



Bron Afon Community Housing Ltd

Annual Report & Financial Statements

For the year ended 31 March 2021

Contents

	Page
Board Members, Executive Officers and Professional Advisors	3
Strategic Report	5
Board Report	20
Independent Auditor's Report to the Members	27
Group Statement of Comprehensive Income	31
Bron Afon Statement of Comprehensive Income	32
Group Statement of Financial Position	33
Bron Afon Statement of Financial Position	34
Group Statement of Changes in Reserves	35
Bron Afon Statement of Changes in Reserves	36
Group Statement of Cash Flows	37
Group Free Cash Flow	38
Bron Afon Statement of Cash Flows	39
Bron Afon Free Cash Flow	40
Notes to the Financial Statements	41

BOARD MEMBERS, EXECUTIVE OFFICERS AND PROFESSIONAL ADVISORS

Board Members

Andrew Lawrence (Chair)
Patrick Harkness (Vice Chair)
David Michael
Mandy Eddolls
Joanne Oak
Stephen Lodge
Craig Nowell
Veronica Crick
Jessica Powell (resigned 20th October 2020)
Hilary Drinkwater
Teresa Barter (resigned 17th September 2020)
Peter Jackson
Amanda Owen (appointed 25th March 2021)

Executive Officers

Alan Brunt	Chief Executive
Neil Edwards	Director of Resources and Company Secretary
Unji Mathur	Director of Transformation
Catherine Love	Director of Customer Experience

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
1st Floor, 2 Chamberlain Square
Birmingham
B3 2AX

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
9th Floor
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EC2M 4RB

Principality Building Society
PO Box 89
Principality Buildings
Queen Street
Cardiff
CF10 1UA

European Investment Bank
100 Boulevard Konrad Adenauer
L-2950 Luxembourg

Registered with charitable rules under the Co-operative and Community Benefit Societies Act 2014 No. 30235R. Registered with the Welsh Government No. L147.

STRATEGIC REPORT

Introduction

2020/21 has been a year unlike no other as we lived and worked through the Covid-19 pandemic. Plans discussed and agreed in more settled times had to be discarded or amended as the pressures on the business and on the housing sector more generally abruptly changed, and the financial forecasts updated as we adapted to the new ways of working and the pressures on our services. This uncertainty remains as the pandemic persists into 2021/22.

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 we continued to deliver services where we could and carried on implementing our long term plans as best as possible.

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 2021.

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 31st 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 2,521 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 £732 during the year (2020: £726). 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 the year,

incurring just £65 on administration costs. 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

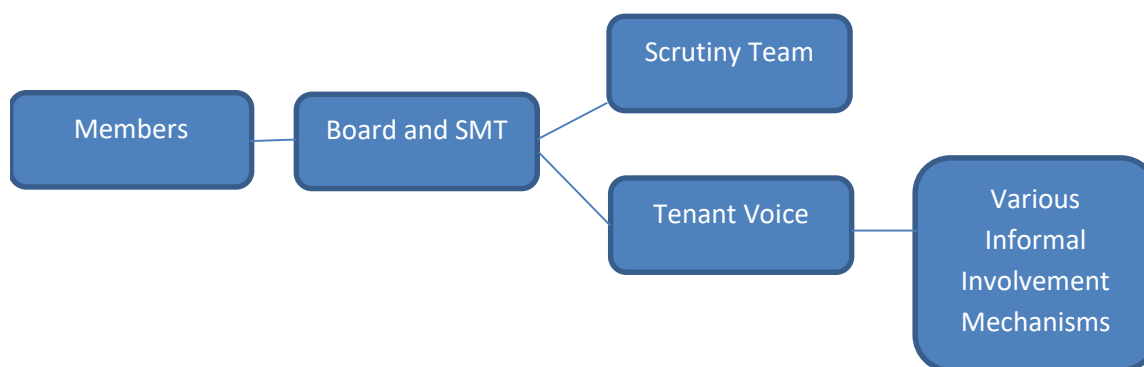
The Board consists of twelve members and is supported by three committees. During the year we carried out a review of the governance structure, supported by Central Consultancy; we wanted to ensure it met the changing needs of the business, renewed our emphasis on “hearing the tenants’ voice” and that we continued to meet the highest professional standards. As a result the roles of the committees were revised and enhanced.

The three committees are:

- a) Assurance Committee;
- b) People and Governance Committee;
- c) Service and Performance Committee.

2020 saw the launch of our new Involvement and Engagement Strategy, and the development of our “Tenant Voice” approach will see our customers – whether tenant, leaseholder or support service user – regularly consulted on issues that affect them, bringing to life the principles set out in the strategy. In addition, we are further developing our ability to listen to customers’ feedback through our transactional interactions with them with the launch of “Rant & Rave”, our customer engagement system. Our scrutiny team remains key to challenging and improving our service delivery with targeted reviews and bespoke pieces of work.

The diagram below shows the governance structure and how the membership involvement structure links to the Board.



In addition, following the review and subsequent consultation with tenants and the wider membership, and a change to the Rules agreed at the Annual Members Meeting, we introduced payment for Board members, which commenced in January 2021. This continues the professionalisation of our governance structure, allows us to continue to recruit the skills required in the changing operating environment and recognises the important role our board members play and rewards them appropriately.

Financial Review

Overview

The financial statements for 2020/21 have been prepared under FRS102 accounting requirements introduced in 2015/16 and the 2018 Housing SORP (“Statement of Recommended Practice”). The table below shows the summary annual financial results for the last two years, in the format introduced by FRS102. In 2020/21 the impact of Covid-19 was reduced thanks to the receipt of £563k in furlough grant so that the operating surplus was down by only £51k from £7.753m to £7.702m. There was an overall revenue deficit of £5.570m however because of loan breakage costs arising from the refinancing of our loan book carried out during the year. This is discussed in more detail later in the report.

Statement of Comprehensive Income	2019/20	2020/21
	Group	Group
	£'000	£'000
Turnover	48,151	49,170
Operating surplus	7,753	7,702
Net Interest Payable	(3,289)	(12,558)
Pension Scheme Net Interest Charge	(887)	(714)
Surplus/(deficit) for the year before tax	3,577	(5,570)

Turnover

Turnover has increased by 2.1%, or £1.019m, up to £49.17m. The main source of income is rent. Under Welsh Government guidelines the rent could rise by a maximum of 2.7% on average between 2019/20 and 2020/21. We applied an adjustment of +/-£2.00 to those rents that are in transition to the Bron Afon Target Rent for their particular property type. In addition we introduced a rent cap in 2020/21 so that rents would not exceed 120% of the Target Rent for that property type. As a result our rent increased by an average of 2.4%. However, due to Covid-19, we saw a slowdown in the time to let empty properties (voids), reducing the income earned further. Hence rental income increased by 1.7% (£662k) to £40.1m compared with the previous year (see note 4).

Other major changes in Turnover:

- We receive Gap Funding from the Welsh Government of £5.8m, of which £1.9m (2020: £2.4m) is credited to Turnover (see note 3).
- As part of our growing development programme we built and sold our first Low Cost Home Ownership properties which increased Turnover by £753k in gross income (net income was £155k).
- The income from the disposal of fixed assets was down over £1.6m, from £1.9m in 2019/20 to £249k in 2020/21 as Right to Buy sales ceased. This is discussed in more detail below.

Expenditure

There has been a decrease of 1.4% (£604k) in operating expenditure. Revenue expenditure on maintenance and improvements fell by £803k to £19.4m as the restrictions imposed by the pandemic delayed repair work from being carried out, and management costs fell by £532k to £5.7m.

Meanwhile depreciation of housing properties is up £357k (3.8%) (2020: 4.1%) to £9.3m, reflecting the continuing capital investment being made in the stock.

Statement of Financial Position

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

	2016/17 Group	2017/18 Group	2018/19 Group	2019/20 Group	2020/21 Group
	£'000	£'000	£'000	£'000	£'000
Housing Properties	149,558	158,594	163,039	167,661	177,163
Other properties	1,907	1,867	1,959	1,915	1,872
Other fixed assets	4,958	4,684	4,277	3,911	3,505
Intangible assets	754	553	521	452	295
Investments - Shared Equity Loans receivable	-	-	-	-	226
Total fixed assets	157,177	165,698	169,796	173,939	183,061
Net current assets/(liabilities)	200,802	198,713	205,488	205,040	142,142
Pension liability	-28,848	-25,425	-33,381	-29,468	-50,671
Net loan balance	-78,701	-80,256	-83,160	-83,215	-37,696
VAT Shelter Agreement	-192,248	-185,852	-179,787	-173,634	-163,200
Government Grants	-37,550	-43,150	-48,553	-52,229	-58,029
Other Long Term Creditors	-	-1,017	-1,357	-1,331	-1,925
Share capital and reserves	20,632	28,711	29,046	39,102	13,680

Our Properties

Sales and Acquisitions

There has been a marked fall in the income derived from the disposal of properties, from £1.9m 2019/20 to £249k in 2020/21, due principally to the end of Right to Buy (RTB) in Wales. During the year we sold 1 property through RTB, 3 properties as part of our strategic asset disposal programme and one shared ownership property.

Our new development programme continues to grow and we acquired/built 58 new properties at three sites (Cwrt Yr Ysgol in Pontypool, and Clos Meithrin and Caldicot Way in Cwmbran), plus we bought back 5 leasehold flats sold previously under RTB, giving 63 properties (2020: 34 properties) in line with our strategic acquisitions programme.

During the year we also built and sold a further 4 properties at Cwrt Yr Ysgol as part of the Low Cost Home Ownership initiative. The property is sold with a loan or advance to support the purchase, which is shown as "Investments - Shared Equity Loans receivable" in the Statement of Financial Position; this amounted to £226k in 2020/21. This is the first year in which we have carried out such sales but it is expected to increase in its importance as we seek to build mixed tenure estates.

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 £177m in 2020/21, funded in part by loan drawn down for WHQS work. 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 2020/21 we spent £6.8m (2020: £5.6m) (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.

In 2019/20 we reviewed our garage strategy and determined that we would dispose of uneconomic or hard to manage garages and invest the receipts in the remaining stock from 2020/21. However the pandemic meant that only one garage was sold in the year, although others are in the process of being sold. One site of 18 garages was also demolished during the year. Therefore in 2020/21 we had 2,027 garages (2020: 2,046). They generated £587k in rent (2020: £619k) and we spent £380k in management and maintenance (capital and revenue) (2020: £318k), providing a surplus of £206k (2020: 299k). However we also had 37% of our garages as void and further investment is needed.

Bron Afon Pension Schemes

a) Schemes Available

In 2020/21 we operated two pension schemes. The first is the Local Government Pension Scheme (LGPS), a defined benefit scheme adopted at Transfer. We are obliged under the Transfer Agreement to provide this (or similar) to staff who transferred from the Local Authority in 2008. It was closed to new entrants in 2016 and replaced by a defined contribution scheme administered through the Pensions Trust. This is our default scheme for auto enrolment. The LGPS scheme remains in place for those employed prior to 1st September 2016.

b) Contribution Rates

The rates for 2020/21 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 which was carried out during 2019/20. 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 33. 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.

The accounting calculation has a significant effect on the accounts. The deficit as shown in the Statement of Financial Position has increased by £21.2m (72%) from £29.5m to £50.7m (2020: decrease of £3.9m to £29.5m).

There is also a significant non- cash charge of £1.4m (2020: £2.6m) (see table below) to the Statement of Comprehensive Income, which in addition to the employer contributions already paid during the year take the total cost of the scheme £3.794m (2020: £5.668m). The Scheme actuaries provide projections of this charge for 2021/22, and it is expected to increase to £3.6m. It was recognised at the time of its introduction that FRS102 requirements would bring volatility into the accounts.

	Total Charge to SCI	2019/20	2020/21
<i>Service Cost</i>		£4,781,000	£3,080,000
<i>Interest Expense</i>		£887,000	£714,000
Total Gross FRS102 Pension Charge		£5,668,000	£3,794,000
<i>Less Actual Employer Contributions</i>		£3,102,000	£2,443,000
Total Charge to I&E		£2,566,000	£1,351,000

Treasury Management

Bron Afon's approach to treasury management is set out in our Treasury Strategy and Management policy, and focuses on 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. The 2021/22 Treasury Strategy will address the changed loan configuration resulting from the new loan agreement entered into in April 2021 which will include entering into a forward fix from September 2020 to 6th April 2040 for £25m.

Rent Policy Review

During the year the rent policy was reviewed and following consultation with tenants on affordability and in line with Welsh Government requirements the policy was revised and incorporates the principles set out by the Joseph Rowntree Foundation around affordable rents.

Performance Review

Background

2019/20 was a transitional year for Bron Afon, re-organising and starting the shift to more agile working, and 2020/21 was to be the year of consolidation as we implemented key process reviews set in train the previous year. The Covid-19 pandemic broke out in March 2020 and fundamentally reshaped the lives of our staff and tenants and how we worked. Like others we rapidly introduced home working, with the furloughing of a few staff during the year proving necessary, and services having to be adapted accordingly.

Despite this we still continued with many of the planned pieces of work – the refinancing of our loan book, the introduction of a digitalised service, the completion of our restructure – whilst addressing the new pressures on rent collection arrears, repairs and voids, and how to deliver services remotely during lockdown.

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. Within that context we set a number of priorities for the year to deliver:

- Operational change that makes tangible improvements in the customer's experience and increases staff satisfaction in the medium to long term;
- Delivery of a properly embedded digital services approach that reduces the costs of each transaction;
- Financial sustainability to continue with a strong market position that allows further improvements in our stock and the opportunity to fully engage in our ambitious development plan;
- The ability to release capacity and improve efficiency across our organisation's resources;
- Future proof the organisation to enable us to respond to external challenges and manoeuvre quickly when faced with statutory and legal changes;
- Our wholesale sustainability agenda, which will establish our pathway to the decarbonisation of our stock, as well as take a wider approach to embedding sustainability into every aspect of what we do and how.

To achieve this we set out an ambitious programme of work covering both the Portfolio and 'business as usual' operations and our priorities were measured through portfolio, operational and performance reporting arrangements.

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. 2019/20 figures are included for comparison. They have to be seen in the context of Covid-19. For example the increase in the average number of days to re-let a property increased markedly as new lettings were almost non-existent in the first few months of the year.

KPI Measure	2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual
Customers				
% of tenancies sustained independently >12 months following provision of support	90.00%	91.84%	90.00%	92.50%
Net Promoter Score (transactional survey)	40	20	40	21
Homes				
Number of new homes delivered into service per annum	90	34	90	67**
% of repairs completed at first visit	98.00%	99.76%	98.00%	99.46%
Housing occupancy level as % of housing stock	98.75%	98.24%	98.75%	98.26%
Average number of calendar days to complete a repair	12	12.50*	12	16.59
Average days to re-let a property (excluding major works)	23	33.16*	23	92.55
Staffing				
Number of RIDDORs	0	8	0	5
Number of accidents	115	127	0	7
Working Days Lost Due to Sickness Per FTE	15	14.73	12	8.3
Customer Services				
Percentage of tenants satisfied that Bron Afon listens to their views and acts on them	-	-	83.00%	66.00%
First point of contact resolution for customers	80.00%	90.19	80.00%	86.40%
Financial Measures				
Current arrears as a % of rent due	3.10%	3.21%*	3.10%	3.58%

Liquidity available sufficient for next 18 months	Yes	Yes	Yes	Yes
Interest cover	1.1:1	4.1:1	1.1:1	3.6:1
Net debt per unit	£7,527	£5,519	£8,058	£4,925
Cashflow before development expenditure	Positive	Positive	Positive	Positive
Total rent and service charges collected as % of total rent and service charges due	101.00%	99.57%	101.00%	100.66%

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

** Includes 4 LCHO properties

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		
	2018/19	2019/20	2018/19	2019/20	2020/21
Operating costs for lettings per Social Housing unit	£3,344	£3,497	£3,454	£3,789	£3,671
Management costs per Social Housing unit ¹	£1,241	£1,320	£1,247	£1,287	£1,284
Reactive repair costs per Social Housing unit	£1,145	£1,189	£2,095	£2,307	£2,171
Major repairs and component costs per Social Housing unit	£886	£796	£1,098	£694	£837
Bad debts per Social Housing unit	£45	£52	£62	£46	£20
Weighted average cost of capital ²	4.49%	4.35%	4.28%	4.17%	4.19%

Free cash flow (before draw down or repayment of loans)	£484	£52	£649	£1,183	£927
Gross Arrears/Social Housing turnover	4.69%	5.01%	4.50%	4.55%	4.46%
Total rent per Social Housing unit	£5,507	£5,703	£5,006	£5,077	£5,140
Rental void loss per Social Housing unit	£72	£73	£55	£61	£92
Operating Margin (Adjusted) ³	Unavailable	Unavailable	14.35%	12.11%	15.16%
Return on Capital Employed (ROCE)	Unavailable	Unavailable	1.75%	2.05%	2.37%
Units developed	Unavailable	Unavailable	36	34	63
Units developed as percentage of units owned	Unavailable	Unavailable	0.45%	0.42%	0.77%

¹ Management Costs per Social Housing Unit – costs sourced from Note 4 and include both management and service charge costs.

² Weighted average cost of capital – the breakage costs incurred in the year have been excluded from this calculation.

³ 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 was partly due to the costs of reorganisation. We also continue to spend more on both reactive repairs and major repairs, which is being reviewed. 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.

In 2017 we 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). At the end of March 2021 our adjusted operating margin was 15.2% (2020: 12.1%), so achieving our target despite the unique challenges set during the year arising from the Covid-19 pandemic. It will be difficult to maintain this level in 2021/22 as we tackle the consequences of the pandemic – the backlog of repairs, the high level of void properties, the financial challenges faced by tenants, etc.

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 2020/21 the value of the stock as shown in the Statement of Financial position has risen to £177m representing the capital expenditure incurred. The desktop valuation carried out by Savills at March 2020 provides a valuation of current stock at Existing Use Value – Social Housing with no Gap Funding of £235m at 31st March 2020, with projections of this rising to £275m by 31st March 2025. 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 the challenges we and the communities we serve face from the Covid-19 pandemic and its aftermath. Other work continues but it needs to be seen in this context.

Principal Risks and Uncertainties

Throughout the year the Board and the Assurance Committee review progress on our high strategic risks and consider those risks that are emerging. Key risks currently facing Bron Afon include the following:

Covid-19 and Financial Sustainability

There were major concerns initially about the financial uncertainty arising from the Covid-19 pandemic for 2020/21. Whilst we managed the financial performance effectively during the year, there are still challenges ahead. These arise both from addressing the backlog of work built up in 2020/21 as it flows over into future years, and as we deal with the issues arising from the repercussions of Covid-19, such as the ending of the furlough scheme as it affects our tenants. These challenges 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, 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 2021 approximately 48% of our tenants were “self-payers”; this includes those on Universal Credit.

At the beginning of the pandemic we saw a large increase in arrears (over £230k), which was provided for in the 2019/20 accounts. In 2020/21, we concentrated efforts on supporting tenants to ensure the rent was paid and arrears stabilised, following the payment pattern of previous years, albeit starting at that higher level. That continued into 2021/22, although there is a risk the situation could worsen as furlough ceases or if there is another lockdown.

2021/22 sees a measured return to our expenditure plans. The capital expenditure budget is higher than originally envisaged due to slippage from last year and voids are still higher at the beginning of the year as we work to return to more normal levels. Routine maintenance has an increased budget as we address the backlog

of work. It is therefore anticipated that expenditure will be higher and the operating surplus lower this year than in 2020/21, but this is affordable and sustainable.

Bron Afon is financially strong and it is clear that the business is a going concern, able to successfully trade during and after the pandemic. We have a high level of liquidity, having access to a £30 million revolving credit facility as we enter 2021/22. 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 1.55:1. To break the covenant our net income would have to fall by £1.335m.

Agile Working and “Back to the Future”

Prior to the start of the pandemic we planned 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 was rapidly accelerated by the Covid-19 pandemic. Home working has become typical during 2020/21, but it has not been in the form we had intended. In 2021/22 the office will be reconfigured ready for more flexible working. The emphasis is on learning the lessons on the way we can deliver services effectively from the changed ways of working and capitalising 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 which are still working their way through and have been in part hidden by the pandemic. Brexit gives rise to a multitude of risks which we have endeavoured to assess and mitigate where possible. These include 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.

Gap Funding

One of the concerns of the Independent Review of Affordable Housing Supply was 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

Welsh Government has set 2030 as a target for the decarbonisation of the social housing stock. This is a huge challenge; the anticipated cost is considerable plus there are issues around engagement and delivery, skills and supply chains, and how home owners and landlords in the private rented sector will be incentivised to achieve the standards.

Consideration as to how this is funded in the social housing sector is still taking place nationally within Wales but we need to consider what resources we are able to direct to this vital work. This will increase our capital and revenue expenditure at a time when rents are being squeezed and pressure on our services grows.

Developing and Financing Affordable Housing

The new Development Strategy adopted during 2020/21 set a target of delivering 650 units by 2025 and the thirty year business plan assumes we remain a developing association. 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. Successful developments often involve estates with mixed tenure and private sale properties as well. These risks are being managed by working with others, bringing the right skills into the organisation, and having the necessary and appropriate controls, policies and procedures.

New affordable housing has three strands of funding, capital grant, loan and internal resources.

i) *Grant Funding*

In order to maximise the output from limited capital grant for new development Welsh Government is introducing a standard model for calculating grant rates, and this is expected to be in operation by 2022/23, though we must start to prepare for it now. 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.

ii) *Loan Funding*

Bron Afon has had its loan portfolio in place with a syndicate of three lenders since 2008, with a revision to the agreement in 2017 to allow funding for some new development. Access to funding ended in December 2020 and the Board decided to carry out a refinancing of the existing facilities at the same time as seeking new finance. As a result on 6th April 2021 Bron Afon entered into new bilateral arrangements with NatWest Bank and the Principality Building Society (PBS), and the agreement with the European Investment Bank (EIB) ended. £44.35 million of the year end balance was repaid including the full outstanding balance on the EIB loan (see Note 22).

The deal involved the novation of the existing fixed loans of £38m with NatWest and PBS to the new arrangement and in addition we have a £55m loan with Nat West (including a £30m revolving credit facility) and a £17m facility with PBS. The new agreement removes many of the restrictive controls placed on the business at transfer as a new LSVT and provides a scope of action and freedom available to other "traditional" housing associations.

Whilst the new arrangements took effect on the 6th April 2021, an irrevocable notice was given to the EIB on the 22nd March of our intention to repay the

outstanding loan balance and therefore the breakage costs of £8.4m have been recognised in the 2020/21 financial statements (see Note 9).

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 8,052 rented homes, located within the County Borough of Torfaen, plus we have between 20% and 70% equity held in 71 shared ownership properties, on which we receive rental income. We also have 900 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 deficit for the year for the Bron Afon Group of £5.6m (2020: Surplus of £3.6m) which is stated after accounting for gap funding of £1.9m (2020: £2.4m), Coronavirus Job Retention Scheme grant of £0.5m and a total pension cost of £3.794m (2020: £5.668m), comprising a non-cash charge of £1.4m (2020: £2.6m) plus employer contributions of £3.102m (2020: £2.443m). The deficit does not include capital expenditure of £19.1m (Housing properties, Tangible Fixed Assets, Shared Equity Loans and Property, Plant and Equipment) financed through grant, loan and cash balances.

During the year, the organisation spent £19.4m (2020: £20.2m) 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 14 to 17 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 2. 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. This has never been more the case than during 2020/21, when we were able to continue to provide many of the services our customers rely on while dealing with the challenges posed by the Covid-19 pandemic. That we were able to do so is a testament to the adaptability, commitment and hard work of colleagues across the business.

One of our corporate priorities is to become an agile organisation, able to respond quickly to customer needs and changes in our external environment, as well as providing a flexible working environment for colleagues. Over the past year we have seen that many colleagues have benefitted from working from home and are reporting they are more productive. The aim is to increase flexibility by providing colleagues with a greater choice over where they carry out their role when we open our offices in the autumn. We will continue to operate our flexible hours policy. The move to agile working is supported by the office refurbishment that is currently being planned, which is designed to allow for greater collaboration, a focus on leadership development to enable our leaders to confidently lead their teams in an agile environment, and the development of performance and engagement frameworks to underpin this.

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 2021, the group employed 393 full time equivalent staff (31 March 2020: 386).

During 2020/21 we spent £303k on training (2020: £315k); this includes the cost of the Learning and Development team. The expenditure equates to an average of £746 per employee (2020: £809). We delivered 2,163 hours of training and development opportunities (excluding conferences and CPD) which equates to 5.5 hours per employee across 122 separate learning events. Spend on training in 2020/21 was considerably lower than in previous years due to the impact of the Covid-19 pandemic. Training activity picked up in the latter half of the financial year when we re-started the delivery of our leadership programme (virtually) and health & safety training as trade colleagues came back from furlough.

No new apprentices were recruited in 2020/21. We successfully bid for the Kickstart project and these opportunities will roll-out 2021/22.

Sickness for 2020/21 was 8.3 days per FTE, a decrease on the 2019/20 figure of 14.71 days per FTE. This continues the downward trend we have seen in recent years. It is difficult to assess the extent to which working from home since our offices closed in March 2020 has impacted on this figure, and the HR team will continue to monitor this closely and work with managers and our Occupational Health service to actively manage absence cases and support colleagues back to work.

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 Assurance Committee – gives the Board assurance on matters relating to risk and finance, governance, risk management and internal control.
2. The People and Governance Committee – responsible for considering employment matters, organisational structures and governance matters
3. The Service and Performance Committee – responsible for supporting the Board by providing scrutiny of all business activities and receiving appropriate assurance on its effectiveness.

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.

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 eight 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 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 Assurance Committee to review the effectiveness of the system of internal control. The Assurance 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 Assurance 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 Assurance 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 Assurance 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 helps 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 which underwent a full review in 2020/21) 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 Assurance 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 Assurance 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 2020 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 2021.

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 16th September 2021. The location and format will be dependent on restrictions in place at the time of the meeting.

Approved on behalf of the Board by:


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Andrew Lawrence
Chair of the Board

Date: 22nd July 2021

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 ('Bron Afon') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the Group and Bron Afon Statements of Comprehensive Income, the Group and Bron Afon Statements of Financial Position, the Group and Bron Afon Statements of Changes in Reserves, the Group and Bron Afon Statements of Cash Flows 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 United Kingdom Accounting Standards, 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 2021 and of the group's and of Bron Afon's deficit 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 group and Bron Afon in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Bron Afon's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information contained within the annual report. 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 course of 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.

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.

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

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 Cooperative 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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Group and Bron Afon, and its sector, we identified that the principal risks of non-compliance with laws and regulations related to employment and health and safety regulations, Welsh Government legislation of the regulation of Registered Social Landlords and implementation of government support schemes

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

relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as 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.

We evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Board and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and Bron Afon which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Board and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

**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. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to Bron Afon'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 Bron Afon'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 Bron Afon and Bron Afon'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
1st Floor
2 Chamberlain Square
Birmingham
B3 2AX

Date:

**GROUP
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2021**

	Note	2021 £'000	2020 £'000
Turnover	3	49,170	48,151
Less: Operating costs	3	(41,717)	(42,321)
Surplus on disposal of fixed assets	6	249	1,923
Operating surplus		7,702	7,753
Interest receivable and other income	8	92	235
Interest payable and similar charges	9	(12,650)	(3,524)
Pension scheme net interest adjustment	10	(714)	(887)
(Deficit)/ surplus before taxation		(5,570)	3,577
Taxation	13	-	-
(Deficit)/ surplus for the year	7	(5,570)	3,577
Actuarial (loss)/ gain on pension scheme	33	(19,852)	6,479
Total comprehensive (expenditure)/ income for the year		(25,422)	10,056

The above relates wholly to continuing activities.

The notes on pages 42 to 86 form an integral part of the financial statements.

**BRON AFON
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2021**

	Note	2021 £'000	2020 £'000
Turnover	3	49,170	48,151
Less: Operating costs	3	(41,753)	(42,351)
Surplus on disposal of fixed assets	6	249	1,923
Operating surplus		7,666	7,723
Interest receivable and other income	8	92	235
Interest payable and similar charges	9	(12,650)	(3,524)
Pension scheme net interest adjustment	10	(714)	(887)
(Deficit)/ surplus before taxation		(5,606)	3,547
Taxation	13	-	-
(Deficit)/ surplus for the year	7	(5,606)	3,547
Actuarial (loss)/ gain on pension scheme	33	(19,852)	6,479
Total comprehensive (expenditure)/ income for the year		(25,458)	10,026

The above relates wholly to continuing activities.

The notes on pages 42 to 86 form an integral part of the financial statements.

**GROUP
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	14	295	452
Housing properties	15	177,163	167,661
Investments- shared equity loans	15	226	-
Other properties held	16	1,872	1,915
Property, plant and equipment – other	17	3,505	3,911
		<u>183,061</u>	<u>173,939</u>
Current assets			
Stock	18	884	138
Debtors due within one year	19	15,677	11,825
Debtors due in more than one year	19	164,901	175,375
Current asset investments		5,359	24,352
Cash at bank and in hand		37,155	15,633
		<u>223,976</u>	<u>227,323</u>
Creditors: amounts falling due within one year	20	(81,836)	(22,283)
Net current assets		<u>142,140</u>	<u>205,040</u>
Total assets less current liabilities		<u>325,201</u>	<u>378,979</u>
Creditors: amounts falling due after more than one year	21	(260,850)	(310,409)
Pension liability	33	(50,671)	(29,468)
Net assets		<u>13,680</u>	<u>39,102</u>
Represented by:			
Capital and reserves			
Non-equity share capital	24	-	-
Revenue reserve		13,680	39,102
		<u>13,680</u>	<u>39,102</u>

The financial statements on pages 32 to 86 were approved by the Board on 22 July 2021 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 2021**

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	14	295	452
Housing properties	15	177,163	167,661
Investments- shared equity loans	15	226	-
Other properties held	16	1,872	1,915
Property, plant and equipment - other	17	3,937	4,380
		<u>183,493</u>	<u>174,408</u>
Current assets			
Stock	18	884	138
Debtors due within one year	19	15,677	11,825
Debtors due in more than one year	19	164,901	175,375
Current asset investments		5,359	24,352
Cash at bank and in hand		37,135	15,610
		<u>223,956</u>	<u>227,300</u>
Creditors: amounts falling due within one year	20	(81,833)	(22,278)
Net current assets		<u>142,123</u>	<u>205,022</u>
Total assets less current liabilities		<u>325,616</u>	<u>379,430</u>
Creditors: amounts falling due after more than one year	21	(260,850)	(310,409)
Pension liability	33	(50,671)	(29,468)
Net assets		<u>14,095</u>	<u>39,553</u>
Represented by:			
Capital and reserves			
Non-equity share capital	24	-	-
Revenue reserve		14,095	39,553
		<u>14,095</u>	<u>39,553</u>

The financial statements on pages 32 to 86 were approved by the Board on 22 July 2021 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 2021**

	Revenue Reserve	Total
	£'000	£'000
At 1 April 2019	29,046	29,046
Surplus for the year	3,577	3,577
Actuarial gain on the pension scheme	6,479	6,479
	<hr/>	<hr/>
At 31 March 2020	39,102	39,102
	<hr/> <hr/>	<hr/> <hr/>
At 1 April 2020	39,102	39,102
Deficit for the year	(5,570)	(5,570)
Actuarial loss on the pension scheme	(19,852)	(19,852)
	<hr/>	<hr/>
At 31 March 2021	13,680	13,680
	<hr/> <hr/>	<hr/> <hr/>

**BRON AFON
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2021**

	Revenue Reserve £'000	Total £'000
At 1 April 2019	29,527	29,527
Surplus for the year	3,547	3,547
Actuarial gain on the pension scheme	6,479	6,479
	<hr/>	<hr/>
At 31 March 2020	39,553	39,553
	<hr/>	<hr/>
At 1 April 2020	39,553	39,553
Deficit for the year	(5,606)	(5,606)
Actuarial loss on the pension scheme	(19,852)	(19,852)
	<hr/>	<hr/>
At 31 March 2021	14,095	14,095
	<hr/> <hr/>	<hr/> <hr/>

GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	28	25,361	15,294
Cash flows from investing activities			
Component replacements		(6,994)	(5,615)
Development schemes		(11,888)	(8,429)
Purchase of property, plant and equipment		(174)	(110)
Purchase of intangible fixed assets		(38)	(107)
Purchase of other properties held		-	-
Shared equity loan issue		(226)	-
Proceeds from sale of housing properties		404	1,923
Proceeds from sale of property, plant and equipment		-	-
Grants received – component replacements		3,936	3,858
Grants received – revenue		2,428	2,421
Grants received – other		4,278	2,468
Interest received		92	235
Net cash flows from investing activities		(8,182)	(3,356)
Cash flows from financing activities			
Interest paid		(12,650)	(3,524)
New loans		-	-
Loans repaid		(2,000)	-
Net cash flows from financing activities		(14,650)	(3,524)
Net increase in cash and cash equivalents		2,529	8,414
Cash and cash equivalents at the beginning of the year		39,985	31,571
Cash and cash equivalents at the end of the year	28	42,514	39,985

**GROUP
FREE CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	28	25,361	15,294
Interest paid		(12,650)	(3,524)
Interest received		92	235
Adjustment for reinvestment in existing properties			
Component replacements and other additions (note 15)		(6,994)	(5,615)
Purchase of other replacement fixed assets (notes 14 & 17)		(212)	(217)
Component replacement grant received		<u>3,936</u>	<u>3,379</u>
Free cash generated before loan repayments		<u>9,533</u>	<u>9,552</u>
Loans repaid (excluding revolving credit and overdrafts)		<u>(2,000)</u>	<u>-</u>
Free cash generated after loan repayments		<u><u>7,533</u></u>	<u><u>9,552</u></u>

**BRON AFON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	28	25,364	15,282
Cash flows from investing activities			
Component replacements		(6,994)	(5,615)
Development schemes		(11,888)	(8,429)
Purchase of property, plant and equipment		(174)	(110)
Purchase of intangible fixed assets		(38)	(107)
Purchase of other properties held		-	-
Shared equity loan issue		(226)	-
Proceeds from sale of housing properties		404	1,923
Grants received – component replacements		3,936	3,858
Grants received – revenue		2,428	2,421
Grants received – other		4,278	2,468
Interest received		92	235
Net cash flows from investing activities		(8,182)	(3,356)
Cash flows from financing activities			
Interest paid		(12,650)	(3,524)
New loans		-	-
Loans repaid		(2,000)	-
Net cash flows from financing activities		(14,650)	(3,524)
Net increase in cash and cash equivalents		2,532	8,402
Cash and cash equivalents at the beginning of the year		39,962	31,560
Cash and cash equivalents at the end of the year	28	42,494	39,962

**BRON AFON
FREE CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	28	25,364	15,282
Interest paid		(12,650)	(3,524)
Interest received		92	235
Adjustment for reinvestment in existing properties			
Component replacements and other additions (note 15)		(6,994)	(5,615)
Purchase of other replacement fixed assets (notes 14 & 17)		(212)	(217)
Component replacement grant received		3,936	3,379
Free cash generated before loan repayments		9,536	9,540
Loans repaid (excluding revolving credit and overdrafts)		(2,000)	-
Free cash generated after loan repayments		7,536	9,540

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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 and it is clear that the business is a going concern, able to successfully trade during and after the pandemic. We have a high level of liquidity, having access to a £30 million revolving credit facility as we enter 2021/22. 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 1.55:1. To break the covenant our net income would have to fall by £1.335m.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

Basis of Consolidation

The consolidated financial statements incorporate the state of affairs of the Group as at 31 March 2021 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, proceeds from the sale of properties under the Low Cost Home Ownership (LCHO) scheme 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 2021**

(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 2021**

(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 2021
(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**

Component	Projected Economic Life (years)
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 2021**

(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 2021**

(i) Sales of properties (continued)

Equity loans have been made, under low cost home ownership arrangements, to homeowners who were not otherwise able to fully afford their homes using commercially available mortgages. Equity loans are included in the Statement of Financial Position at historic cost. The Association is entitled to a portion of the market value corresponding to the equity interest at a time when homeowners either dispose of their property or when they choose to repurchase some, or all, of the equity loan. Grants are recycled where they are deemed to be repayable.

(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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

(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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

ii. Corporation Tax (continued)

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 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

(p) Pension Costs (continued)

Defined Benefit Scheme (continued)

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 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 2021**

(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 2021**

(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 33 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 2021**

**(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 2021**
3 Turnover, operating costs and operating surplus
GROUP

	Turnover	2021 Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings (note 4)	43,816	(39,333)	4,483
Other social housing activities			
Other (including leaseholders)	490	(1,479)	(989)
Government grants	2,428	-	2,428
Surplus on disposal of fixed assets- shared equity properties	753	(598)	155
Value Added Tax recoverable	205	-	205
Non social housing activities			
Other	1,478	(307)	1,171
	49,170	(41,717)	7,453
Surplus on disposal of fixed assets- other	-	-	249
Operating results	49,170	(41,717)	7,702
	Turnover	2020 Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings (note 4)	42,805	(39,938)	2,867
Other social housing activities			
Other (including leaseholders)	490	(2,074)	(1,584)
Government grants	2,421	-	2,421
Value Added Tax recoverable	808	-	808
Non social housing activities			
Other	1,627	(309)	1,318
	48,151	(42,321)	5,830
Surplus on disposal of fixed assets	-	-	1,923
Operating results	48,151	(42,321)	7,753

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
3 Turnover, operating costs and operating surplus (continued)
BRON AFON

	Turnover	2021 Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings (note 4)	43,816	(39,333)	4,483
Other social housing activities			
Other (including leaseholders)	490	(1,479)	(989)
Government grants	2,428	-	2,428
Surplus on disposal of fixed assets- shared equity properties	753	(598)	155
Value Added Tax recoverable	205	-	205
Non social housing activities			
Other	1,478	(343)	1,135
	49,170	(41,753)	7,417
Surplus on disposal of fixed assets- other	-	-	249
Operating results	49,170	(41,753)	7,666

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
3 Turnover, operating costs and operating surplus (continued)

Within “Other social housing activities” income for Bron Afon and the Group is grant income of £246k (2020: £218k).

Bron Afon and the Group received £5.8m of GAP funding from the Welsh Government, of which £1.9m (2020: £2.4m) has been allocated to revenue. Government grant income above also includes £563k of income claimed under the Coronavirus Job Retention Scheme grant.

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

	2021	2020
	£'000	£'000
Income		
Rents	40,064	39,402
Service charges	941	804
Supporting People grant	278	293
Amortised Government grant – housing properties	2,495	2,268
Amortised Government grant – other properties	38	38
	<hr/> 43,816	<hr/> 42,805
Cost		
Management costs	5,676	6,208
Service charge costs	4,761	4,181
Routine maintenance	17,642	18,623
Improvement expenditure	1,755	1,577
Bad debts	161	368
Depreciation of housing properties	9,295	8,938
Depreciation of other properties	43	43
	<hr/> 39,333	<hr/> 39,938
Operating costs on social housing activities	<hr/> 39,333	<hr/> 39,938
	<hr/> 4,483	<hr/> 2,867
Operating surplus on social housing lettings	<hr/> 4,483	<hr/> 2,867
Rent loss due to voids (memorandum note)	<hr/> 1,099	<hr/> 796

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
5 Units in management at end of year – Group and Bron Afon

	2021	2020
Housing accommodation	8,061	8,002
Shared ownership	71	72
Managed on long lease	900	904
Garages	2,027	2,046
Commercial	23	23
	<hr/>	<hr/>
Total units in management	11,082	11,047

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

	2021		2020	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Housing properties -sales proceeds	441	441	2,252	2,252
Other property, plant and equipment - sales proceeds	16	16	-	-
Housing properties- cost of sales	(167)	(167)	(329)	(329)
Other property, plant and equipment - cost of sales	(41)	(41)	-	-
	<hr/>			
Surplus on disposal	249	249	1,923	1,923

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
7 Surplus for the year

	2021		2020	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Surplus for the year is stated after charging:				
Amortisation – intangible assets	195	195	176	176
Depreciation – housing properties	9,127	9,127	8,782	8,782
Depreciation – other properties	43	43	44	44
Depreciation – property, plant and equipment - other	399	437	450	487
External auditor's remuneration (including VAT)				
In their capacity as auditor	25	24	25	24
Other services	10	5	10	8
Operating lease rentals (office premises)	725	725	658	658
Operating lease rentals (other)	23	23	29	29

8 Interest receivable and similar income – Group and Bron Afon

	2021	2020
	£'000	£'000
Bank interest receivable	92	235
	92	235

9 Interest payable and similar charges – Group and Bron Afon

	2021	2020
	£'000	£'000
Interest on loans repayable by instalments in more than 5 years		
WHQS loans	2,867	2,984
PV loans	260	256
Development loans	337	229
Loan breakage costs	8,355	-
Loan issuing fees	831	55
	12,650	3,524

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
9 Interest payable and similar charges – Group and Bron Afon (continued)

On 22nd March 2021, notice was given to the European Investment Bank of Bron Afon's intention to repay the outstanding loan balance with them. As a result of this irrevocable notice being submitted during the year, the breakage costs associated with this early repayment have been recognised in the 2020/21 financial statements.

The loan issuing fees relate to the Welsh Housing Quality Standard (WHQS) and PV loans- see note 22. In addition, the balance of the loan issuing fees associated with the elements of the loan facility being repaid have been written off during the year. Interest on development loans includes £70k (2020: £68k) of HFG2 grant income.

10 Pension scheme net interest adjustment – Group and Bron Afon

	2021	2020
	£'000	£'000
Adjustment for finance costs in respect of the defined benefit pension scheme (note 33)	714	887
	714	887

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.

11 Employee information**Group**

The average number of employees as full time equivalents:

	2021	2020
Finance and administration	59	60
Housing management	101	127
Direct maintenance	231	219
	391	406
Full time equivalents at the end of the year was:	393	386

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
11 Employee information (continued)

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

	2021	2020
	£'000	£'000
Wages and salaries	12,821	13,624
Social security costs	1,250	1,280
Pension costs	2,512	3,307
Compensation for loss of office	-	141
Holiday pay accrual	382	(38)
	16,965	18,314

Bron Afon

The average number of employees as full time equivalents:

	2021	2020
Finance and administration	59	60
Housing management	101	127
Direct maintenance	231	219
	391	406

Full time equivalents at the end of the year was: **393** 386

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

	2021	2020
	£'000	£'000
Wages and salaries	12,821	13,624
Social security costs	1,250	1,280
Pension costs	2,512	3,307
Compensation for loss of office	-	141
Holiday pay accrual	382	(38)
	16,965	18,314

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
11 Employee information (continued)

The charge for pension represents contributions paid by Bron Afon to its two pension schemes:- Defined benefit scheme total contributions of £2.443m, comprising £2.278m regular contributions and £165k pension strain costs and Defined contribution scheme £234k (2020: Defined benefit scheme £3.146m and Defined contribution scheme £161k). Amounts outstanding to the schemes at year end were £nil (2020: £nil). The ratio of highest to lowest paid employee is 6.98 to 1 (2020: 6.99 to 1).

During the year, Bron Afon made claims under the Coronavirus Job Retention Scheme, totalling £563k. In total, 122 members of staff were furloughed during the year, primarily from customer facing areas such as the repairs function and the café.

12 Directors' emoluments – Group and Bron Afon

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

	2021	2020
	£'000	£'000
Emoluments (including pension contributions)	490	558
Emoluments (excluding pension contributions)		
include amounts paid to:		
The highest paid director (Chief Executive)	128	125

	2021	2020
The number of the Directors who received emoluments (excluding pension contributions) were in the following ranges:		
£0 - £50,000	-	1
£50,001 - £60,000	-	1
£60,001 - £70,000	-	-
£70,001 - £80,000	-	1
£80,001 - £90,000	-	1
£90,001 - £100,000	1	-
£100,001 - £110,000	1	-
£110,001 - £120,000	1	1
£120,001 - £130,000	1	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 (2020:£9k).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
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.

	2021	2020
	£	£
Alan Brunt, Chief Executive	654	5,206
Neil Edwards, Director of Resources	538	2,779
Unji Mathur, Director of Organisational Development	350	578
Ian Simpson, Director of Community Housing and Support (Resigned 30th September 2019)	-	416
Catherine Love, Director of Customer Experience	2,213	4,737
	3,755	13,716

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
13 Taxation

a) Analysis of tax on ordinary activities	2021		2020	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
UK corporation tax at 19% (2020:19%)	-	-	-	-
	-	-	-	-

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.

	2021		2020	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
(Deficit)/ surplus on ordinary activities before tax	(5,570)	(5,606)	3,577	3,547
(Deficit)/ surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK 19% (2020: 19%)	(1,058)	(1,065)	680	674
Effects of:				
Charitable activities	1,058	1,065	(680)	(674)
Current charge for the year	-	-	-	-

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 2021
14 Intangible assets – Group and Bron Afon

	Computer Software £'000	2021 Total £'000
Cost		
At the beginning of the year	2,606	2,606
Additions and other capitalised costs	38	38
Disposals during year	-	-
At the end of the year	<u>2,644</u>	<u>2,644</u>
Amortisation		
At the beginning of the year	2,154	2,154
Charge for the year	195	195
Disposals during year	-	-
At the end of the year	<u>2,349</u>	<u>2,349</u>
Net book value		
At end of year	<u>295</u>	<u>295</u>
At beginning of year	<u>452</u>	<u>452</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

15 Housing properties – Group and Bron Afon	Freehold Housing properties held for letting £'000	Freehold Housing properties under construction £'000	2021 Total £'000
Cost			
At beginning of year	211,618	14,875	226,493
Additions and other capitalised costs	3,971	14,911	18,882
Development Schemes completed during the year	8,749	(8,749)	-
Improvements completed during the year	3,023	(3,023)	-
Disposals during year	(499)	-	(499)
At end of year	226,862	18,014	244,876
Depreciation & Impairment			
At beginning of year	58,747	85	58,832
Charge for the year	9,127	-	9,127
Disposals during year	(246)	-	(246)
Impairment charge for the year	-	-	-
At end of year	67,628	85	67,713
Net book value			
At end of year	159,234	17,929	177,163
At beginning of year	152,871	14,790	167,661

There has been no interest capitalised in the year (2020: £nil). Improvement expenditure capitalised in the year amounted to £6.8m (2020: £5.6m). Housing properties under construction includes the cost of new developments incurred during the year; once complete, some of the properties constructed may be designated as properties for sale under the low cost home ownership scheme, and the appropriate adjustments will be made in the financial statements at this time. The depreciation charge of £9.1m (2020: £8.8m) relates to additions in years 2019/20 and earlier. This is in line with Accounting Policy note f, which states that depreciation commences in the year following acquisition.

Bron Afon is in receipt of £5.8m per annum of GAP funding from the Welsh Government, of which £3.9m (2020: £3.38m) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
15 Housing properties – Group and Bron Afon (continued)

Freehold land and buildings with a carrying amount of £138m (2020: £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.

Shared equity loans receivable

	2021	2020
	Total	Total
	£'000	£'000
At beginning of year	-	-
Loans issued during the year	226	-
At end of year	<u>226</u>	<u>-</u>

Shared Equity loans receivable represent the initial value of Bron Afon's remaining equity share in 4 (2020: nil) properties funded under low cost home ownership arrangements.

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

	2021
	Total
	£'000
Cost	
At beginning of year	2,144
Additions and other capitalised costs	-
Disposals during year	-
At end of year	<u>2,144</u>
Depreciation & Impairment	
At beginning of year	229
Charge for the year	43
Disposals during year	-
At end of year	<u>272</u>
Net book value	
At end of year	<u>1,872</u>
At beginning of year	<u>1,915</u>

Other properties held relate to our commercial units.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
17 Property, plant and equipment - other

GROUP	Office leasehold improvements £'000	Office & computer equipment £'000	Fixtures & Fittings £'000	Other £'000	Motor vehicles £'000	Plant & Tools £'000	PV panels £'000	PV inverters £'000	2021 Total £'000
Cost									
At beginning of year	975	1,509	409	177	1,417	117	3,784	946	9,334
Additions during year	-	96	27	-	-	10	27	13	173
Disposals during year	-	-	-	-	(356)	-	-	(10)	(366)
At end of year	975	1,605	436	177	1,061	127	3,811	949	9,141
Depreciation									
At beginning of year	573	1,328	365	73	1,207	75	1,103	699	5,423
Charge for year	50	78	14	15	-	12	151	79	399
Disposals during year	-	-	-	-	(305)	-	-	(8)	(313)
Impairment	-	-	-	-	127	-	-	-	127
At end of year	623	1,406	379	88	1,029	87	1,254	770	5,636
Net book value									
At end of year	352	199	57	89	32	40	2,557	179	3,505
At beginning of year	402	181	44	104	210	42	2,681	247	3,911

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
17 Property, plant and equipment - other (continued)

BRON AFON	Office leasehold improvements £'000	Office & computer equipment £'000	Fixtures & Fittings £'000	Other £'000	Motor vehicles £'000	Plant & Tools £'000	PV panels £'000	PV inverters £'000	2021 Total £'000
Cost									
At beginning of year	975	1,509	409	176	1,417	117	4,411	1,087	10,101
Additions during year	-	96	27	-	-	10	27	13	173
Disposals during year	-	-	-	-	(356)	-	-	(10)	(366)
At end of year	975	1,605	436	176	1,061	127	4,438	1,090	9,908
Depreciation									
At beginning of year	573	1,328	365	72	1,207	75	1,393	709	5,722
Charge for year	50	78	14	15	-	12	176	90	435
Disposals during year	-	-	-	-	(305)	-	-	(8)	(313)
Impairment	-	-	-	-	127	-	-	-	127
At end of year	623	1,406	379	87	1,029	87	1,569	791	5,971
Net book value									
At end of year	352	199	57	89	32	40	2,869	299	3,937
At beginning of year	402	181	44	104	210	42	3,019	378	4,380

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**
18 Stock – Group and Bron Afon

	2021	2020
	£'000	£'000
Materials	420	138
Properties held for disposal	464	-
	884	138

19 Debtors

	2021		2020	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Debtors due within one year:				
Arrears of rent and service charges	1,862	1,862	1,864	1,864
Less: provision for bad and doubtful debts	(1,360)	(1,360)	(1,325)	(1,325)
	502	502	539	539
Leaseholder arrears – major works and service charges	181	181	205	205
Less: provision for bad and doubtful debts	(180)	(180)	(203)	(203)
Sundry Debtors	1,542	1,542	137	137
Less: provision for bad and doubtful debts	(64)	(64)	(108)	(108)
Value Added Tax recoverable	534	534	112	112
VAT shelter agreement	11,339	11,339	9,413	9,413
Other debtors and prepayments	1,823	1,823	1,730	1,730
	15,677	15,677	11,825	11,825

Included within Other debtors and prepayments is an amount due within one year of £40k (2020: £38k) from the Welsh Government in respect of Housing Finance Grant 2.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
19 Debtors (continued)

	2021		2020	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Debtors due after more than one year:				
VAT shelter agreement	163,200	163,200	173,634	173,634
Housing Finance Grant 2	1,701	1,701	1,741	1,741
	164,901	164,901	175,375	175,375

20 Creditors: amounts falling due within one year

	2021		2020	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Rent received in advance	1,396	1,396	1,147	1,147
Housing loans (note 22)	44,350	44,350	-	-
Trade creditors	2,551	2,551	1,192	1,192
Other taxation and social security costs	320	320	294	294
Capital creditors	919	919	798	798
VAT shelter agreement	11,339	11,339	9,413	9,413
Government grants	2,902	2,902	2,521	2,521
Accruals and deferred income	17,749	17,746	6,571	6,566
Other creditors	310	310	347	347
	81,836	81,833	22,283	22,278

Accruals and deferred income includes £2.9m in Social Housing Grant received in advance (2020: £2.7m).

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**
21 Creditors: amounts falling due after one year - Group and Bron Afon

	2021 £'000	2020 £'000
Housing loans (note 22)	38,000	84,350
Less: Loan issuing fees	(304)	(1,135)
	<u>37,696</u>	<u>83,215</u>
VAT shelter agreement	163,200	173,634
Government grants	58,029	52,229
Recycled capital grant fund	49	-
Other creditors	1	-
Other provisions (note 23)	544	-
Pension provision	1,331	1,331
	<u>260,850</u>	<u>310,409</u>

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

Recycling of Capital Grant and Disposals Proceeds Fund

	2021 Total £'000	2020 Total £'000
At beginning of year	-	-
Add: funds arising from property sales	49	-
At end of year	<u>49</u>	<u>-</u>

Deferred income – Government grants

	2021 £'000	2020 £'000
At the beginning of the year	54,750	50,892
Grants receivable	8,777	6,326
Disposals	(63)	(162)
Amortisation to statement of comprehensive Income	(2,533)	(2,306)
At the end of the year	<u>60,931</u>	<u>54,750</u>
Amounts due within one year	<u>2,902</u>	<u>2,521</u>
Amounts due after more than one year	<u>58,029</u>	<u>52,229</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**
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 £73.2m before amortisation (2020: £64.7m). During the year, £3.9m of the £5.8m (2020: £3.4m) 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 5.61% for fixed rate loans and from 0.2945% to 2.034% for the variable loans. Existing lenders are NatWest, Principality and the European Investment Bank.

On 6th April 2021, the existing loans shown below were re-financed through new facilities with NatWest and Principality. £44.35 million of the year-end balance was repaid, including the entirety of the loan with the European Investment Bank. The new facilities comprise £55 million with NatWest, of which £30 million relates to a revolving credit facility, and £17 million with Principality.

	2021	2020
	£'000	£'000
Repayable by instalments due as follows:		
Less than one year	44,350	-
Five years or more	38,000	84,350
	82,350	84,350

23 Provisions- Group and Bron Afon

	2021	2020
	Total	Total
	£'000	£'000
At beginning of year	-	-
Add: funds arising from property sales	544	-
At end of year	544	-

The provision relates to the anticipated dilapidation costs associated with Tŷ Bron Afon. The lease on the building ends on 30th March 2028, and there is currently no intention to extend it beyond this date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
24 Non-equity share capital – Bron Afon

	2021	2020
	£	£
Shares of 10p		
At beginning of year	249.7	248.1
Shares issued during the year	5.6	17.9
Shares forfeited in year	(3.2)	(16.3)
At end of year	252.1	249.7

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. In addition to the above, 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.

25 Capital commitments – Group and Bron Afon

	2021	2020
	£'000	£'000
Expenditure contracted less certified	8,039	5,935
Expenditure authorised by the Board but not contracted	11,510	16,450
	19,549	22,385

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

26 Contingent liabilities

Bron Afon Community Housing is aware of one on-going employment tribunal case at the year end, relating to the approach taken to the pay bargaining process and the subsequent pay award offered to staff. Were the tribunal to find against Bron Afon, it would be liable to pay total compensation of £230k, in addition to any legal fees incurred defending the claim.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
27 Operating leases – Group and Bron Afon

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

	2021		2020	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Payments due:				
Within one year	730	730	725	725
Between two and five years	3,143	3,143	3,031	3,031
Over five years	1,710	1,710	2,501	2,501
	5,583	5,583	6,257	6,257

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**
28 Statement of cash flows

Group	2021	2020
	£'000	£'000
Net cash generated from operating activities		
(Deficit)/ surplus for the year	(5,570)	3,577
Adjustments for non-cash items:		
Depreciation of housing properties	9,127	8,782
Depreciation of other properties held	43	44
Depreciation of property, plant and equipment	399	450
Impairment of property, plant and equipment	127	-
Amortisation of intangible assets	195	176
Amortisation of Government grants	(2,533)	(2,306)
Disposal of Government grants	(63)	(162)
Increase in stock	(746)	(70)
Decrease in debtors	6,584	4,732
Decrease/ (increase) in Government grant debtors	40	(890)
Increase/ (decrease) in creditors	4,437	(1,242)
Increase/ (decrease) in provisions	544	(26)
Pension contributions – FRS102 costs	637	1,679
Carrying value of fixed asset disposals	306	663
Amortisation of loan fees	831	55
	19,928	11,885
Adjustment for investing or financing activities:		
Proceeds from sale of housing properties	(249)	(1,923)
Proceeds from sale of fixed assets	(155)	-
Government grants utilised during the year	(1,865)	(2,421)
Interest paid	12,650	3,524
Interest received	(92)	(235)
Pension scheme FRS102 finance costs	714	887
	11,003	(168)
Net cash generated by operating activities	25,361	15,294

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

	2021	2020
	£'000	£'000
Cash at bank and in hand	37,155	15,633
Cash equivalents included in current asset investments	5,359	24,352
Cash and cash equivalents	42,514	39,985

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**
28 Statement of cash flows (continued)

Bron Afon	2021	2020
	£'000	£'000
Net cash generated from operating activities		
(Deficit)/ surplus for the year	(5,606)	3,547
Adjustments for non-cash items:		
Depreciation of housing properties	9,127	8,782
Depreciation of other properties held	43	44
Depreciation of property, plant and equipment	437	487
Impairment of property, plant and equipment	127	-
Amortisation of intangible assets	195	176
Amortisation of Government grants	(2,533)	(2,306)
Disposal of Government grants	(63)	(162)
Increase in stock	(746)	(70)
Decrease in debtors	6,588	4,714
Decrease/ (increase) in Government grant debtors	40	(890)
Increase/ (decrease) in creditors	4,434	(1,244)
Increase/ (decrease) in provisions	544	(26)
FRS 102 pension costs	637	1,679
Carrying value of fixed asset disposals	306	664
Amortisation of loan fees	831	55
	19,967	11,903
Adjustment for investing or financing activities:		
Proceeds from sale of housing properties	(249)	(1,923)
Proceeds from sale of fixed assets	(155)	-
Government grants utilised during the year	(1,865)	(2,421)
Interest paid	12,650	3,524
Interest received	(92)	(235)
Pension scheme finance costs	714	887
	11,003	(168)
Net cash generated by operating activities	25,364	15,282

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

	2021	2020
	£'000	£'000
Cash at bank and in hand	37,135	15,610
Cash equivalents included in current asset investments	5,359	24,352
Cash and cash equivalents	42,494	39,962

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**
29 Reconciliation of net debt**Group**

	At 1 April 2020	Cash flows	At 31 March 2021
Cash at bank and in hand	15,633	21,522	37,155
Cash equivalents included in current asset investments	24,352	(18,993)	5,359
Housing loans	(84,350)	2,000	(82,350)
	(44,365)	4,529	(39,836)

Bron Afon

	At 1 April 2020	Cash flows	At 31 March 2021
Cash at bank and in hand	15,610	21,525	37,135
Cash equivalents included in current asset investments	24,352	(18,993)	5,359
Housing loans	(84,350)	2,000	(82,350)
	(44,388)	4,532	(39,856)

30 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	✓		
Amanda Owen (appointed 25 th March 2021)	✓		
Jillian Wadley		✓	✓
William Wadley (resigned 23 rd July 2020)			✓

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 2021
30 Related party transactions (continued)

At 31 March 2021, Board members who were tenants of Bron Afon had balances as follows:

	2021		2020	
	Rent £	Arrears £	Rent £	Arrears £
Bron Afon	21,731	-	25,928	232
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 £1.45m (2020: £1.27m). This includes grounds maintenance (£300k), fleet maintenance (£589k) and other services (£232k). The amounts outstanding at the year-end were £71k in respect of other services provided (2020: £26.9k).

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 £209k (2020: £529k). The amounts outstanding at the year-end were £3k (2020: £169k).

Bron Afon is one of four members of Barcud LLP, which was set up to provide internal audit services to the member organisations. During the year Barcud also started providing procurement services to two of the members, including Bron Afon. 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 £53k and there were no amounts outstanding at the year end.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
31 Board Members Expenses

At the Annual Members Meeting on 17th September 2020, a change was approved to Bron Afon's rules to allow Board members to receive remuneration. Following a tenant consultation exercise, and the finalisation of matters such as the remuneration policy and board appraisal process, approval was obtained from Board in December 2020, and remuneration commenced from this date.

The emoluments paid to the non-executive board members were as below:

	2021	2020
	Total	Total
	£	£
Andrew Lawrence	3,769	-
Patrick Harkness	2,833	-
David Michael	2,500	-
Teresa Barter (resigned 17 th September 2020)	-	-
Hilary Drinkwater	1,667	-
Mandy Eddolls	2,500	-
Joanne Oak	1,667	-
Stephen Lodge	1,667	-
Craig Nowell	1,667	-
Veronica Crick	1,667	-
Peter Jackson	1,667	-
	<hr/> 21,604	-

Board members may also claim properly authorised expenses incurred on Bron Afon's business which are detailed below.

Due to the pandemic, there were no travel expenses for 2020/21 (2019/20: £4,332). The expenses of £986 incurred in 2020/21 relate to (virtual) attendance at events and conferences (2019/20: £1,917).

	2021	2020
	Total	Total
	£	£
Andrew Lawrence	382	1,756
Patrick Harkness	139	1,247
David Michael	345	921
Teresa Barter (resigned 17 th September 2020)	-	14
Hilary Drinkwater	-	145
Mandy Eddolls	-	1,965
Joanne Oak	-	202
Stephen Lodge	120	-
	<hr/> 986	6,250

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

32 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.

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 (2020: £nil) to Afon Community Services Limited and Afon Community Services paid £nil (2020: £nil) to Bron Afon.

33 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 was carried out during 2019/20 and impacts 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 £2,443,000 (2020: £3,102,000).

The main assumptions used in this valuation were:

	At end of 31 March 2021	At end of 31 March 2020
Rate of inflation	2.70%	1.70%
Rate of increase in salaries	3.00%	2.00%
Rate of increase in pensions	2.70%	1.70%
Discount rate	2.15%	2.40%

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**
33 Pension scheme (Continued) – Group and Bron Afon

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)

	2021	2020
	Years	Years
Retiring today:		
Males	20.7	20.6
Females	23.4	22.9
	2021	2020
	Years	Years
Retiring in 20 years:		
Males	22.1	21.6
Females	25.4	24.6

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:

	2021		2020	
	£'000	%	£'000	%
Equities	73,226	81.0	49,457	73.0
Bonds	15,368	17.0	15,583	23.0
Property	1,808	2.0	2,032	3.0
Cash/liquidity	-	0.0	677	1.0
Total fair value of plan assets at end of period	90,402		67,749	
Present value of defined benefit obligations	(141,073)		(97,217)	
Deficit	(50,671)		(29,468)	

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
33 Pension scheme (Continued) – Group and Bron Afon**Movements in the fair value of the scheme assets during the year to 31 March 2021**

	2021	2020
	£'000	£'000
Present value of plan assets at beginning of year	67,749	72,113
Interest income	1,645	1,911
Actuarial gain on plan assets	19,311	(8,758)
Employers and members contributions	3,070	3,789
Benefits and transfers paid	(1,373)	(1,306)
	<hr/>	<hr/>
Present value of plan assets at end of year	90,402	67,749

Movements in the present value of the defined benefit obligations during the year to 31 March 2021

	2021	2020
	£'000	£'000
Present value of scheme liabilities at beginning of year	97,217	105,494
Current service cost	3,016	4,064
Interest cost	2,359	2,798
Members contributions	627	687
Past service cost	64	717
Benefits and transfers paid	(1,373)	(1,306)
Actuarial losses/(gains) on liabilities	39,163	(15,237)
	<hr/>	<hr/>
Present value of scheme liabilities at end of year	141,073	97,217

Change in scheme deficit during the year to 31 March 2021

	2021	2020
	£'000	£'000
Deficit in scheme at the beginning of year	(29,468)	(33,381)
Current service cost	(3,016)	(4,064)
Net interest	(714)	(887)
Employer contributions	2,443	3,102
Past service cost	(64)	(717)
Actuarial (losses)/gains	(19,852)	6,479
	<hr/>	<hr/>
Deficit in scheme at the end of the year	(50,671)	(29,468)

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**
33 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:

	2021 £'000	2020 £'000
Analysis of amounts included in operating costs		
Current service cost	3,016	4,064
Past service cost	64	717
Employer contributions	(2,443)	(3,102)
Analysis of amounts included in net pension costs		
Net interest cost (note 10)	714	887
	<u>1,351</u>	<u>2,566</u>
Actuarial (losses)/ gains on liabilities	(39,163)	15,237
Actuarial gains/ (losses) on assets	19,311	(8,758)
Actuarial (loss)/ gain recognised in Other Comprehensive Income	<u>(19,852)</u>	<u>6,479</u>
Total (cost)/ credit relating to defined benefit scheme	(21,203)	3,913
Actual Return on Plan Assets	20,946	(6,847)

Sensitivity analysis

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

Change in assumptions at 31 March 2021:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	14%	19,570
0.5% increase in the Salary Increase Rate	2%	3,093
0.5% increase in the Pension Increase Rate (CPI)	11%	16,041

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
34 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**

	2021		2020	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Rent arrears and other debtors (note 19)	502	502	539	539
Sales ledger debtors (note 19)	1,542	1,542	137	137
Cash and cash equivalents	37,155	37,135	15,633	15,610
Current asset investments	5,359	5,359	24,352	24,352
	44,558	44,538	40,661	40,638

Financial liabilities**Measured at undiscounted amount payable**

	2021		2020	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Loans payable (notes 20 and 21)	82,046	82,046	83,215	83,215
Trade creditors (note 20)	2,551	2,551	1,192	1,192
Rent received in advance (note 20)	1,396	1,396	1,147	1,147
Other taxation and social security (note 20)	320	320	294	294
Capital creditors (note 20)	919	919	798	798
	87,232	87,232	86,646	86,646

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021
34 Financial Instruments (continued)

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

	2021		2020	
	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)	92	92	235	235
Total interest expense for financial liabilities at undiscounted amount payable (note 9)	12,650	12,650	3,524	3,524
	12,742	12,742	3,759	3,759