam Business Park, Cwmbran, Torfaen.

**Approved on behalf of the Board by:**



.....  
**Andrew Lawrence**  
**Chair of the Board**

**Date:** 23<sup>rd</sup> July 2020

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRON AFON COMMUNITY HOUSING LTD**

### **Opinion**

We have audited the financial statements of Bron Afon Community Housing Limited (the 'Bron Afon') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Group and Bron Afon's Statements of Comprehensive Income, the Group and Bron Afon's Statements of Financial Position, the Group Statement of Cash Flows, the Group and Bron Afon's Statements of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of Bron Afon's affairs as at 31 March 2020 and of the group's and Bron Afon's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter – Going concern and the impact of the COVID -19 outbreak on the financial statements**

In forming our opinion on the Group and Bron Afon financial statements, which is not modified, we draw your attention to the Board's view on the impact of the COVID-19 outbreak as disclosed on pages 16 and 17, and the consideration in the going concern basis of preparation on page 41.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRON AFON COMMUNITY HOUSING LTD (continued)**

During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID -19. The potential impact of COVID -19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID -19 is still evolving and, based on the information available at this point in time, the Board have assessed the impact of COVID -19 on the business and reflected the Board's conclusion that adopting the going concern basis for preparation of the financial statements is appropriate.

### **Conclusions relating to going concern**

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

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

### **Other information**

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

We have reviewed the Board's statement on Bron Afon's compliance with the Welsh Government circular RSL 02/10 'Internal controls and reporting'. We are not required to express an opinion on the effectiveness of Bron Afon's system of internal control.

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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRON AFON COMMUNITY HOUSING LTD (continued)**

### **Opinion on other matters prescribed by the Welsh Government circular RSL 02/10 'Internal controls and reporting'**

In our opinion, based on the work undertaken in the course of the audit, with respect to the Board's statement on internal control:

- the Board has provided the disclosures required by the Welsh Government circular RSL 02/10 'Internal controls and reporting'; and
- the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

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

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

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

### **Responsibilities of the Board**

As explained more fully in the Statement of the Board's responsibilities set out on page 26, 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 determines 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 is responsible for assessing the group's and Bron Afon'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 intends to liquidate the group or Bron Afon or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

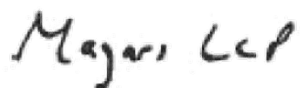
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRON AFON  
COMMUNITY HOUSING LTD (continued)**

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of the audit report**

This report is made solely to the company's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Mazars LLP  
Chartered Accountants and Statutory Auditor  
45 Church Street  
Birmingham  
B3 2RT  
Date: 3 August 2020

**GROUP  
STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED 31 MARCH 2020**

	<b>Note</b>	<b>2020</b>	<b>2019</b> (restated- see note 34)
		<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	<b>3</b>	<b>48,151</b>	45,891
Less: Operating costs	<b>3</b>	<b>(42,321)</b>	(39,306)
Surplus on disposal of fixed assets		<b>1,923</b>	3,376
<b>Operating surplus</b>		<b>7,753</b>	9,961
Interest receivable and other income	<b>8</b>	<b>235</b>	146
Interest payable and similar charges	<b>9</b>	<b>(3,524)</b>	(3,500)
Pension scheme net interest adjustment	<b>10</b>	<b>(887)</b>	(735)
<b>Surplus before taxation</b>		<b>3,577</b>	5,872
Taxation	<b>13</b>	<b>-</b>	-
<b>Surplus for the year</b>	<b>7</b>	<b>3,577</b>	5,872
Actuarial gain/(loss) on pension scheme	<b>32</b>	<b>6,479</b>	(5,537)
<b>Total comprehensive income for the year</b>		<b>10,056</b>	335

The above relates wholly to continuing activities.

The notes on pages 41 to 84 form an integral part of the financial statements.

**BRON AFON  
STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED 31 MARCH 2020**

	Note	2020 £'000	2019 (restated- see note 34) £'000
<b>Turnover</b>	<b>3</b>	<b>48,151</b>	45,872
Less: Operating costs	<b>3</b>	<b>(42,351)</b>	(39,320)
Surplus on disposal of fixed assets		<u>1,923</u>	3,376
<b>Operating surplus</b>		<u>7,723</u>	9,928
Interest receivable and other income	<b>8</b>	<b>235</b>	146
Interest payable and similar charges	<b>9</b>	<b>(3,524)</b>	(3,500)
Pension scheme net interest adjustment	<b>10</b>	<u><b>(887)</b></u>	<u>(735)</u>
<b>Surplus before taxation</b>		<b>3,547</b>	5,839
Taxation	<b>13</b>	<u>-</u>	-
<b>Surplus for the year</b>	<b>7</b>	<u><b>3,547</b></u>	5,839
Actuarial gain/(loss) on pension scheme	<b>32</b>	<u><b>6,479</b></u>	<u>(5,537)</u>
<b>Total comprehensive income for the year</b>		<u><b>10,026</b></u>	302

The above relates wholly to continuing activities.

The notes on pages 41 to 84 form an integral part of the financial statements.



**GROUP  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2020**

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	14	452	521
Housing properties	15	167,661	163,039
Other properties held	16	1,915	1,959
Property, plant and equipment – other	17	3,911	4,277
		<b>173,939</b>	<b>169,796</b>
<b>Current assets</b>			
Stock	18	138	68
Debtors due within one year	19	11,825	10,401
Debtors due in more than one year	19	175,375	180,638
Current asset investments		24,352	17,265
Cash at bank and in hand		15,633	14,306
		<b>227,323</b>	<b>222,678</b>
Creditors: amounts falling due within one year	20	(22,283)	(17,190)
<b>Net current assets</b>		<b>205,040</b>	<b>205,488</b>
<b>Total assets less current liabilities</b>		<b>378,979</b>	<b>375,284</b>
Creditors: amounts falling due after more than one year	21	(310,409)	(312,857)
Pension liability	32	(29,468)	(33,381)
<b>Net assets</b>		<b>39,102</b>	<b>29,046</b>
<b>Represented by:</b>			
<b>Capital and reserves</b>			
Non equity share capital	23	-	-
Revenue reserve		39,102	29,046
		<b>39,102</b>	<b>29,046</b>

The financial statements on pages 31 to 84 were approved by the Board on 23 July 2020 and signed on its behalf by:



Andrew Lawrence  
Chair



Patrick Harkness  
Vice Chair



Neil Edwards  
Secretary

**BRON AFON  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2020**

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	14	452	521
Housing properties	15	167,661	163,039
Other properties held	16	1,915	1,959
Property, plant and equipment - other	17	4,380	4,782
		<u>174,408</u>	<u>170,301</u>
<b>Current assets</b>			
Stock	18	138	68
Debtors due within one year	19	11,825	10,388
Debtors due in more than one year	19	175,375	180,638
Current asset investments		24,352	17,265
Cash at bank and in hand		15,610	14,295
		<u>227,300</u>	<u>222,654</u>
Creditors: amounts falling due within one year	20	(22,278)	(17,190)
<b>Net current assets</b>		<u>205,022</u>	<u>205,464</u>
<b>Total assets less current liabilities</b>		<u>379,430</u>	<u>375,765</u>
Creditors: amounts falling due after more than one year	21	(310,409)	(312,857)
Pension liability	32	(29,468)	(33,381)
<b>Net assets</b>		<u>39,553</u>	<u>29,527</u>
<b>Represented by:</b>			
<b>Capital and reserves</b>			
Non equity share capital	23	-	-
Revenue reserve		39,553	29,527
		<u>39,553</u>	<u>29,527</u>

The financial statements on pages 31 to 84 were approved by the Board on 23 July 2020 and signed on its behalf by:



Andrew Lawrence  
Chair



Patrick Harkness  
Vice Chair



Neil Edwards  
Secretary

**GROUP  
STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31 MARCH 2020**

	Revenue Reserve £'000	Total £'000
<b>At 1 April 2018</b>	28,711	<b>28,711</b>
Surplus for the year	5,872	<b>5,872</b>
Actuarial loss on the pension scheme	(5,537)	<b>(5,537)</b>
<b>At 31 March 2019</b>	<b>29,046</b>	<b>29,046</b>
<b>At 1 April 2019</b>	29,046	<b>29,046</b>
Surplus for the year	3,577	<b>3,577</b>
Actuarial gain on the pension scheme	6,479	<b>6,479</b>
<b>At 31 March 2020</b>	<b>39,102</b>	<b>39,102</b>

**BRON AFON  
STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31 MARCH 2020**

	Revenue Reserve £'000	Total £'000
<b>At 1 April 2018</b>	29,225	<b>29,225</b>
Surplus for the year	5,839	<b>5,839</b>
Actuarial loss on the pension scheme	(5,537)	<b>(5,537)</b>
<b>At 31 March 2019</b>	<b>29,527</b>	<b>29,527</b>
<b>At 1 April 2019</b>	29,527	<b>29,527</b>
Surplus for the year	3,547	<b>3,547</b>
Actuarial gain on the pension scheme	6,479	<b>6,479</b>
<b>At 31 March 2020</b>	<b>39,553</b>	<b>39,553</b>

**GROUP**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

	<b>Note</b>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Net cash generated from operating activities</b>	<b>27</b>	<b>15,294</b>	<b>13,584</b>
<b>Cash flows from investing activities</b>			
Component replacements		(5,615)	(8,855)
Development schemes		(8,429)	(4,713)
Purchase of property, plant and equipment		(110)	(84)
Purchase of intangible fixed assets		(107)	(128)
Purchase of other properties held		-	(132)
Proceeds from sale of housing properties		1,923	3,376
Proceeds from sale of property, plant and equipment		-	-
Grants received – component replacements		3,858	4,074
Grants received – revenue		2,421	1,726
Grants received – other		2,468	3,844
Interest received		235	146
<b>Net cash flows from investing activities</b>		<b>(3,356)</b>	<b>(746)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(3,524)	(3,500)
New loans		-	2,850
<b>Net cash flows from financing activities</b>		<b>(3,524)</b>	<b>(650)</b>
<b>Net increase in cash and cash equivalents</b>		<b>8,414</b>	<b>12,188</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>31,571</b>	<b>19,383</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>27</b>	<b>39,985</b>	<b>31,571</b>

**GROUP  
FREE CASH FLOW  
FOR THE YEAR ENDED 31 MARCH 2020**

	<b>Note</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Net cash generated from operating activities</b>	<b>27</b>	<b>15,294</b>	<b>13,584</b>
Interest paid		<b>(3,524)</b>	<b>(3,500)</b>
Interest received		<b>235</b>	<b>146</b>
<b>Adjustment for reinvestment in existing properties</b>			
Component replacements (note 15)		<b>(5,615)</b>	<b>(8,855)</b>
Purchase of other replacement fixed assets (notes 14 & 17)		<b>(217)</b>	<b>(214)</b>
Component replacement grant received		<b>3,379</b>	<b>4,074</b>
<b>Free cash generated before loan repayments</b>		<b>9,552</b>	<b>5,235</b>
<b>Loans repaid (excluding revolving credit and overdrafts)</b>		<b>-</b>	<b>-</b>
<b>Free cash generated after loan repayments</b>		<b>9,552</b>	<b>5,235</b>

**BRON AFON  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £'000	2019 £'000
<b>Net cash generated from operating activities</b>	<b>27</b>	<b>15,282</b>	13,588
<b>Cash flows from investing activities</b>			
Component replacements		(5,615)	(8,855)
Development schemes		(8,429)	(4,713)
Purchase of property, plant and equipment		(110)	(84)
Purchase of intangible fixed assets		(107)	(128)
Purchase of other properties held		-	(132)
Proceeds from sale of housing properties		1,923	3,376
Grants received – component replacements		3,858	4,074
Grants received – revenue		2,421	1,726
Grants received – other		2,468	3,844
Interest received		235	146
<b>Net cash flows from investing activities</b>		<b>(3,356)</b>	(746)
<b>Cash flows from financing activities</b>			
Interest paid		(3,524)	(3,500)
New loans		-	2,850
<b>Net cash flows from financing activities</b>		<b>(3,524)</b>	(650)
<b>Net increase in cash and cash equivalents</b>		<b>8,402</b>	12,192
<b>Cash and cash equivalents at the beginning of the year</b>		<b>31,560</b>	19,368
<b>Cash and cash equivalents at the end of the year</b>	<b>27</b>	<b>39,962</b>	31,560

**BRON AFON  
FREE CASH FLOW  
FOR THE YEAR ENDED 31 MARCH 2020**

	<b>Note</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Net cash generated from operating activities</b>	<b>27</b>	<b>15,282</b>	<b>13,588</b>
Interest paid		<b>(3,524)</b>	<b>(3,500)</b>
Interest received		<b>235</b>	<b>146</b>
<b>Adjustment for reinvestment in existing properties</b>			
Component replacements (note 15)		<b>(5,615)</b>	<b>(8,855)</b>
Purchase of other replacement fixed assets (notes 14 & 17)		<b>(217)</b>	<b>(214)</b>
Component replacement grant received		<b>3,379</b>	<b>4,074</b>
<b>Free cash generated before loan repayments</b>		<b>9,540</b>	<b>5,239</b>
<b>Loans repaid (excluding revolving credit and overdrafts)</b>		<b>-</b>	<b>-</b>
<b>Free cash generated after loan repayments</b>		<b>9,540</b>	<b>5,239</b>



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

### **1 Legal Status**

Bron Afon is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Social Landlord. Bron Afon has adopted charitable rules.

### **2 Accounting Policies**

The principal accounting policies are summarised below. They have all been applied consistently in both the current and preceding year dealing with items considered material in relation to the financial statements.

#### **Basis of Accounting**

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. They comply with the Statement of Recommended Practice (SORP) "Accounting by Registered Social Housing Providers" 2018, and The Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015 and The Housing and Regeneration Act 2008. The Board is satisfied that the current accounting policies are the most appropriate for Bron Afon. Bron Afon Community Housing Ltd Group is a public benefit entity, as defined in FRS 102 and applied the relevant paragraphs prefixed "PBE" in FRS 102.

#### **Going concern**

The activities of Bron Afon together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of Bron Afon, its cash flow, liquidity and borrowings are described in the financial statements.

Bron Afon is financially strong able to successfully trade during and after the pandemic; as such the financial statements have been prepared on a going concern basis. We have a high level of liquidity, having access to over £40m which can be used to fund any short fall during the year. We have carried out extensive stress testing of the business plan to understand the possible implications arising from the pandemic. The Interest Cover Ratio covenant with the lenders is our most sensitive covenant. The target is 1.1:1 and our original budget for the year is 2.2:1. To break the covenant our net income would have to fall by £5.025m, equivalent to self-payers making no payment at all for almost 3 months. By comparison in the eight weeks from the start of the pandemic in the second half of March up to the middle of May (covering two housing benefit cycles) arrears had risen by £270k. The rate of increase was much lower in the second cycle than in the first.

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2020**

**Basis of Consolidation**

The consolidated financial statements incorporate the state of affairs of the Group as at 31 March 2020 and of the results of the Group for the year then ended. The Group includes the parent Bron Afon Community Housing Ltd together with its two active subsidiaries, Afon Community Trust and Afon Community Services Limited. Uniform accounting policies are applied across the Group.

**(a) Turnover**

Turnover represents rental and other income receivable, income from property sales, revenue grants receivable and Welsh Government GAP funding. It also includes grants reimbursing specific expenditure on the improvement programme as well as income receivable from feed in tariffs (FITs) from photovoltaic panels on both the office and housing properties. Disposals of fixed assets such as right to buy sales income are not included in turnover; however, following the publication of the 2018 Housing SORP and the clarification within this document regarding which items should be included within operating surplus, disposals of fixed assets such as right to buy sales income is included within operating surplus. Turnover is net of rent and service charge losses from voids.

**(b) Grant Income**

Public sector grant income received is matched with the expenditure to which it relates. The grant will be recognised when there is reasonable assurance that the conditions attached to it will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Where grant is received as a contribution towards revenue expenditure, it is included in turnover.

GAP funding received from the Welsh Government has been allocated between revenue and capital in accordance with the expenditure incurred.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**(b) Grant income (continued)**

All private sector grant is included in turnover as required by the SORP (2018).

**(c) Bad and Doubtful Debts**

Provision is made against rent arrears of current and former tenants as well as other debts to the extent that they are considered potentially irrecoverable.

**(d) Supporting People**

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

**(e) Fixed Assets**

*Housing Properties and Garages*

Housing properties are those properties available for rent. They are measured at cost less accumulated depreciation and impairment. The cost includes only those costs which are directly attributable. Directly attributable costs can include the labour costs of Bron Afon's own direct works employees, materials used, overhead costs directly attributable, and interest where appropriate, on loans raised to finance work prior to completion. The capitalisation of interest represents either:

- A fair proportion of interest on borrowings of Bron Afon as a whole, in which case the interest capitalised is based on the average cost of borrowing; or
- Interest on borrowings specifically financing the particular work or scheme, in which case the interest on the specific loan is used.

Expenditure relating to planned maintenance or improvement will only be capitalised if it results in an increase to the economic performance of the asset. If the expenditure only maintained the assets performance or arrested its decline in performance, it is not capitalised. To increase an asset's performance, expenditure must result in one or more of the following occurring:

- Increased rental income;
- A reduction in future maintenance costs;
- A significant extension to the life of the property.

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2020**

**(e) Fixed Assets (continued)**

Other Properties

Other properties held include the following:

- At transfer, Bron Afon received a number of commercial units which are held at nil value except where additional work of a capital nature has been carried out it has been capitalised as other properties held. A number of the refurbished units are used for social enterprise purposes to encourage the communities into business;
- Commercial Properties acquired or built as part of a refurbishment or new build scheme are capitalised in other properties held.

These properties are held for social purpose and for the benefit of tenants and the local communities.

Property, plant and equipment – other

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment.

**(f) Depreciation**

Freehold land is not depreciated.

Housing Properties

In line with the requirements of the SORP (2018), housing properties are depreciated to write down the net book value to their estimated residual lives on a systematic basis over their estimated useful lives.

- Traditional built properties are depreciated over 100 years
- Non traditional properties are depreciated over 50 years

Depreciation is charged on a straight line basis. The depreciable amount is arrived at on the basis of original cost, less the cost of land, less any residual value.

Improvements to Housing Properties

Expenditure in respect of refurbishment or the replacement of major components is assessed against the life of the component. Repairs with a life of less than 10 years are charged directly to the Statement of Comprehensive Income. Where such refurbishment or replacement is in respect of major components with an estimated useful life in excess of 10

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**(f) Depreciation (continued)**

Housing Properties (continued)

years, then the expenditure is capitalised and depreciated over the useful life of the component as follows:

**Housing Property Improvements/WHQS**

**Summary of Components for Housing Properties**

<b>Component</b>	<b>Projected Economic Life (years)</b>
Roofs	50
Windows	30
Doors	25
Kitchens	15
Bathrooms	25
Showers	15
Central Heating, Boilers and Gas Fires	15
Communal Areas (including - doors, kitchens, door entry, boilers, water storage)	15
Rewires	30
Building structure (Walls, retaining walls, Paths etc.)	50
Disabled Adaptations	15
Gardens	12

Property, Plant and Equipment - Other

Depreciation is calculated to write off the cost of fixed assets on a straight line basis unless otherwise stated, over their estimated useful lives. The rates used for other property, plant and equipment are:

Office and Commercial premises	2.0%
Office improvements - Over the remaining time of the leases	
Furniture, fixtures and fittings	10.0%
Office equipment	20.0%
Computer hardware	25.0%
Plant and tools	25.0%
PV panels	4.0%
Inverters	8.3%
Motor vehicles (reducing balance)	25.0%

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**(f) Depreciation (continued)**

*Timing of Depreciation*

The commencement of depreciation charged to Bron Afon Community Housing Limited Statement of Comprehensive Income in respect of an asset is in the year following the acquisition of that asset.

**(g) Leaseholders**

Where the rights and obligations for maintaining a housing property reside with the leaseholder or tenant, any expenditure on works to maintain such properties incurred by Bron Afon is recharged to the leaseholder and recognised in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

**(h) Impairment**

At each reporting date, an impairment assessment is carried out on an income generating unit (such as tenanted rented property) and any such impairment is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. Bron Afon checks annually for any indication of impairment by reference to:

- Trends in voids rates and letting of stock;
- Advice from external valuers regarding their expectations of the value of stock.

**(i) Sales of Properties**

Surpluses or deficits resulting from the sale of properties other than any first tranche shared ownership sales and fixed asset investments are shown in the Statement of Comprehensive Income under surpluses/deficits from the sale of property, plant and equipment, and reported in the operating surplus.

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**(j) Intangible Assets**

Intangible assets are stated at historic cost, less accumulated amortisation and any provision for impairment. Amortisation is charged to operating costs in the Statement of Comprehensive Income. Amortisation is provided on all Intangible assets at a rate calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Computer software including development	20.0%
-----------------------------------------	-------

**(k) Stocks**

Stocks are stated at the lower of cost and net realisable value.

**(l) Leases**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income as incurred.

**(m) Provisions**

Provisions are recognised where uncertainty exists in relation to the timing or amount that may be required to settle potential liabilities. Any amounts provided are charged to the Statement of Comprehensive Income and credited to the Statement of Financial Position based upon the Group's best estimate of potential liabilities.

**(n) Finance Costs**

Finance costs include both interest payments and any costs associated with the issue of the loan. For new loans, these costs are allocated to Statement of Comprehensive Income over the term of the loan. Where loans are redeemed, the full cost of any redemption penalty is recognised in the Statement of Comprehensive Income in the year redemption takes place.

**(o) Taxation**

**i. VAT**

Bron Afon is registered for VAT. The financial statements include VAT to the extent that it is suffered and not recoverable from HM Revenue and Customs (HMRC). The balance of the VAT payable or recoverable at the year end is included as a current liability or asset.

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2020**

**i. VAT (continued)**

**VAT Shelter**

Bron Afon has a VAT Shelter in place up until 2022/23, approved by HMRC. The VAT Shelter transfers the VAT cost of the works required to meet the Welsh Housing Quality Standard to Torfaen County Borough Council. The transactions are as follows:

- Under the transfer agreement the Council transferred the properties to Bron Afon together with an obligation to undertake the WHQS works at the Council's expense. The price paid for the properties was £316,040,860.91; this price reflects the Tenanted market value of the stock which is nil and the estimated value of the works of £316,040,860.91;
- The Council discharged its obligation to carry out the works under the Transfer Agreement by entering into a 15 year Development Agreement with Bron Afon. This is a fixed price contract for £316,040,860.91 plus VAT of £55,307,150.66.

Over the life of the Development Agreement, Bron Afon is entitled to reclaim VAT on the costs it incurs from third parties for carrying out the WHQS works, as detailed in the Development Agreement.

In accordance with FRS 102 and the 2018 SORP, the payments and receipts under the VAT Shelter are recognised in advance of the work. The payments are shown in debtors and the receipts in liabilities. These amounts will be shown for the life of the agreement.

**ii. Corporation Tax**

Bron Afon is not liable for Corporation Tax on its core activities due to its charitable status. However, the non charitable subsidiaries will be liable to corporation tax on taxable profits.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**ii. Corporation Tax (continued)**

Statement of Financial Position date. Timing differences are differences between the Group's taxable surpluses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment is measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

**(p) Pension Costs**

**Defined Benefit Scheme**

Bron Afon participates in the Greater Gwent (Torfaen) Pension Fund. The Fund is administered by Torfaen County Borough Council. Many of the staff transferred to Bron Afon at the time of transfer were members of the fund, and any pension liabilities on transfer were fully funded by the Council, with subsequent costs to be incurred by Bron Afon.

The scheme was closed to new entrants from 1 September 2017. Therefore membership of the Fund is limited to those who

- Were members before the 1 September 2017, or
- Transferred from Torfaen County Borough Council in March 2007 as part of the original transfer and so retain their right to join the fund whilst employed by Bron Afon.

It is a defined benefit scheme, providing benefits based on final pensionable pay.

Fund assets are measured using market values. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2020**

**(p) Pension Costs (continued)**

**Defined Benefit Scheme (continued)**

the liability. Bron Afon's share of the Fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus/deficit is split in the Statement of Comprehensive Income between operating charges, finance items and actuarial gains and losses.

**Defined Contribution Scheme**

From 1 September 2017, Bron Afon participates in the Social Housing Pension Scheme defined contribution scheme. The amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

**(q) Financial Instruments**

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

**Financial Assets**

Financial assets comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at the transaction price unless the arrangement constitutes a financing transaction. After initial recognition, they are measured at the undiscounted amount of the cash or other consideration expected to be received. Discounting is omitted where the effect of discounting is immaterial.

At the end of each reporting period, if there is objective evidence that there is an impairment loss for financial assets, Bron Afon recognises an impairment loss in the Statement of Comprehensive Income. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**(q) Financial Instruments (continued)**

**Financial Liabilities**

Financial liabilities include trade and other payables and interest bearing loans and borrowings.

Trade and other payables are recognised initially at the undiscounted amount owed to the supplier, which is normally the invoice price. After initial recognition, they are measured at the undiscounted amount of the cash or other consideration expected to be paid.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction costs. Discounting is omitted where the effect is immaterial. A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

**Public Benefit Entity Concessionary Loans**

Where loans are made between a public benefit entity within the Group or an entity within the public benefit entity group and other party at below the prevailing market rate of interest that are not repayable on demand and are for the purposes to further the objectives of the public benefit entity or public benefit entity parent, these loans are treated as concessionary loans and are recognised in the Statement of Financial Position at the amount paid or received and the carrying amount adjusted to reflect any accrued interest payable or receivable.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**(r) Significant Management Judgements and Key Sources of Management 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 on 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 judgements 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.

**Key sources of management uncertainty**

Bron Afon 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.

*Defined benefit pension scheme*

Bron Afon has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in line with FRS102 in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends. Please see note 32 for further information.

*Components of housing properties and useful lives*

Major components of housing properties have significantly different patterns of consumption of economic benefits. Estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. Bron Afon considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate. Please see note 15 for further information.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**(r) Significant Management Judgements and Key Sources of Management Uncertainty (continued)**

*Gap funding*

Where funding is received to compensate for a negative stock transfer value attributed to the housing stock transferred from the local authority the purpose of the grant is considered. Where the funding is considered to be received to fund a repair and improvement programme which replaces housing property components, it is recognised over the life of the component assets to which it relates. Where the funding is considered to be received to fund interest payments, it is recognised as revenue in the period in which it becomes receivable. The calculation of the split between revenue and capital involves judgement on the elements of expenditure for which the funding is considered to be received. Please see note 21 for further information.

**Significant Management Judgements**

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

*Impairment of social housing properties*

Bron Afon 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 (2018). This is discussed in accounting policy (h).

*Capitalisation of housing property & other development costs*

Bron Afon capitalises development expenditure in accordance with the accounting policy on housing properties and other fixed assets. The capitalisation requires a range of judgements, such as calculating the amount of overheads which should be capitalised and establishing which associated development costs should be capitalised and which costs should be written off. Judgement is also exercised over the likelihood that projects will continue. Please see note 15 for further information.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**3 Turnover, operating costs and operating surplus**
**GROUP**

	Turnover	2020 Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000
<b>Social housing lettings (note 4)</b>	42,805	(39,938)	2,867
<b>Other social housing activities</b>			
Other (including leaseholders)	490	(2,074)	(1,584)
GAP Funding	2,421	-	2,421
Value Added Tax recoverable	808	-	808
<b>Non social housing activities</b>			
Other	1,627	(309)	1,318
	<b>48,151</b>	<b>(42,321)</b>	<b>5,830</b>
Surplus on disposal of fixed assets	-	-	1,923
<b>Operating results</b>	<b>48,151</b>	<b>(42,321)</b>	<b>7,753</b>
	Turnover (restated)	2019 Operating costs (restated)	Operating surplus/ (deficit) (restated)
	£'000	£'000	£'000
<b>Social housing lettings (note 4)</b>	41,698	(36,841)	4,857
<b>Other social housing activities</b>			
Other (including leaseholders)	508	(2,124)	(1,616)
GAP funding	1,726	-	1,726
<b>Non social housing activities</b>			
Other	1,959	(341)	1,618
	<b>45,891</b>	<b>(39,306)</b>	<b>6,585</b>
Surplus on disposal of fixed assets	-	-	3,376
<b>Operating results</b>	<b>49,891</b>	<b>(39,306)</b>	<b>9,961</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**3 Turnover, operating costs and operating surplus (continued)**

**BRON AFON**

	Turnover	2020 Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000
<b>Social housing lettings (note 4)</b>	42,805	(39,938)	2,867
<b>Other social housing activities</b>			
Other (including leaseholders)	490	(2,074)	(1,584)
GAP Funding	2,421	-	2,421
Value Added Tax recoverable	808	-	808
<b>Non social housing activities</b>			
Other	1,627	(339)	1,288
	<b>48,151</b>	<b>(42,351)</b>	<b>5,800</b>
Surplus on disposal of fixed assets	-	-	1,923
<b>Operating results</b>	<b>48,151</b>	<b>(42,351)</b>	<b>7,723</b>

	Turnover (restated)	2019 Operating costs (restated)	Operating surplus/ (deficit) (restated)
	£'000	£'000	£'000
<b>Social housing lettings (note 4)</b>	41,698	(36,841)	4,857
<b>Other social housing activities</b>			
Other (including leaseholders)	508	(2,124)	(1,616)
GAP funding	1,726	-	1,726
<b>Non social housing activities</b>			
Other	1,940	(355)	1,585
	<b>45,872</b>	<b>(39,320)</b>	<b>6,552</b>
Surplus on disposal of fixed assets	-	-	3,376
<b>Operating results</b>	<b>45,872</b>	<b>(39,320)</b>	<b>9,928</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 3 Turnover, operating costs and operating surplus (continued)

Within "Other social housing activities" income for Bron Afon and the Group is grant income of £218,158 (2019: £193,599).

Bron Afon and the Group received £5.8m of GAP funding from the Welsh Government, of which £2.4m (2019: £1.7m) has been allocated to revenue.

#### 4 Particulars of income and expenditure from Social housing lettings – Group and Bron Afon

	2020	2019
	£'000	(restated) £'000
<b>Income</b>		
Rents	39,402	38,527
Service charges	804	739
Supporting People grant	293	333
Amortised Government grant – housing properties	2,268	2,062
Amortised Government grant – other properties	38	37
	<b>42,805</b>	<b>41,698</b>
<b>Cost</b>		
Management costs	6,208	5,961
Service charge costs	4,181	4,091
Routine maintenance	18,623	16,888
Improvement expenditure	1,577	907
Bad debts	368	498
Depreciation of housing properties	8,938	8,456
Depreciation of other properties	43	40
<b>Operating costs on social housing activities</b>	<b>39,938</b>	<b>36,841</b>
<b>Operating surplus on social housing lettings</b>	<b>2,867</b>	<b>4,857</b>
Rent loss due to voids (memorandum note)	796	692



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**5 Units in management at end of year – Group and Bron Afon**

	2020	2019
Housing accommodation	8,002	7,989
Shared ownership	72	73
Managed on long lease	904	906
Garages	2,046	2,045
Commercial	23	23
<b>Total units in management</b>	<b>11,047</b>	<b>11,036</b>

**6 Surplus on disposal of housing properties and property, plant and equipment – Group and Bron Afon**

	2020		2019	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Sales proceeds	2,252	2,252	3,860	3,860
Cost of sales	(329)	(329)	(484)	(484)
<b>Surplus on disposal</b>	<b>1,923</b>	<b>1,923</b>	<b>3,376</b>	<b>3,376</b>

**7 Surplus for the year**

	2020		2019	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Surplus for the year is stated after charging:				
Amortisation – intangible assets	176	176	160	160
Depreciation – housing properties	8,782	8,782	8,332	8,332
Depreciation – other properties	44	44	40	40
Depreciation – property, plant and equipment - other	450	487	444	486
External auditor's remuneration (including VAT)				
In their capacity as auditor	25	24	21	20
Other services	10	8	10	9
Operating lease rentals (office premises)	658	658	637	622
Operating lease rentals (other)	29	29	27	18

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**8 Interest receivable and similar income – Group and Bron Afon**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Bank interest receivable	<u>235</u>	146
	<u><b>235</b></u>	<u>146</u>

**9 Interest payable and similar charges – Group and Bron Afon**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Interest on loans repayable by instalments in more than 5 years		
WHQS loans	<b>2,984</b>	2,968
PV loans	<b>256</b>	255
Development loans	<b>229</b>	222
Loan issuing fees	<u>55</u>	55
	<u><b>3,524</b></u>	<u>3,500</u>

Of the £3.524m interest paid during the year, £256k (2019: £255k) related to the loans drawn down from the RBS and Principality element of the loan to fund the PV panel installation. The loan issuing fees relate to the Welsh Housing Quality Standard (WHQS) and PV loans - see note 22.

**10 Pension scheme net interest adjustment – Group and Bron Afon**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Adjustment for finance costs in respect of the defined benefit pension scheme (note 32)	<u>887</u>	735
	<u><b>887</b></u>	<u>735</u>

The pension scheme net interest adjustment represents the difference between the estimated notional interest we would have earned on our pension assets and the estimated notional interest we would have paid on our defined benefit obligations.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 11 Employee information

##### Group

The average number of employees as full time equivalents:

	2020	2019
Finance and administration	60	65
Housing management	127	140
Direct maintenance	219	241
	<b>406</b>	<b>446</b>

Full time equivalents at the end of the year was: **386** 432

The cost of staff employed by the Group was as follows:

	2020 £'000	2019 £'000
Wages and salaries	13,624	13,381
Social security costs	1,280	1,286
Pension costs	3,307	2,754
Compensation for loss of office	141	86
Holiday pay accrual	(38)	(7)
	<b>18,314</b>	<b>17,500</b>

##### Bron Afon

The average number of employees as full time equivalents:

	2020	2019
Finance and administration	60	64
Housing management	127	140
Direct maintenance	219	241
	<b>406</b>	<b>445</b>

Full time equivalents at the end of the year was: **386** 432

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**11 Employee information (continued)**

The cost of staff employed by Bron Afon was as follows:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Wages and salaries	<b>13,624</b>	13,368
Social security costs	<b>1,280</b>	1,285
Pension costs	<b>3,307</b>	2,754
Compensation for loss of office	<b>141</b>	86
Holiday pay accrual	<b>(38)</b>	(7)
	<b>18,314</b>	17,486

The charge for pension represents contributions paid by Bron Afon to its two pension schemes:- Defined benefit scheme £3.146m and Defined contribution scheme £161k (2019: Defined benefit scheme £2.637m and Defined contribution scheme £117k). Amounts outstanding to the schemes at year end were £nil (2019: £nil). The ratio of highest to lowest paid employee is 6.99 to 1 (2019: 7.07 to 1).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 12 Directors' emoluments – Group and Bron Afon

Total emoluments paid to directors who are part of the management team:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Emoluments (including pension contributions)	<b>558</b>	539
Emoluments (excluding pension contributions)		
include amounts paid to:		
The highest paid director (Chief Executive)	<b>125</b>	122

	<b>2020</b>	2019
The number of the Directors who received emoluments (excluding pension contributions) were in the following ranges:		
£0 - £50,000	<b>1</b>	2
£50,001 - £60,000	<b>1</b>	-
£60,001 - £70,000	-	-
£70,001 - £80,000	<b>1</b>	-
£80,001 – £90,000	<b>1</b>	2
£90,001 - £100,000	-	-
£100,001 - £110,000	-	1
£110,001 - £120,000	<b>1</b>	-
£120,001 - £130,000	<b>1</b>	1

The Chief Executive is an ordinary member of the Bron Afon's Defined Contribution Scheme (Social Housing Pension Scheme). Bron Afon's contribution to the Chief Executive's pension scheme was £9k (2019:£9k).

No emoluments were paid to members of the Board during the year.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**12 Directors' emoluments – Group and Bron Afon (continued)**

In addition to the emoluments above, the Directors have claimed the following expenses during the year, in line with the Bron Afon expenses policy. Director expenses relate to travel and subsistence for attending meetings and conferences for Bron Afon.

	<b>2020</b>	2019
	<b>£</b>	<b>£</b>
Alan Brunt, Chief Executive	<b>5,206</b>	5,695
Neil Edwards, Director of Resources	<b>2,779</b>	2,210
Unji Mathur, Director of Organisational Development	<b>578</b>	7,809
Ian Simpson, Director of Community Housing and Support (Resigned 30th September 2019)	<b>416</b>	451
Amanda Attfield, Director of Organisational Development (resigned 31 July 2018)	-	24
John Holman, Director of Property and Development (Resigned 1 April 2019)	-	2,541
Catherine Love Director of Customer Experience (Appointed 17th June 2019)	<b>4,737</b>	-
	<hr/> <b>13,716</b>	<hr/> 18,730

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 13 Taxation

a) Analysis of tax on ordinary activities	2020		2019	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
UK corporation tax at 19% (2019:19%)	-	-	-	-
	-	-	-	-

#### b) Factors affecting tax charge for the year

The tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below.

	2020		2019	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before tax	<b>3,577</b>	<b>3,547</b>	5,872	5,839
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK 19% (2019: 19%)	<b>680</b>	<b>674</b>	1,116	1,109
Effects of: Charitable activities	<b>(680)</b>	<b>(674)</b>	(1,116)	(1,109)
<b>Current charge for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Bron Afon was registered with charitable rules on 18 March 2008 and from that date is accepted as a charity for tax purposes. Consequently, the surpluses derived from primary charitable activities are exempt from taxation. Afon Community Services Limited (ACS), one of the members of the Group, was registered under the Companies Act 2006 on 21 June 2011 and is liable to pay Corporation Tax on taxable profits.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**14 Intangible assets – Group and Bron Afon**

	Computer Software £'000	<b>2020 Total £'000</b>
<b>Cost</b>		
<b>At the beginning of the year</b>	2,499	<b>2,499</b>
Additions and other capitalised costs	107	<b>107</b>
Disposals during year	-	-
<b>At the end of the year</b>	<b>2,606</b>	<b>2,606</b>
<b>Amortisation</b>		
<b>At the beginning of the year</b>	1,978	<b>1,978</b>
Charge for the year	176	<b>176</b>
Disposals during year	-	-
<b>At the end of the year</b>	<b>2,154</b>	<b>2,154</b>
<b>Net book value</b>		
At end of year	452	<b>452</b>
At beginning of year	521	<b>521</b>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**15 Housing properties – Group and Bron Afon**

	<b>Freehold Housing properties held for letting £'000</b>	<b>Freehold Housing properties under construction £'000</b>	<b>2020 Total £'000</b>
<b>Cost</b>			
<b>At beginning of year</b>	203,239	10,119	<b>213,358</b>
Additions and other capitalised costs	3,912	10,217	<b>14,129</b>
Development Schemes completed during the year	3,758	(3,758)	-
Improvements completed during the year	1,703	(1,703)	-
Disposals during year	(994)	-	<b>(994)</b>
<b>At end of year</b>	<b>211,618</b>	<b>14,875</b>	<b>226,493</b>
<b>Depreciation &amp; Impairment</b>			
<b>At beginning of year</b>	50,319	-	<b>50,319</b>
Charge for the year	8,782	-	<b>8,782</b>
Disposals during year	(354)	-	<b>(354)</b>
Impairment charge for the year	-	85	<b>85</b>
<b>At end of year</b>	<b>58,747</b>	<b>85</b>	<b>58,832</b>
<b>Net book value</b>			
At end of year	152,871	14,790	<b>167,661</b>
At beginning of year	152,920	10,119	<b>163,039</b>

There has been no interest capitalised in the year (2019: £nil). Improvement expenditure capitalised in the year amounted to £5.6m (2019: £8.9m). The depreciation charge of £8.8m (2019: £8.3m) relates to additions in years 2018/19 and earlier. This is in line with Accounting Policy note f, which states that depreciation commences in the year following acquisition. An impairment charge of £85k has been made during the year following a valuation of land at Monow Way, Bettws, Newport.

Bron Afon is in receipt of £5.8m per annum of GAP funding from the Welsh Government, of which £3.38m (2019: £4.07m) has been allocated to Housing Properties. The provision of GAP funding is currently under review by Welsh Government, with the intention that in future the regulator will conduct a detailed review of individual RSLs' business plans to test the continuing requirement for the funding in each case. Where the case for funding is made this would continue to be assessed on a continuing five year rolling basis, rather than the two years at present.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**15 Housing properties – Group and Bron Afon (continued)**

Freehold land and buildings with a carrying amount of £145m (2019: £145m) have been pledged to secure borrowings of Bron Afon. Bron Afon is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

**16 Tangible fixed assets – other properties held - Group and Bron Afon**

	<b>2020</b>
	<b>Total</b>
	<b>£'000</b>
<b>Cost</b>	
<b>At beginning of year</b>	<b>2,144</b>
Additions and other capitalised costs	-
Disposals during year	-
<b>At end of year</b>	<b><u>2,144</u></b>
<b>Depreciation &amp; Impairment</b>	
<b>At beginning of year</b>	<b>185</b>
Charge for the year	<b>44</b>
Disposals during year	-
<b>At end of year</b>	<b><u>229</u></b>
<b>Net book value</b>	
<b>At end of year</b>	<b><u>1,915</u></b>
<b>At beginning of year</b>	<b><u>1,959</u></b>

Other properties held relate to our commercial units.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 17 Property, plant and equipment - other

<b>GROUP</b>	<b>Office leasehold improvements £'000</b>	<b>Office &amp; computer equipment £'000</b>	<b>Fixtures &amp; Fittings £'000</b>	<b>Other £'000</b>	<b>Motor vehicles £'000</b>	<b>Plant &amp; Tools £'000</b>	<b>PV panels £'000</b>	<b>PV inverters £'000</b>	<b>2020 Total £'000</b>
<b>Cost</b>									
<b>At beginning of year</b>	975	1,459	401	177	1,529	110	3,779	947	<b>9,377</b>
Additions during year	-	50	8	-	-	29	11	9	<b>107</b>
Disposals during year	-	-	-	-	(112)	(22)	(6)	(10)	<b>(150)</b>
<b>At end of year</b>	<b>975</b>	<b>1,509</b>	<b>409</b>	<b>177</b>	<b>1,417</b>	<b>117</b>	<b>3,784</b>	<b>946</b>	<b>9,334</b>
<b>Depreciation</b>									
<b>At beginning of year</b>	523	1,206	351	57	1,304	78	954	627	<b>5,100</b>
Charge for year	50	122	14	16	-	18	151	79	<b>450</b>
Disposals during year	-	-	-	-	(97)	(21)	(2)	(7)	<b>(127)</b>
<b>At end of year</b>	<b>573</b>	<b>1,328</b>	<b>365</b>	<b>73</b>	<b>1,207</b>	<b>75</b>	<b>1,103</b>	<b>699</b>	<b>5,423</b>
<b>Net book value</b>									
<b>At end of year</b>	<b>402</b>	<b>181</b>	<b>44</b>	<b>104</b>	<b>210</b>	<b>42</b>	<b>2,681</b>	<b>247</b>	<b>3,911</b>
<b>At beginning of year</b>	<b>452</b>	<b>253</b>	<b>50</b>	<b>120</b>	<b>225</b>	<b>32</b>	<b>2,825</b>	<b>320</b>	<b>4,277</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**17 Property, plant and equipment - other (continued)**

<b>BRON AFON</b>	<b>Office leasehold improvements £'000</b>	<b>Office &amp; computer equipment £'000</b>	<b>Fixtures &amp; Fittings £'000</b>	<b>Other £'000</b>	<b>Motor vehicles £'000</b>	<b>Plant &amp; Tools £'000</b>	<b>PV panels £'000</b>	<b>PV inverters £'000</b>	<b>2020 Total £'000</b>
<b>Cost</b>									
<b>At beginning of year</b>	975	1,459	401	176	1,529	110	4,406	1,088	<b>10,144</b>
Additions during year	-	50	8	-	-	29	11	9	<b>107</b>
Disposals during year	-	-	-	-	(112)	(22)	(6)	(10)	<b>(150)</b>
<b>At end of year</b>	<b>975</b>	<b>1,509</b>	<b>409</b>	<b>176</b>	<b>1,417</b>	<b>117</b>	<b>4,411</b>	<b>1,087</b>	<b>10,101</b>
<b>Depreciation</b>									
<b>At beginning of year</b>	523	1,206	351	56	1,304	78	1,219	625	<b>5,362</b>
Charge for year	50	122	14	16	-	18	176	91	<b>487</b>
Disposals during year	-	-	-	-	(97)	(21)	(2)	(7)	<b>(127)</b>
<b>At end of year</b>	<b>573</b>	<b>1,328</b>	<b>365</b>	<b>72</b>	<b>1,207</b>	<b>75</b>	<b>1,393</b>	<b>709</b>	<b>5,722</b>
<b>Net book value</b>									
<b>At end of year</b>	<b>402</b>	<b>181</b>	<b>44</b>	<b>104</b>	<b>210</b>	<b>42</b>	<b>3,019</b>	<b>378</b>	<b>4,380</b>
<b>At beginning of year</b>	<b>452</b>	<b>253</b>	<b>50</b>	<b>120</b>	<b>225</b>	<b>32</b>	<b>3,187</b>	<b>463</b>	<b>4,782</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 18 Stock – Group and Bron Afon

	2020 £'000	2019 £'000
Materials	138	68
	<b>138</b>	<b>68</b>

#### 19 Debtors

	2020		2019	
	Group £'000	Bron Afon £'000	Group £'000	Bron Afon £'000
<b>Debtors due within one year:</b>				
Arrears of rent and service charges	1,864	1,864	1,808	1,808
Less: provision for bad and doubtful debts	(1,325)	(1,325)	(1,169)	(1,169)
	<b>539</b>	<b>539</b>	639	639
Leaseholder arrears – major works and service charges	205	205	300	300
Less: provision for bad and doubtful debts	(203)	(203)	(300)	(300)
Sundry Debtors	137	137	365	356
Less: provision for bad and doubtful debts	(108)	(108)	(289)	(289)
Value Added Tax recoverable	112	112	83	83
VAT shelter agreement	9,413	9,413	8,451	8,451
Other debtors and prepayments	1,730	1,730	1,152	1,148
	<b>11,825</b>	<b>11,825</b>	<b>10,401</b>	<b>10,388</b>

Included within Other debtors and prepayments is an amount due within one year of £38k (2019: £14.8k) from the Welsh Government in respect of Housing Finance Grant 2.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**19 Debtors (continued)**

	<b>2020</b>		<b>2019</b>	
	<b>Group</b>	<b>Bron Afon</b>	<b>Group</b>	<b>Bron Afon</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Debtors due after more than one year:</b>				
VAT shelter agreement	<b>173,634</b>	<b>173,634</b>	179,787	179,787
Housing Finance Grant 2	<b>1,741</b>	<b>1,741</b>	851	851
	<b>175,375</b>	<b>175,375</b>	180,638	180,638

**20 Creditors: amounts falling due within one year**

	<b>2020</b>		<b>2019</b>	
	<b>Group</b>	<b>Bron Afon</b>	<b>Group</b>	<b>Bron Afon</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Rent received in advance	<b>1,147</b>	<b>1,147</b>	950	950
Trade creditors	<b>1,192</b>	<b>1,192</b>	582	582
Other taxation and social security costs	<b>294</b>	<b>294</b>	326	326
Capital creditors	<b>798</b>	<b>798</b>	777	777
VAT shelter agreement	<b>9,413</b>	<b>9,413</b>	8,451	8,451
Government grants	<b>2,521</b>	<b>2,521</b>	2,339	2,339
Accruals and deferred income	<b>6,571</b>	<b>6,567</b>	3,291	3,291
Other creditors	<b>347</b>	<b>347</b>	475	475
	<b>22,283</b>	<b>22,279</b>	17,190	17,190

Accruals and deferred income includes £2.7m in Social Housing Grant received in advance (2019: £653k).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**21 Creditors: amounts falling due after one year - Group and Bron Afon**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Housing loans (note 22)	<b>84,350</b>	84,350
Less: Loan issuing fees	<b>(1,135)</b>	(1,190)
	<b>83,215</b>	83,160
VAT shelter agreement	<b>173,634</b>	179,787
Government grants	<b>52,229</b>	48,553
Pension provision	<b>1,331</b>	1,357
	<b>310,409</b>	312,857

Of the £84.35m Housing loans, £5.4m relates to the PV panels installed on Bron Afon properties during 2011/12 which was funded from the RBS and Principality loan facility.

The pension provision relates to an amount set aside to fund future liabilities for the LGPS defined benefit pension scheme.

**Deferred income – Government grants**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
At the beginning of the year	<b>50,892</b>	45,266
Grants receivable	<b>6,326</b>	7,918
Disposals	<b>(162)</b>	(193)
Amortisation to statement of comprehensive Income	<b>(2,306)</b>	(2,099)
At the end of the year	<b>54,750</b>	50,892
Amounts due within one year	<b>2,521</b>	2,339
Amounts due after more than one year	<b>52,229</b>	48,553

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 21 Creditors: amounts falling due after one year - Group and Bron Afon (continued)

Government grants include the amounts received for capital investment from the Welsh Government GAP funding, a European grant received through Torfaen County Borough Council and grants received as part of Torfaen County Borough Council's Vibrant and Viable Places Scheme. The total value of the grants received to date is £64.7m before amortisation (2019: £59.3m). During the year, £3.38m of the £5.8m (2019: £4.07m) received from the Welsh Government as Gap funding was allocated to capital spend.

#### 22 Housing loans – Group and Bron Afon

Housing loans are secured by specific charges on all of Bron Afon Community Housing's properties. The interest rates range from 4.57% to 5.56% for fixed rate loans and from 0.9648% to 2.8396% for the variable loans. Existing lenders are RBS, Principality and the European Investment Bank.

A revised loan agreement was signed with these lenders on 13<sup>th</sup> February 2017. This includes £80m of existing loans which had previously been borrowed to fund work for Welsh Housing Quality Standard (WHQS) and PV panels. A further facility of £30.5m has been agreed to fund new development. £26.15m of this facility remains undrawn and attracts a non-utilisation fee of 1% for Principality and RBS and 0.41% for the European Investment Bank.

	2020 £'000	2019 £'000
Repayable by instalments due as follows:		
Five years or more	84,350	84,350
	<b>84,350</b>	<b>84,350</b>

#### 23 Non equity share capital – Bron Afon

	2020 £	2019 £
Shares of 10p		
At beginning of year	248.1	218.5
Shares issued during the year	17.9	46.6
Shares forfeited in year	(16.3)	(17.0)
At end of year	<b>249.7</b>	<b>248.1</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2020

### 23 Non equity share capital – Bron Afon (continued)

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends, redemption or distributions on a winding up. Afon Community Services Limited has £1 authorised and issued share capital in its financial statements. This share is owned by Bron Afon Community Housing Ltd.

### 24 Capital commitments – Group and Bron Afon

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Expenditure contracted less certified	<b>5,935</b>	2,380
Expenditure authorised by the Board but not contracted	<b>16,450</b>	10,201
	<b>22,385</b>	12,581

The Board expects that any expenditure they have authorised will be fully financed by grants, loans and reserves.

### 25 Contingent liabilities

Bron Afon Community Housing is not aware of any contingent liabilities at the end of the year.

### 26 Operating leases – Group and Bron Afon

Total future minimum, lease payments under non-cancellable operating leases are as follows:

	<b>2020</b>		<b>2019</b>	
	<b>Group</b>	<b>Bron Afon</b>	Group	Bron Afon
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Payments due:				
Within one year	<b>725</b>	<b>725</b>	649	648
Between two and five years	<b>3,031</b>	<b>3,031</b>	2,653	2,653
Over five years	<b>2,501</b>	<b>2,501</b>	2,894	2,894
	<b>6,257</b>	<b>6,257</b>	6,196	6,195

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**27 Statement of cash flows**

<b>Group</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net cash generated from operating activities</b>		
Surplus for the year	<b>3,577</b>	5,872
<b>Adjustments for non-cash items:</b>		
Depreciation of housing properties	<b>8,782</b>	8,332
Depreciation of other properties held	<b>44</b>	40
Depreciation of property, plant and equipment	<b>450</b>	444
Amortisation of intangible assets	<b>176</b>	160
Amortisation of Government grants	<b>(2,306)</b>	(2,099)
Disposal of Government grants	<b>(162)</b>	(193)
(Increase)/decrease in stock	<b>(70)</b>	59
Decrease in debtors	<b>4,732</b>	7,367
Increase in Government grant debtors	<b>(890)</b>	(596)
Decrease in creditors	<b>(1,242)</b>	(7,836)
(Decrease)/increase in provisions	<b>(26)</b>	470
Pension contributions – FRS102 costs	<b>1,679</b>	1,684
Carrying value of fixed asset disposals	<b>663</b>	801
Amortisation of loan fees	<b>55</b>	55
	<b>11,885</b>	8,688
<b>Adjustment for investing or financing activities:</b>		
Proceeds from sale of housing properties	<b>(1,923)</b>	(3,376)
Proceeds from sale of property, plant and equipment	<b>-</b>	37
Government grants utilised during the year	<b>(2,421)</b>	(1,726)
Interest paid	<b>3,524</b>	3,500
Interest received	<b>(235)</b>	(146)
Pension scheme FRS102 finance costs	<b>887</b>	735
	<b>(168)</b>	(976)
<b>Net cash generated by operating activities</b>	<b>15,294</b>	13,584

The Group has not entered into any finance lease arrangements in respect of assets in either the current or the previous year.

<b>Cash and cash equivalents</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	<b>15,633</b>	14,306
Cash equivalents included in current asset investments	<b>24,352</b>	17,265
<b>Cash and cash equivalents</b>	<b>39,985</b>	31,571

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**27 Statement of cash flows (continued)**

<b>Bron Afon</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net cash generated from operating activities</b>		
Surplus for the year	<b>3,547</b>	5,839
<b>Adjustments for non-cash items:</b>		
Depreciation of housing properties	<b>8,782</b>	8,332
Depreciation of other properties held	<b>44</b>	40
Depreciation of property, plant and equipment	<b>487</b>	486
Amortisation of intangible assets	<b>176</b>	160
Amortisation of Government grants	<b>(2,306)</b>	(2,099)
Disposal of Government grants	<b>(162)</b>	(193)
Increase in stock	<b>(70)</b>	59
Decrease in debtors	<b>4,714</b>	7,372
Increase in Government grant debtors	<b>(890)</b>	(596)
Decrease in creditors	<b>(1,244)</b>	(7,846)
Increase in provisions	<b>(26)</b>	470
FRS 102 pension costs	<b>1,679</b>	1,684
Carrying value of fixed asset disposals	<b>664</b>	801
Amortisation of loan fees	<b>55</b>	55
	<b>11,903</b>	8,725
<b>Adjustment for investing or financing activities:</b>		
Proceeds from sale of housing properties	<b>(1,923)</b>	(3,376)
Proceeds from sale of property plant and equipment	<b>-</b>	37
Government grants utilised during the year	<b>(2,421)</b>	(1,726)
Interest paid	<b>3,524</b>	3,500
Interest received	<b>(235)</b>	(146)
Pension scheme finance costs	<b>887</b>	735
	<b>(168)</b>	(976)
<b>Net cash generated by operating activities</b>	<b>15,282</b>	13,588

The Group has not entered into any finance lease arrangements in respect of assets in either the current or the previous year.

**Cash and cash equivalents**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	<b>15,610</b>	14,295
Cash equivalents included in current asset investments	<b>24,352</b>	17,265
<b>Cash and cash equivalents</b>	<b>39,962</b>	31,560

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 28 Reconciliation of net debt

##### Group

	At 1 April 2019	Cash flows	At 31 March 2020
Cash at bank and in hand	14,306	1,327	15,633
Cash equivalents included in current asset investments	17,265	7,087	24,352
Housing loans	(84,350)	-	(84,350)
	<b>(52,779)</b>	<b>8,414</b>	<b>(44,365)</b>

##### Bron Afon

	At 1 April 2019	Cash flows	At 31 March 2020
Cash at bank and in hand	14,295	1,315	15,610
Cash equivalents included in current asset investments	17,265	7,087	24,352
Housing loans	(84,350)	-	(84,350)
	<b>(52,790)</b>	<b>8,402</b>	<b>(44,388)</b>

#### 29 Related party transactions

None of Bron Afon's Senior Management Team or Board of Management had any related party transactions with Bron Afon during the year which require disclosure.

The following individuals who served on the Board were also tenants or leaseholders of Bron Afon Community Housing:

	Bron Afon	Afon Community Services	Afon Community Trust
Teresa Barter	✓		
Hilary Drinkwater	✓		
Brian Jones (resigned 18/09/2019)	✓		
Jillian Wadley		✓	✓
William Wadley			✓

The tenancies of all Board Members above are on normal commercial terms and their position as Board Members does not confer any advantage on these individuals as either tenants or leaseholders.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2020

### 29 Related party transactions (continued)

At 31 March 2020, Board members who were tenants of Bron Afon had balances as follows:

	2020		2019	
	Rent £	Arrears £	Rent £	Arrears £
Bron Afon	25,928	232	15,567	96
Afon Community Services Limited	-	-	-	-
Afon Community Trust	-	-	-	-

Two of Bron Afon's Board Members are Councillors of Torfaen County Borough Council. Any transactions with the Council are made at arm's length, on normal commercial terms and the Council Board Members cannot use their position to their advantage. During the year, the value of transactions made with the Council was £1.27m (2019: £1.18m). This includes grounds maintenance (£447k), fleet maintenance (£507k) and other services (£314k). The amounts outstanding at the year end were £26.9k in respect of other services provided (2019: £14.3k).

One of Bron Afon's Board members has a family member who is a tenant of Bron Afon. The tenancies are on normal commercial terms and their position as Board Members does not confer any advantage on these individuals as either tenants or leaseholders.

One of Bron Afon's Board members has a family member who is an employee of Bron Afon. The employment is on normal terms and their position as Board member does not confer any advantage on these individuals.

One of Bron Afon's Board members has a family member who is employed by a contractor of Bron Afon. The contract is on normal commercial terms and their position as Board Members does not confer any advantage on this.

During the year, the combined payments to the employee and contractor in the Statement of Comprehensive Income are £529k (2019: £286k). The amounts outstanding at the year end were £169k (2019: £13.4k).

During the year Barcud, the internal audit service shared by Bron Afon with three other housing associations, was set up as an LLP by the four members. The liability of Bron Afon is limited to £1, being the amount that Bron Afon undertakes to contribute to the assets of the company. Expenditure on the service during the year was £28k and there were no amounts outstanding at the year end.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2020

### 30 Board Members Expenses

Board membership is unpaid. However, Board members may claim properly authorised expenses incurred on Bron Afon's business which are detailed below.

The majority of Board member expenses (£4,332) relate to travel for attending Board and other meetings at Bron Afon (2019: £4,075). Other expenses incurred for Board members include attendance at conferences, contribution towards telephone bills and stationery. In 2020 this was £1,917 (2019: £3,598).

Meetings of the Board, the Audit and Ethics Committee and the Asset Management and Development Committee are held in the evening and a buffet is therefore provided and available to all members, officers and visitors who attend.

	<b>2020</b>	2019
	<b>Total</b>	Total
	<b>£</b>	£
Andrew Lawrence	<b>1,756</b>	1,703
Patrick Harkness	<b>1,247</b>	1,959
David Michael	<b>921</b>	2,884
Teresa Barter (appointed 19 September 2019)	<b>14</b>	-
Hilary Drinkwater (appointed 19 September 2018)	<b>145</b>	-
Mandy Eddolls	<b>1,965</b>	-
Joanne Oak	<b>202</b>	284
Stephen Lodge	-	145
Craig Nowell	-	614
Allan Giles (retired 20 September 2018)	-	84
	<b>6,250</b>	7,673

### 31 Control of related parties

Bron Afon Community Housing Ltd, which is registered as a Registered Social Landlord with the Welsh Government, is the ultimate parent undertaking of Afon Community Services Limited, Afon Community Trust, and Afon Energy Limited. Afon Energy Limited is currently dormant. Afon Community Services Limited is a company limited by guarantee and is registered in England and Wales. Afon Community Trust is a charity registered with the Charities Commission.

During the financial year, both Afon Community Services and Afon Community Trust had only a limited number of transactions. These relate to minor administrative charges and a prior year tax charge for Afon Community Services.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2020

### 31 Control of related parties (continued)

Financial transactions between the parent and the subsidiary consist of recharges from Bron Afon to Afon Community Services Limited. During the year, Bron Afon paid £nil (2019: £nil) to Afon Community Services Limited and Afon Community Services paid £nil (2019: £nil) to Bron Afon.

### 32 Pension scheme – Group and Bron Afon Community Housing

Bron Afon employees who joined prior to 1 September 2017 were entitled to be members of the Greater Gwent (Torfaen) Pension Scheme. From this date, the scheme was closed to new entrants. This scheme is the Local Government Pension Scheme operated by Torfaen County Borough Council. Torfaen County Borough Council transferred employees to Bron Afon at the time of the stock transfer. Many of these were members of Greater Gwent (Torfaen) Pension Fund with the pension liabilities on transfer fully funded by the Council with subsequent costs to be incurred by Bron Afon. Under the Council's actuarial valuation therefore, Bron Afon took on a £nil net liability position on transfer. The Triennial Valuation this was carried out during 2019/20 and will impact 2020/21 onwards. The contribution rates have been held constant. Work is currently taking place with the Scheme Administrators to agree a long term strategy recognising that we will cease to be members once the last employee within the scheme leaves Bron Afon. Contributions paid for the year were £3,102,000 (2019: £2,248,000).

The main assumptions used in this valuation were:

	<b>At end of 31 March 2020</b>	At end of 31 March 2019
Rate of inflation	<b>1.70%</b>	2.30%
Rate of increase in salaries	<b>2.00%</b>	2.80%
Rate of increase in pensions	<b>1.70%</b>	2.30%
Discount rate	<b>2.40%</b>	2.60%
Mortality assumptions:		
Non-retired members (retiring in the future in normal health)	S1PA CMI_2018_[1.25%] (98% Males, 97% Females)	
Current pensioners (retired in normal health)	S1PA CMI_2018_[1.25%] (98% Males, 97% Females)	
	<b>2020 Years</b>	2019 Years
<b>Retiring today:</b>		
Males	<b>20.6</b>	21.5
Females	<b>22.9</b>	23.9

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**32 Pension scheme (Continued) – Group and Bron Afon**

	<b>2020</b>	2019
	<b>Years</b>	Years
<b>Retiring in 20 years:</b>		
Males	<b>21.6</b>	23.6
Females	<b>24.6</b>	26.1

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	<b>2020</b>		2019	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Equities	<b>49,457</b>	<b>73.0</b>	56,248	78.0
Bonds	<b>15,583</b>	<b>23.0</b>	14,423	20.0
Property	<b>2,032</b>	<b>3.0</b>	1,442	2.0
Cash/liquidity	<b>677</b>	<b>1.0</b>	-	0.0
<b>Total fair value of plan assets at end of period</b>	<b>67,749</b>		72,113	
Present value of defined benefit obligations	<b>(97,217)</b>		(105,494)	
<b>Deficit</b>	<b>(29,468)</b>		(33,381)	

**Movements in the fair value of the scheme assets during the year to 31 March 2020**

	<b>2020</b>	2019
	<b>£'000</b>	<b>£'000</b>
Present value of plan assets at beginning of year	<b>72,113</b>	66,171
Interest income	<b>1,911</b>	1,879
Actuarial gain on plan assets	<b>(8,758)</b>	2,101
Employers and members contributions	<b>3,789</b>	2,986
Benefits and transfers paid	<b>(1,306)</b>	(1,024)
<b>Present value of plan assets at end of year</b>	<b>67,749</b>	72,113



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**32 Pension scheme (Continued) – Group and Bron Afon**
**Change in scheme deficit during the year to 31 March 2020**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Present value of scheme liabilities at beginning of year	<b>105,494</b>	91,596
Current service cost	<b>4,064</b>	3,917
Interest cost	<b>2,798</b>	2,614
Members contributions	<b>687</b>	738
Past service cost	<b>717</b>	15
Benefits and transfers paid	<b>(1,306)</b>	(1,024)
Actuarial losses/(gains) on liabilities	<b>(15,237)</b>	7,638
<b>Present value of scheme liabilities at end of year</b>	<b>97,217</b>	105,494

**Change in scheme deficit during the year to 31 March 2020**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Deficit in scheme at the beginning of year	<b>(33,381)</b>	(25,425)
Current service cost	<b>(4,064)</b>	(3,917)
Net interest	<b>(887)</b>	(735)
Member contributions	<b>3,102</b>	2,248
Past service cost	<b>(717)</b>	(15)
Actuarial (losses)/gains on liabilities	<b>6,479</b>	(5,537)
<b>Deficit in scheme at the end of the year</b>	<b>(29,468)</b>	(33,381)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2020**
**32 Pension scheme (Continued) – Group and Bron Afon**

Amounts recognised in the Statement of Comprehensive Income in respect of the defined benefit pension scheme are as follows:

	2020 £'000	2019 £'000
<b>Analysis of amounts included in operating costs</b>		
Current service cost	4,064	3,917
Past service cost	717	15
Employer contributions	(3,102)	(2,248)
<b>Analysis of amounts included in net pension costs</b>		
Net interest cost (note 10)	887	735
	<u>2,566</u>	<u>2,419</u>
Actuarial gains/(losses) on liabilities	15,237	(7,638)
Actuarial (losses)/gains on assets	(8,758)	2,101
<b>Actuarial gain/ (loss) recognised in Other Comprehensive Income</b>	<u>6,479</u>	<u>(5,537)</u>
<b>Total credit/ (cost) relating to defined benefit scheme</b>	3,913	(7,956)
<b>Actual Return on Plan Assets</b>	(6,847)	3,980

**Sensitivity analysis**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

<b>Change in assumptions at 31 March 2020:</b>	<b>Approximate % increase to Defined Benefit Obligation</b>	<b>Approximate monetary amount (£000)</b>
0.5% decrease in Real Discount Rate	13%	13,073
0.5% increase in the Salary Increase Rate	2%	2,257
0.5% increase in the Pension Increase Rate (CPI)	11%	10,677

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 33 Financial Instruments

The carrying value of the Group and Bron Afon's financial assets and liabilities are summarised by category below:

##### Financial assets

##### Measured at undiscounted amount receivable

	2020		2019	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Rent arrears and other debtors (note 19)	539	539	639	639
Sales ledger debtors (note 19)	137	137	365	356
Cash and cash equivalents	15,633	15,610	14,306	14,295
Current asset investments	24,352	24,352	17,265	17,265
	<b>40,661</b>	<b>40,638</b>	<b>32,575</b>	<b>32,555</b>

##### Financial liabilities

##### Measured at undiscounted amount payable

	2020		2019	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Loans payable (note 21)	83,215	83,215	83,160	83,160
Trade creditors (note 20)	1,192	1,192	582	582
Rent received in advance (note 20)	1,147	1,147	950	950
Other taxation and social security (note 20)	294	294	326	326
Capital creditors (note 20)	798	798	777	777
	<b>86,646</b>	<b>86,646</b>	<b>85,795</b>	<b>85,795</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2020

### 33 Financial Instruments (continued)

The Group and Bron Afon's income, expense, gains and losses in respect of financial instruments are summarised below:

	2020		2019	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Interest income and expense				
Total interest income for financial assets at undiscounted amount receivable (note 8)	235	235	146	146
Total interest expense for financial liabilities at undiscounted amount payable (note 9)	3,524	3,524	3,500	3,500
	<b>3,759</b>	<b>3,759</b>	<b>3,646</b>	<b>3,646</b>

### 34 Prior year restatement

Following the publication of the 2018 Housing SORP and the clarification within this document regarding the appropriate presentation and disclosure of certain items, disposals of fixed assets such as right to buy sales income is now presented within operating surplus. The prior year results have been restated to reflect this change in presentation.

In addition, the presentation of note 4 has been amended to show separately the income and costs related to service charges. The prior year results have been restated to reflect this change in presentation.

Neither of the prior year restatements have had any impact on the reported surplus or net assets of Bron Afon.