



Bron Afon

Bron Afon Community Housing Ltd
Annual Report & Financial Statements
For the year ended 31 March 2023

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Board Members, Executive Officers & Professional Advisors.

Board Members

Andrew Lawrence (Chair)
David Michael
Craig Nowell
Mandy Eddolls
Patrick Odling-Smee
Philippa Armstrong-Owen

Jane Pound
Peter Jackson
Amanda Owen
David Selway
Hilary Drinkwater
David Williams



Executive Officers

Alan Brunt
Claire Burton (appointed May 2, 2023)
Unji Mathur
Catherine Love
Neil Edwards (resigned May 19, 2023)

Chief Executive
Director of Finance & Procurement
Director of Transformation
Director of Customer Experience
Director of Resources and Company Secretary

Registered Office:

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

Board Members, Executive Officers & Professional Advisors Continued.

External Auditors

Beever and Struthers
The Colmore Building
20 Colmore Circus
Queensway
Birmingham
B4 6AT

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

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

Natwest Corporate Banking
3rd Floor
One Kingsway
Cardiff
CF10 3AQ



Strategic Report

Introduction

The past financial year was challenging for both Bron Afon and customers alike, due to the cost of living crisis, economic volatility and political instability across the UK and the rest of the world. As a social business we continue to balance current economic pressures with supporting our colleagues, delivering good quality affordable services to our customers, progressing towards our decarbonisation goals and investing in our properties and communities.

Although the economic circumstances are tough, Bron Afon has achieved reasonable annual results, and remains a financially robust organisation with a high level of liquidity and a relatively secure income stream. This enables us to continue our commitment to providing quality homes within safe local communities.

As a community mutual, our annual performance is not measured solely using financial metrics, but also on the social value that we deliver, and on this note Bron Afon are extremely proud of our recent achievements. We have demonstrated bringing our values to life through partnering with local health and support services and regularly operating from local hubs to support the communities that we work in. We are excited and committed to continuing to build on this in the next financial year.

Background

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 customers in Torfaen.
- 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 customers 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 2,339 shareholder/members all of whom must be either residents of Torfaen or Board members.

Bron Afon has two active subsidiaries, Afon Community Trust (ACT) and Ardal Homes Limited. 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 £1,100 during the year (2022: £1,162). Ardal Homes Ltd is a commercial subsidiary set up to carry out work which does not directly meet our charitable objectives. It was not active during the year but incurred £2k in fees and charges.

We also have a third subsidiary, Afon Energy Limited, which is currently dormant.

The financial statements from page 27 onwards, include the accounts for the Group and for Bron Afon Community Housing Ltd.

Vision, Objectives and Strategy

At Bron Afon we believe everyone should have a place they are proud to call home. As a leading partner in a network of organisations, we work with people who want to make a difference in the communities where they live. By working with our customers, colleagues and partners we will focus on four areas that will help us deliver our vision and strategic aims.



Great Customer Service



Provide High Quality Homes



Build New Homes



Partnerships and Communities

Our Vision

“We are trusted to help build safe and strong communities where everyone has a place they are proud to call home.”

Our People Promise

We believe our people are our best asset and the key to our success. Our strategy sets out a clear promise to our people, including to provide a great place to work, promote and embed equality, inclusion, and diversity into every aspect of our business, create opportunities, trust colleagues to make sound decisions and support everyone to work safe and be well.

Values

Our values are important to us and guide how we work. They were developed with our members, colleagues and partners and help make sure our decisions are the right ones. They are REAL.



Governance

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

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

The Board and Committees ensure that Bron Afon remains a well governed and well managed business.

During the year four non executive directors left the Board and one was appointed as follows:

Veronica Crick (left 31/7/22)
Stephen Lodge (left 31/12/22);
Joanne Oak (left 31/12/22);
Patrick Harkness (left 3/1/23)
David Williams (appointed 26/7/22).

We have continued to develop the “Your Voice” customer engagement service, obtaining feedback from customers during the year on a range of issues including the experience of moving in to a Bron Afon home, ways that customers want to engage with us, the redesign of the service charge system and how we can involve a higher proportion of our customers and communities in decision making. This key strand of our Involvement and Engagement Strategy is complemented by transactional customer satisfaction information from our customer engagement system, “Rant and Rave”, which helps us to target areas for improvement and praise colleagues in real time to their successes.

Financial Review

Overview

The financial statements for 2023 have been prepared under FRS102 accounting requirements and the 2018 Housing SORP (“Statement of Recommended Practice”). The table below shows the summary annual financial results for the last two years.

In 2023 the Bron Afon Group had an operating surplus of £4,926k (2022: £5,878k) There was an overall net surplus of £845k (2022: £2,128k).

Statement of Comprehensive Income	2022	2023
	Group	Group
	£'000	£'000
Turnover	48,944	51,104
Operating surplus	5,878	4,926
Net Interest Payable	(2,637)	(2,996)
Pension Scheme Net Interest Charge	(1,113)	(1,085)
Surplus for the year before tax	2,128	845

Turnover has increased by 4% (£2,160k) during the year. This is largely due to the annual percentage increase in rental income in line with the Welsh Governments social rent cap of 6.5%.

However, the related costs of managing and maintaining properties during the year increased to a greater extent due to high inflation and unexpected operating costs leading to the reduction in the operating surplus.

Income from property sales increased by 70% (£313k). This income arose from the strategic disposal of seven properties.

Statement of Financial Position

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

Statement of Financial Position	2018/19 Group	2019/20 Group	2020/21 Group	2021/22 Group	2022/23 Group
	£'000	£'000	£'000	£'000	£'000
Housing Properties	163,039	167,661	177,163	183,855	188,057
Other properties	1,959	1,915	1,872	2,928	2,866
Other fixed assets	4,277	3,911	3,505	4,444	5,061
Intangible assets	521	452	295	340	311
Investments - Shared Equity	-	-	226	445	445
Loans receivable	-	-	-	-	-
Total fixed assets	169,796	173,939	183,061	192,012	196,740
Net current assets	205,488	205,040	142,142	151,974	168,067
Pension liability*	(33,381)	(29,468)	(50,671)	(37,222)	-
Net loan balance	(83,160)	(83,215)	(37,696)	(57,198)	(62,242)
VAT Shelter Agreement	(179,787)	(173,634)	(163,200)	(153,281)	(148,399)
Government Grants	(48,553)	(52,229)	(58,029)	(62,663)	(65,838)
Other Long Term Creditors	(1,357)	(1,331)	(1,925)	(899)	(2,121)
Share capital and reserves	29,046	39,102	13,682	32,723	86,207

*There is no pension liability as at the current year-end because the fund is in surplus. The pension asset of £12,568 is included in net current assets.

Our Properties

Sales and Acquisitions

During the year we sold seven general needs properties as part of our strategic asset disposal programme.

Building new homes remains a key strategic objective. Our development pipeline continued to grow during the financial year, but due to unforeseen delays, activity was lower than forecast resulting in the acquisition of just one new site in March 2023, Osborne Road, which is expected to deliver 9 new homes during 2023/24. Additionally the development of the Victoria Street site continued throughout the financial year and the completion of this site, delivering 13 new homes is imminent. Overall the number of general needs properties reduced from 8,139 to 8,134 during the financial year.

The development pipeline for 2023/24 looks healthy and since year-end, two additional sites have been acquired for development.

Investing in our properties

There has been an increase in the net value of housing properties within the Statement of Financial Position from £184m in 2022 to £188m in 2023 (Note 14). This increase of £4m is primarily due to capitalised work on existing properties and homes under construction (£15.5m), less depreciation and disposals (£11m). Capital work on existing properties is funded either by loan drawn down for WHQS work or through internal resources supplemented by grant where available.

We continually invest in our housing stock, ensuring that they are maintained at a high quality. As part of our asset management strategy we undertake a rolling programme of stock condition surveys which are used to develop our investment and capital strategy.

As part of our garage strategy, we dispose of uneconomic or hard to manage garages, reinvesting the sales profits in the remaining stock. In 2023, 13 garages were sold, 9 of which were sold early on in the year resulting in almost a full year of rental loss. However, our void loss of £402k against a rental income of £956k (42%) is partly due to the need for further investment and targeted disposal.

Decarbonisation of homes

The Board has made a strategic commitment to achieve 'a sustained reduction in greenhouse gas emissions from our homes and communities, where all customers are provided with sufficient support and tools to live their lives outside fuel poverty.'

Bron Afon has adopted a data based approach to prioritise properties for decarbonisation and has secured a c£2.6m grant to support the delivery of retrofit measures and renewable energy for 330 homes. By investing in green technology, such as solar PVs and battery storage, all of these homes will achieve the minimum of an EPC C rating, and approximately 15% will achieve a near net zero.

Additionally, following completion of the deep retrofit pilot, Bron Afon has achieved its first net zero carbon home, using new technologies that remove reliance on fossil fuels and deliver affordability benefits to our customers.

Bron Afon is also committed to sourcing sustainable solutions within the Development programme. This is evident through the near complete Victoria Street development which will provide 13 new homes, each containing infra-red electric panel heating and an air source hot water cylinder. Using a carbon-friendly heat source is in line with our own and Welsh Government's targets for decarbonisation. It means our customers could benefit from lower energy costs while significantly reducing their carbon usage.

Beyond addressing emissions within the housing stock, a number of green initiatives have been taken including making changes to waste management and procurement of certain goods and services to reduce corporate carbon emissions, educating staff through Carbon Literacy Cartrefi Cymru membership and working with Torfaen Council to enhance the natural environment by increasing area coverage of grassland and wildflowers and trees. These works to support our local biodiversity also contribute to the positive mental well-being of our communities.

There is a Global Climate Emergency and Bron Afon has an important role to play in supporting the Welsh Government to make Wales net zero by 2050. Over the next year, there will be a focus on exploring additional funding opportunities to decarbonise more homes and taking further measures to ensure Bron Afon operates in a sustainable manner.

Bron Afon Pension Schemes

a) Schemes Available

In 2023 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 employer's contribution rate for the LGPS is set every three years following the Triennial Valuation which was carried out during 2022. The rates for 2023 are 19% of payroll costs plus an annual contribution of £460k to fund the deficit as the pension surplus is not yet reflected in the current payment arrangements.

The employer's contribution rate for the defined contribution scheme is fixed at a minimum of 7% 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 under 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. Due to the impact of improvements in market conditions on the FRS 102 assumptions, the pension position as shown in the Statement of Financial Position has moved from a £37.2m deficit to a £12.6m surplus (2022: decrease of £13.5m from £50.7m deficit to £37.2m deficit).

The net pension charge in the Statement of Comprehensive Income (SCI) has reduced to £5m (2022: £5.8m). The reduction is due to changes in market conditions resulting in a lower service cost as demonstrated in the table below.

Total Charge to SCI	2022	2023
Current service cost	4,571	3,949
Net interest cost (note 10)	1,113	1,085
Net pension charge	5,684	5,034

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.

Most of our debt consists of long term agreements, and is currently entirely on fixed rate terms. This allows us to mitigate exposure to short and medium term interest rate fluctuations, therefore providing us certainty during a time of volatility.

During the financial year we exercised an option to enter into a forward fix, and cancelled two additional variable facility options to protect us against currently rising rates. This has put us in a strong position where we can utilise additional funds for investment purposes, benefitting from the current high interest rate environment.

Performance Review

Bron Afon's approach to agile working has continued throughout 2023 and has proven to be a productive way of working which is effective in assisting our colleagues to maintain a healthy work life balance.

During the latter half of the year, there was a significant focus on reducing the number of void properties, which led to higher expenditure than anticipated. This initiative continues into the next financial year in the interest of meeting the Community's housing needs. The number of voids at the year end had reduced to 132 from a peak of 183 in July-22 (March-22 145).

Bron Afon has redefined a set of core KPIs that are closely linked to the corporate strategy, and these will be used to monitor performance across the organisation. The KPI performance for the last 12 months is detailed below, along with the targets that have been set for the next 12 months.

Customer Contact 25.5%	Arrears 3.48%	Rant & Rave 4.54	Re-let Days 92
Tenant Satisfaction 49%	Tenant Engagement 47%	Rent Loss on Voids 1.72%	Compliance 98.36%
Cost per property (repairs & voids) £1,347	Cost per property (major works) £2,264	Cost per property (housing management) £506	Operating Margin 9.60%
Working Days Lost 16.79	Best Companies 599.5	Incidents 1	New Homes Delivered 0

The proportion of digital transactions has been consistently higher than the previous year as a result of the ongoing development of our digital offer (portal, website).

Rant and rave scores are reasonable but tenant satisfaction and engagement remains lower than we would like, so we have set ambitious targets for the next year and service plans have been developed with the aim of improving customer experience and communication.

Given the impact of the cost-of-living crisis and financial uncertainty, arrears of 3.48% is considered a good result and is reflective of the considerable efforts of community housing officers and other customer facing staff who have supported customers throughout the year. This compares favourably to members of the Barcud Benchmarking Group where average arrears at quarter 3 were 3.70%.

As previously noted, controlling the number of voids was difficult during the year, and the work to bring this number down continues. A Voids Stabilisation Plan is established and resource has been dedicated to identify where challenges may still lie.

The costs per property are higher than our peers. We are committed to maintaining homes of the required standard but acknowledge that there may be some value for money opportunities relating to operating costs.

Employee satisfaction is measured using Best Companies surveys. Following the feedback obtained in the last survey, each team developed their own improvement plans to address any issues with the goal of improving employee satisfaction. The process over managing and monitoring employee sickness is being revised to try to increase engagement with colleagues so that they feel willing and able to return to work as soon as they are happy and healthy enough to do so.

Delivering Value for Money (VfM)

Bron Afon recognises that focusing on Value for Money (VfM) is of increasing importance given the negative impact that the current economic pressures such as high inflation, cost of living crisis, high interest rates and economic and political uncertainty have on business operations and profit margins.

During the year a new value for money strategy was introduced and approved by the Board. It sets out why achieving VfM is so important, details Bron Afon's planned approach to gaining more VfM during 2023-28, and outlines how we will measure success. The Strategy is designed to improve Bron Afon's ability to withstand financial and economic shocks.

The Board of Bron Afon is committed to achieving optimal value for customers through the efficient and effective deployment of the organisation's resources. The VfM principle drives decisions and actions, with continuous identification of opportunities to improve the financial and social return on investment of these resources.

VfM is not just a Board responsibility, it is the duty of all Bron Afon employees. The Board and the Senior Leadership Group are responsible for creating and cascading a culture of routinely acting in ways designed to achieve positive VfM outcomes across all our activities. At a recent event, all colleagues were asked to leave suggestions on how VfM can be improved. These suggestions combined with input from the senior leadership group have formed the basis for our initial VfM workstreams within the project plan.

Bron Afon will be transparent in reporting the impact of the VfM Strategy and will measure success against clearly defined internal targets as well as peer benchmarking.

Investment in Our Stock

The book value of Bron Afon's housing stock has risen from £nil in 2008, when the properties were transferred from Torfaen Council at zero value to £188m at March 2023. The majority of the book value (£151m) relates to capital expenditure incurred on stock that existed at transfer in order to achieve and maintain WHQS. The estimated market value of these properties based on a recent desktop valuation carried out by Savills of some of the housing stock is c£800m. 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 Strategy

Our Corporate Strategy sets out our overarching aims and objectives from 2023 to 2028.

Activities and Risks

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:

Financial Sustainability & Viability

Bron Afon is operating in a difficult economic environment. Controlling costs and achieving optimal value for money in a high inflationary period is challenging but essential in order to maintain a healthy profit margin, particularly given that future annual rental increases may be capped by the Welsh Government and our customers continue to encounter the impacts of the cost of living crisis. Over the past few years, these financial challenges and strains on the organisation have been successfully overcome through a value for money focus, budgetary controls and improving our approach to managing contract holder arrears. To manage these risks, the financial position and performance is continually reviewed by the senior leadership group with a focus on arrears and expenditure levels.

In addition, the 30-year Business Plan assumes the receipt of £5.8m Gap Funding per annum until 2037/38, so withdrawal of this funding is a key financial risk. Bron Afon continue to monitor this situation and work closely with the Welsh Government and CHC to ensure the importance of the funding is understood.

The Group is financially strong, achieving a net surplus of £845k during the financial year, with cash balances of £9.4m and short term investments of £9.5m at the year end. Based on the 30-year business plan and stress testing risk assessments, management have sufficient assurance that the business can continue to operate successfully over the foreseeable future and the business is therefore considered as a going concern.

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Welsh Housing Quality Standard 2023 (WHQS2023)

During the financial year, the Welsh Government has released a draft of the WHQS2023, with the final standards expected to be published in Autumn 2023. These new standards will replace the existing WHQS Standard.

The draft WHQS2023 sets the requirements that all social housing is updated and kept in good condition so social tenants have the opportunity to live in a home that:

- Is in a good state of repair;
- Is safe and secure;
- Is affordable to heat and has minimal environmental impact;
- Has an up-to-date kitchen and utility area;
- Has an up-to-date bathroom;
- Is comfortable and promotes wellbeing;
- Has a suitable garden; and
- Has an attractive outside space.

The changes to the standard are designed to further enhance the quality of social housing meaning that RSLs will be required to make further improvement to housing stock. This translates into increased financial risk, compliance risk and supply chain risk for Bron Afon. Prioritisation of resources is key to ensure these risks are mitigated.

Digital Transformation/Cyber security

Technology is advancing at an unprecedented pace and Bron Afon acknowledges the need to constantly assess and adopt new ways of working to ensure that ICT infrastructure does not become unstable or obsolete. Bron Afon is currently undertaking a digital transformation programme which will improve the experience of both colleagues and customers. This involves significant process and technological change. There are a number of effective controls to manage these IT risks such as mandatory cyber security training for all staff, network protection, cyber insurance, maintaining software within supported versions and adopting a hardware renewal cycle of 5 years.

Developing and Financing Affordable Housing

The Development Strategy aspires to build over 300 new homes in the 5 years to March 2026, to help tackle the under-supply of affordable housing in Wales. This is a cautious estimate because we continue to be significantly constrained by the lack of emerging sites and delays to the revised local development plan will lead to under achievement against this target.

To manage this risk, Bron Afon are widening the geographical scope beyond Torfaen Borough through establishing working relationships with other local authorities, exploring commercial partnerships, recruiting people with the required skillset and experience, and considering using the Ardal Homes subsidiary to deliver housing development for private sale, reinvesting profits into affordable housing. In addition we recognise the need to regenerate some of the localities we currently operate in which brings with it the opportunity to develop more much needed new homes.

Health and Safety

Management recognise that embedding a culture of Health & Safety ownership throughout the organisation is vital to minimise the risk of injury to our staff, customers, visitors and contractors. Workplace injuries could result in legal, financial and reputational implications for both those responsible and the organisation. H&S Policies and Procedures are therefore subject to an annual internal audit review and there is mandatory incident and near miss reporting as well as staff training and an appropriate level of governance and insurance.

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 8,134 rented homes, located within the County Borough of Torfaen, plus we have between 20% and 70% equity held in 70 shared ownership properties, on which we receive rental income. We also have 895 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 Standards.

Performance for the year

These accounts have been prepared under the accounting standard FRS102. Under this standard the Board reports a surplus for the year for the Bron Afon Group of £0.8m (2022: £2.1m) which is stated after accounting for gap funding of £1.1m (2022: £0.9m) and a total pension cost of £5m (2022: £5.7m), comprising a service cost (which is the change in the defined benefit liability from employee service in the reporting period) of £3.9m plus a finance costs of £1.1m

During the year, the organisation spent £20.7m (2022: £20m) on revenue maintenance and improvements expenditure on housing properties. This has been financed through cash balances and operating surpluses. Additionally capitalised expenditure of £13.1m relating to improvement and component cost (2022: £14m) and homes under construction (£2.4m) was incurred during the year, financed through grant, loan and cash balances.

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 3) served throughout the year unless otherwise indicated. Their obligations are set out in the authorities delegated to them by the Board. The Executive team are set out on page 3. Members of the Executive team hold no interest in Bron Afon or its subsidiaries, acting within the authority delegated to them by the Board.

Employees

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

We continue to work towards our corporate priorities to become an agile organisation, able to respond quickly to customer needs and changes in our external environment. A flexible working system was introduced during the pandemic and this continues to be an effective way of working that contributes to the achievement of a successful work life balance for our employees.

Bron Afon aims to create an inclusive and supportive environment where everyone from all backgrounds feels valued, able to be themselves, can perform at their very best and knows their unique contributions are welcomed and valued. Bron Afon pays the Living Wage Foundation rate as a minimum rate and is committed to closing the gender pay gap. There is equal access to extensive training and development opportunities, including professional qualification based training. At 31 March 2023, the group employed 387 full time equivalent staff (31 March 2022: 397).

During 2023 we spent £274k on training (2021/22: £318k); this includes the cost of the Learning and Development team. The expenditure equates to an average of £709 per employee (2022: £785).

Board and Committees

Bron Afon's business is governed and managed by the Board and the Executive. The Board of Management has up to twelve members plus one co-optee, 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.

Membership of the Committees comprise selected Board members and one co-optee each.

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

Bron Afon customers 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 outsources internal audit to Barcud shared services, who work exclusively with five local RSLs within the South Wales housing sector. This relationship delivers the additional benefit of provision of shared learning.

Bron Afon, along with the other 4 RSLs is a Guarantor of Barcud shared services. In the event of Barcud being wound up, the liability in respect of the guarantee is £1 per member.

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 consideration of the current economic turbulence, the financial resources that Bron Afon has access to, and the possible financial risks facing the organisation. No events or conditions that cast significant doubt upon the entity's ability to continue to operate into the foreseeable future have been identified. 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 Strategic Management 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, against which the quarterly treasury position is reported to each Assurance Committee meeting 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 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 2023 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 on 19th September 2023.

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 19th September 2023.

Approved on behalf of the Board by:

Andrew Lawrence
Chair of the Board

Date: TBC

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 2023 which comprise the Group and Bron Afon Statement of Comprehensive Income, Group and Bron Afon Statement of Financial Position, Group and Bron Afon Statement of Changes in Reserves, Group and Bron Afon Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2023 and of the Group's income and expenditure and Bron Afon's income and expenditure 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRON AFON COMMUNITY (CONTINUED)

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.

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

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

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BRON AFON COMMUNITY (CONTINUED)**

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

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

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

Matters on which we are required to report by exception.

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRON AFON COMMUNITY (CONTINUED)

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 22, 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 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 Bron Afon or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRON AFON COMMUNITY (CONTINUED)

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and noncompliance with laws and regulations, our procedures included the following:

We obtained an understanding of laws and regulations that affect the Group and Bron Afon, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act 2014. Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015, tax legislation, health and safety legislation and employment legislation.

We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.

We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Group's activities and the regulated nature of the Group's activities.

We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.

We enquired of the Board about actual and potential litigation and claims.

We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.

In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BRON AFON COMMUNITY (CONTINUED)

Use of Our Report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Statutory Auditor:

Beever and Struthers

Address:

**The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT**

Date:

BRON AFON GROUP
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2023

	Note	2023	2022
		£'000	£'000
Turnover	3	51,104	48,944
Less: Operating costs	3	(46,938)	(43,513)
Surplus on disposal of fixed assets	6	760	447
Operating surplus		4,926	5,878
Interest receivable and other income	8	129	1
Interest payable and similar charges	9	(3,125)	(2,638)
Pension scheme net interest adjustment	10	(1,085)	(1,113)
Surplus before taxation		845	2,128
Taxation	12	-	-
Surplus for the year	7	845	2,128
Actuarial gain on pension scheme	33	52,639	16,915
Total comprehensive income for the year		53,484	19,043

The above relates wholly to continuing activities.

The notes on pages 36 to 78 form an integral part of the financial statements.

GROUP
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2023

	Note	2023	2022
		£'000	£'000
Turnover	3	51,106	48,944
Less: Operating costs	3	(46,973)	(43,544)
Surplus on disposal of fixed assets	6	760	447
Operating surplus		4,893	5,847
Interest receivable and other income	8	129	1
Interest payable and similar charges	9	(3,125)	(2,638)
Pension scheme net interest adjustment	10	(1,085)	(1,113)
Surplus before taxation		812	2,097
Taxation	12	-	-
Surplus for the year	7	812	2,097
Actuarial gain on pension scheme	33	52,639	16,915
Total comprehensive income for the year		53,451	19,012

The above relates wholly to continuing activities.

The notes on pages 36 to 78 form an integral part of the financial statements.

GROUP

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	13	311	340
Housing properties	14	188,057	183,855
Investments- shared equity loans	15	445	445
Other properties held	16	2,866	2,928
Property, plant and equipment – other	17	5,061	4,444
		<u>196,740</u>	<u>192,012</u>
Current assets			
Stock	18	143	133
Debtors due within one year	19	8,533	12,535
Debtors due in more than one year	19	162,585	154,941
Current asset investments		9,470	-
Cash at bank and in hand		9,447	9,177
		<u>190,178</u>	<u>176,786</u>
Creditors: amounts falling due within one year	20	(22,111)	(24,812)
		<u>168,067</u>	<u>151,974</u>
Net current assets		<u>168,067</u>	<u>151,974</u>
Total assets less current liabilities		<u>364,807</u>	<u>343,986</u>
Creditors: amounts falling due after more than one year	21	(278,600)	(274,041)
Pension liability	33	-	(37,222)
		<u>86,207</u>	<u>32,723</u>
Net assets		<u>86,207</u>	<u>32,723</u>
Represented by:			
Capital and reserves			
Non-equity share capital	24	-	-
Revenue reserve		86,207	32,723
		<u>86,207</u>	<u>32,723</u>

The financial statements on pages 27 to 78 were approved by the Board on TBC and signed on its behalf by:

Andrew Lawrence
Chair

David Michael
Vice Chair

TBA
Secretary

BRON AFON
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	13	311	340
Housing properties	14	188,057	183,855
Investments- shared equity loans	15	445	445
Other properties held	16	2,866	2,928
Property, <u>plant</u> and equipment - other	17	5,422	4,841
		<u>197,101</u>	<u>192,409</u>
Current assets			
Stock	18	143	133
Debtors due within one year	19	8,533	12,535
Debtors due in more than one year	19	167,509	154,941
Current asset investments		9,470	-
Cash at bank and in hand		9,434	9,161
		<u>190,165</u>	<u>176,770</u>
Creditors: amounts falling due within one year	20	(22,108)	(24,809)
		<u>168,057</u>	<u>151,961</u>
Net current assets		168,057	151,961
Total assets <u>less</u> current liabilities		365,158	344,370
Creditors: amounts falling due after more than one year	21	(278,600)	(274,041)
Pension liability	33	-	(37,222)
		<u>86,558</u>	<u>33,107</u>
Net assets		86,558	33,107
Represented by:			
Capital and reserves			
Non-equity share capital	24	-	-
Revenue reserve		86,558	33,107
		<u>86,558</u>	<u>33,107</u>

The financial statements on pages 27 to 78 were approved by the Board on TBC and signed on its behalf by:

Andrew Lawrence
Chair

David Michael
Vice Chair

TBA
Secretary

GROUP
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2023

	Revenue Reserve £'000	Total £'000
At 1 April 2021	13,680	13,680
Surplus for the year	2,128	2,128
Actuarial gain on the pension scheme	16,915	16,915
At 31 March 2022	<u>32,723</u>	<u>32,723</u>

At 1 April 2022	32,723	32,723
Surplus for the year	845	845
Actuarial gain on the pension scheme	52,639	52,639
At 31 March 2023	<u>86,207</u>	<u>86,207</u>

BRON AFON
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2023

	Revenue Reserve £'000	Total £'000
At 1 April 2021	14,095	14,095
Surplus for the year	2,097	2,097
Actuarial gain on the pension scheme	16,915	16,915
At 31 March 2022	<u>33,107</u>	<u>33,107</u>

At 1 April 2022	33,107	33,107
Surplus for the year	812	812
Actuarial gain on the pension scheme	52,639	52,639
At 31 March 2023	<u>86,558</u>	<u>86,558</u>

GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	28	16,683	4,933
Cash flows from investing activities			
Component replacements		(12,974)	(14,602)
Development schemes		(2,510)	(2,161)
Purchase of property, <u>plant</u> and equipment		(1,190)	(1,369)
Purchase of intangible fixed assets		(80)	(175)
Purchase of other properties held		-	(1,099)
Shared equity loan issue		-	(219)
Proceeds from sale of housing properties		808	428
Proceeds from sale of property, <u>plant</u> and equipment		86	246
Grants received – component replacements		4,712	4,861
Grants received – other		2,126	3,005
Interest received		129	1
Net cash flows from investing activities		(8,893)	(11,084)
Cash flows from financing activities			
Interest paid		(3,050)	(2,836)
New loans		5,000	20,000
Loans repaid		-	(44,350)
Net cash flows from financing activities		1,950	(27,186)
Net increase/(decrease) in cash and cash equivalents		9,740	(33,337)
Cash and cash equivalents at the beginning of the year		9,177	42,514
Cash and cash equivalents at the end of the year	28	18,917	9,177

GROUP
FREE CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	28	16,683	4,933
Interest paid		(3,050)	(2,836)
Interest received		129	1
Adjustment for reinvestment in existing properties			
Component replacements and other additions		(12,974)	(14,602)
Purchase of other replacement fixed assets (notes 13,16 & 17)		(1,270)	(2,643)
Component replacement grant received		4,712	4,861
Free cash generated before loan repayments		4,230	(10,286)
Loans repaid (excluding revolving credit and overdrafts)		-	(44,350)
Free cash generated after loan repayments		4,230	(54,636)

BRON AFON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	28	16,686	4,937
Cash flows from investing activities			
Component replacements		(12,974)	(14,602)
Development schemes		(2,510)	(2,161)
Purchase of property, plant and equipment		(1,190)	(1,369)
Purchase of intangible fixed assets		(80)	(175)
Purchase of other properties held		-	(1,099)
Shared equity loan issue		-	(219)
Proceeds from sale of housing properties		808	428
Proceeds from sale of property, plant and equipment		86	246
Grants received – component replacements		4,712	4,861
Grants received – other		2,126	3,005
Interest received		129	1
Net cash flows from investing activities		(8,893)	(11,084)
Cash flows from financing activities			
Interest paid		(3,050)	(2,836)
New loans		5,000	20,000
Loans repaid		-	(44,350)
Net cash flows from financing activities		1,949	(27,186)
Net increase/(decrease) in cash and cash equivalents		9,743	(33,333)
Cash and cash equivalents at the beginning of the year		9,161	42,494
Cash and cash equivalents at the end of the year		18,904	9,161

GROUP
FREE CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	28	16,686	4,937
Interest paid		(3,050)	(2,836)
Interest received		129	1
Adjustment for reinvestment in existing properties			
Component replacements and other additions		(12,974)	(14,602)
Purchase of other replacement fixed assets (notes 13,16 & 17)		(1,270)	(2,643)
Component replacement grant received		4,712	4,861
Free cash generated before loan repayments		4,233	(10,282)
Loans repaid (excluding revolving credit and overdrafts)		-	(44,350)
Free cash generated after loan repayments		4,233	(54,632)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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, 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 applies 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 2023. 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 1.93:1. To break the covenant our net income

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2023

Basis of Consolidation

The consolidated financial statements incorporate the state of affairs of the Group as at 31 March 2023 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 Ardal Homes 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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.

(b) Grant income

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 customers 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 and overhead costs directly attributable. Bron Afon has not adopted a policy of capitalising borrowing costs, so all borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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.

(e) Fixed Assets

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 customers 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

(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 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	Projected Economic Life (years)
Roofs	50
Building structure (Walls, retaining walls, Paths etc.)	50
Windows	30
Rewires	30
Doors	25
Bathrooms	25
Cavity Wall Insulation	25
Lifts	25
Kitchens	15
Showers	15
Central Heating, Boilers and Gas Fires	15
Communal Areas (including - doors, kitchens, door entry, boilers, water storage)	15
Disabled Adaptations	15
Gardens (Hard landscaping including boundary walls and levelling out uneven surfaces)	12
CO Detectors	10

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 2023

(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, management assess whether an indicator of impairment exists. If so, 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 assesses impairment using:

- 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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.

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%
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

(k) Stocks

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

(l) Leases

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

(m) Provisions

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

(n) Finance Costs

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

(o) Taxation

i. VAT

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

VAT Shelter

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

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

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

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

ii. Corporation Tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2023

(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 2016. Therefore, membership of the Fund is limited to those who

- Were members before the 1 September 2016, or
- Transferred from Torfaen County Borough Council in March 2007 as part of the original transfer and so retain their right to join the fund whilst employed by Bron Afon.

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

Fund assets are measured using market values. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to 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 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2023

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2023

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.

(r) Significant Management Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based 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 estimation 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 14 for further information.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

(r) **Significant Management Judgements and Key Sources of Estimation 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 judgements include an element of estimation uncertainty when applying the accounting policies of Bron Afon. These could have a 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 14 for further information.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

3 Turnover, operating costs and operating surplus

GROUP	2023		
	Turnover	Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings (note 4)	47,672	(45,192)	2,480
Other social housing activities			
Other (including leaseholders)	753	(1,388)	(635)
Government grants	1,088	-	1,088
Value Added Tax recoverable	85	-	85
Non-social housing activities			
Other	1,506	(358)	1,148
Operating results	51,104	(46,938)	4,166

	2022		
	Turnover	Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings (note 4)	44,987	(41,774)	3,213
Other social housing activities			
Other (including leaseholders)	416	(818)	(402)
Government grants	948	-	948
Surplus on disposal of shared equity properties	755	(619)	136
Value Added Tax recoverable	256	-	256
Non-social housing activities			
Other	1,582	(302)	1,280
Operating results	48,944	(43,513)	5,431

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

3 Turnover, operating costs and operating surplus (continued)

BRON AFON	Turnover	2023 Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings (note 4)	47,672	(45,192)	2,480
Other social housing activities			
Other (including leaseholders)	753	(1,388)	(635)
Government grants	1,088	-	1,088
Value Added Tax recoverable	85	-	85
Non social housing activities			
Other	1,508	(393)	1,115
Operating results	51,106	(46,973)	4,133
		2022	
	Turnover	Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings (note 4)	44,987	(41,774)	3,213
Other social housing activities			
Other (including leaseholders)	416	(818)	(402)
Government grants	948	-	948
Surplus on disposal of shared equity properties	755	(619)	136
Value Added Tax recoverable	256	-	256
Non social housing activities			
Other	1,582	(333)	1,249
Operating results	48,944	(43,544)	5,400

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

3 Turnover, operating costs and operating surplus (continued)

Within “Other social housing activities” income for Bron Afon and the Group is grant income of £221k (2022: £208k).

Bron Afon and the Group received £5.8m of GAP funding from the Welsh Government, of which £1.1m (2022: £0.9m) has been allocated to revenue.

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

	2023	2022
	£'000	£'000
Income		
Rents	42,270	40,974
Service charges	1,609	857
Supporting People grant	335	328
Amortised Government grant – housing properties	3,220	2,790
Amortised Government grant – other properties	50	38
Government Grant-Transitional Accommodation funding	188	-
	<u>47,672</u>	<u>44,987</u>
Cost		
Management costs	6,978	6,297
Service charge costs	6,289	5,284
Routine maintenance	19,304	19,041
Improvement expenditure	1,366	1,075
Bad debts	186	189
Depreciation of housing properties	11,007	9,845
Depreciation of other properties	62	43
Operating costs on social housing activities	<u>45,192</u>	<u>41,774</u>
Operating surplus on social housing lettings	<u>2,480</u>	<u>3,213</u>
Rent loss due to voids (memorandum note)	<u>1,306</u>	<u>1,111</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

5 Units in management at end of year – Group and Bron Afon

	2023	2022
Housing accommodation	8,134	8,139
Shared ownership	70	70
Managed on long lease	895	899
Garages	1,997	2,010
Commercial	24	24
Total units in management	11,120	11,142

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

	2023		2022	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Housing properties - sales proceeds	808	808	428	428
Other property, plant, and equipment -sales proceeds	86	86	246	246
Housing properties - cost of sales	(121)	(121)	(61)	(61)
Other property, plant, and equipment -cost of sales	(13)	(13)	(166)	(166)
Surplus on disposal	760	760	447	447

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

7 Surplus for the year

	2023		2022	
	Group £'000	Bron Afon £'000	Group £'000	Bron Afon £'000
Surplus for the year is stated after charging:				
Amortisation – intangible assets	109	109	130	130
Depreciation – housing properties	10,564	10,564	9,636	9,636
Depreciation – other properties	62	62	43	43
Depreciation – property, plant, and equipment - other	528	563	403	440
External auditor's remuneration (Including VAT)				
-In their capacity as auditor	42	39	36	34
-Other services	5	4	8	5
Operating lease rentals (office premises)	728	728	728	728
Operating lease rentals (other)	26	26	25	25

8 Interest receivable and similar income – Group and Bron Afon

	2023 £'000	2022 £'000
Bank interest receivable	129	1
	<u>129</u>	<u>1</u>

9 Interest payable and similar charges – Group and Bron Afon

	2023 £'000	2022 £'000
Interest on loans repayable by instalments in more than 5 years		
Loans includes HFG interest element	3,081	2,593
Loan breakage costs	-	1
Loan issuing fees	44	44
	<u>3,125</u>	<u>2,638</u>

Interest on development loans is net of £69k (2022: £69k) of Housing Finance Grant (HFG) 2 grant income.

10 Pension scheme net interest adjustment – Group and Bron Afon

	2023	2022
	£'000	£'000
Adjustment for finance costs in respect of the defined benefit pension scheme (note 33)	1,085	1,113
	<u>1,085</u>	<u>1,113</u>

The net interest is measured as the balance sheet net defined benefit liability multiplied by the discount rate, both as at the start of the reporting period

11 Employee information

Group and Bron Afon

The average number of employees as full time equivalents:

	2023	2022
Finance and administration	50	52
Housing management	109	104
Direct maintenance	235	243
	<u>394</u>	<u>399</u>
Full time equivalents at the end of the year were:	<u>387</u>	<u>397</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

11 Employee information (continued)

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

	2023	2022
	£'000	£'000
Wages and salaries	13,545	13,329
Social security costs	1,386	1,288
Pension costs	2,508	2,509
Holiday pay accrual	(108)	(251)
	17,331	16,875

Bron Afon has contributed £2.183m into its defined benefit scheme and £325k into its defined contribution scheme during the year (2022: defined benefit scheme £2.218m and defined contribution scheme £291k). Amounts outstanding to the schemes at year end were £nil (2022: £nil). The ratio of highest to lowest paid employee is 6.36 to 1 (2022: 7.51 to 1).

In 2020/21 there was a significant increase in the Holiday Pay accrual to account for the untaken leave built up due to the Covid-19 pandemic. Some of this leave was taken during 2023 so that there is a reduction of £108k

Directors' emoluments – Group and Bron Afon

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

	2023	2022
	£'000	£'000
Emoluments (including pension contributions)	516	498
Emoluments (excluding pension contributions)		
include amounts paid to:		
The highest paid director (Chief Executive)	133	129

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

11 Employee information (continued)

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

	2023	2022
The number of the Directors who received emoluments (excluding pension contributions) were in the following ranges:		
£90,001 - £100,000	1	1
£100,001 - £110,000	1	1
£110,001 - £120,000	1	1
£120,001 - £130,000	-	1
£130,001 - £140,000	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 £14k (2022: £13k).

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.

	2023	2022
	£	£
Alan Brunt, Chief Executive	994	540
Neil Edwards, Director of Resources	217	-
Unji Mathur, Director of Organisational Development	54	-
Catherine Love, Director of Customer Experience	7	-

a) Analysis of tax on ordinary activities

	2023		2022	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
UK corporation tax at 19% (2022:19%)	-	-	-	-
	-	-	-	-

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.

	2023		2022	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before tax	845	812	2,128	2,097
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK 19% (2021: 19%)	161	154	404	398
Effects of:				
Charitable activities	(161)	(154)	(404)	(398)
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. Ardal Homes, 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.

13 Intangible assets – Group and Bron Afon

	Computer Software £'000	2023 Total £'000
Cost		
At the beginning of the year	2,818	2,818
Additions and other capitalised costs	80	80
Disposals during year	-	-
At the end of the year	<u>2,898</u>	<u>2,898</u>
Amortisation		
At the beginning of the year	2,478	2,478
Charge for the year	109	109
Disposals during year	-	-
At the end of the year	<u>2,587</u>	<u>2,587</u>
Net book value		
At end of year	<u>311</u>	<u>311</u>
At beginning of year	<u>340</u>	<u>340</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

14 Housing properties – Group and Bron

	Freehold Housing properties held for	Components under	Freehold Housing Properties under	2023
	letting £'000	construction £'000	construction £'000	Total £'000
Cost				
At beginning of year	253,916	5,222	1,611	260,749
Additions and other capitalised costs	7,552	5,573	2,359	15,484
Development Schemes completed during the year	0		0	0
Components completed during the year	7,038	(7,038)		0
Disposals during the year	(1,858)			(1,858)
At end of the year	266,648	3,757	3,970	274,375
Depreciation & Impairment				
At beginning of year	76,809	85	0	76,894
Charge for the year	10,564		0	10,564
Disposals during year	(1,140)		0	(1,140)
Impairment charge for the year	0		0	0
At end of the year	86,233	85	0	86,318
Net book value				
At end of year	180,415	3,672	3,970	188,057
At beginning of year	177,106	5,137	1,611	183,854

There has been no interest capitalised in the year (2022: £nil). Improvement and component replacement expenditure capitalised in the year amounted to £13.1m (2022: £14m). Freehold 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 £10.6m (2022: £9.6m) relates to additions in years 2021/22 and earlier. This is in line with Accounting Policy note f, which states that depreciation commences in the year following acquisition.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

14 Housing properties – Group and Bron Afon (continued)

additions in years 2020/21 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 £4.7m (2022: £4.8m) has been allocated to Housing Properties. Freehold land and buildings with a carrying amount of £146m (2022: £142m) 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.

15 Shared equity loans receivable

	2023	2022
	Total	Total
	£'000	£'000
At beginning of year	445	226
Loans issued during the year	-	219
At end of year	445	445

Shared Equity loans receivable represent the initial value of Bron Afon's remaining equity share in 8 (2022: 8) properties funded under low cost home ownership arrangements.

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

	Land	Other	2023
	£'000	Properties	Total
	£'000	£'000	£'000
Cost			
At beginning of year	166	3,077	3,243
Additions and other capitalised costs	-	-	-
Disposals during year	-	-	-
At end of year	166	3,077	3,243

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

Depreciation & Impairment

At beginning of year	-	315	315
Charge for the year	-	62	62
Disposals during year	-	-	-
At end of year	-	377	377

Net book value

At end of year	166	2,700	2,866
At beginning of year	166	2,762	2,928

Other properties held relate to our commercial units. Land is being held for possible future sale.

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	2023 Total £'000
Cost									
At beginning of year	975	1,967	651	175	167	164	4,500	1,011	9,610
Additions during year	-	133	2	-	-	5	914	136	1,190
Disposals during year	-	-	-	-	(158)	-	(63)	(18)	(239)
At end of year	975	2,100	653	175	9	169	5,351	1,129	10,561
Depreciation									
At beginning of year	674	1,492	392	97	161	101	1,408	844	5,169
Charge for year	50	143	40	10	-	19	182	84	528
Disposals during year	-	-	-	-	(153)	-	(28)	(16)	(197)
At end of year	724	1,635	432	107	8	120	1,562	912	5,500
Net book value									
At end of year	251	465	221	68	1	49	3,789	217	5,061
At beginning of year	301	476	259	78	6	63	3,094	167	4,441

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

17 Property, plant and equipment - other (continued)

BRON AFON	Office leasehold improvements	Office & computer equipment	Fixtures & Fittings	Other	Motor vehicles	Plant & Tools	PV panels	PV inverters	2023 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost									
At beginning of year	975	1,967	651	175	167	164	5,127	1,152	10,378
Additions during year	-	133	2	-	-	5	914	136	1,190
Disposals during year	-	-	-	-	(158)	-	(63)	(18)	(239)
At end of year	975	2,100	653	175	9	169	5,978	1,270	11,329
Depreciation									
At beginning of year	674	1,492	392	97	161	101	1,747	877	5,541
Charge for year	50	143	40	10	-	19	205	96	563
Disposals during year	-	-	-	-	(153)	-	(28)	(16)	(197)
At end of year	724	1,635	432	107	8	120	1,924	957	5,907
Net book value									
At end of year	251	465	221	68	1	49	4,054	313	5,422
At beginning of year	301	476	259	78	6	63	3,382	276	4,841

18 Stock – Group and Bron Afon

	2023	2022
	£'000	£'000
Materials	143	133
Properties held for disposal	-	-
	143	133

	2023		2022	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Debtors due within one year:				
Arrears of rent and service charges	2,117	2,117	1,929	1,929
Less: provision for bad and doubtful debts	(1,559)	(1,559)	(1,399)	(1,399)
	558	558	530	530
Leaseholder arrears – major works and service charges	400	400	135	135
Less: provision for bad and doubtful debts	(53)	(53)	(135)	(135)
Sundry Debtors	61	61	82	82
Less: provision for bad and doubtful debts	(45)	(45)	(37)	(37)
Value Added Tax recoverable	245	245	375	375
VAT shelter agreement	4,824	4,824	9,364	9,364
Other debtors and prepayments	2,543	2,543	2,221	2,221
	8,533	8,533	12,535	12,535

Included within Other debtors and prepayments is an amount due within one year of £41k (2022: £40k) from the Welsh Government in respect of Housing Finance Grant 2.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

19 Debtors (continued)

	2023		2022	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Debtors due after more than one year:				
VAT shelter agreement	148,399	148,399	153,281	153,281
Housing Finance Grant 2	1,618	1,618	1,660	1,660
	150,017	150,017	154,941	154,941

20 Creditors: amounts falling due within one year

	2023		2022	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Rent received in advance	1,478	1,478	1,534	1,534
Trade creditors	1,962	1,962	921	921
Other taxation and social security costs	331	331	321	321
Capital creditors	1,171	1,171	1,053	1,053
VAT shelter agreement	4,824	4,824	9,364	9,364
Government grants	3,418	3,418	3,197	3,197
Accruals and deferred income	8,640	8,637	8,095	8,092
Provision (see note 23)	-	-	65	65
Other creditors	287	287	262	262
	22,111	22,108	24,812	24,809

Accruals and deferred income includes £2.4m in Social Housing Grant received in advance (2022: £1.2m).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

21 Creditors: amounts falling due after one year - Group and Bron Afon

	2023	2022
	£'000	£'000
Housing loans (note 22)	63,000	58,000
Less: Loan issuing fees	(758)	(802)
	<u>62,242</u>	<u>57,198</u>
VAT shelter agreement	148,399	153,281
Government grants	65,838	62,663
Other Government funding	805	-
Recycled capital grant fund	318	318
Other creditors	14	5
Other provisions (note 23)	984	576
	<u>278,600</u>	<u>274,041</u>

Recycling of Capital Grant and Disposals Proceeds Fund

	2023	2022
	Total	Total
	£'000	£'000
At beginning of year	318	49
Add: funds arising from property sales	-	269
At end of year	<u>318</u>	<u>318</u>

Deferred income – Government grants

	2023	2022
	£'000	£'000
At the beginning of the year	65,860	60,931
Grants receivable	6,838	7,866
Disposals	(172)	(109)
Amortisation to statement of comprehensive Income	(3,270)	(2,828)
At the end of the year	<u>69,256</u>	<u>65,860</u>
Amounts due within one year	<u>3,418</u>	<u>3,197</u>
Amounts due after more than one year	<u>65,838</u>	<u>62,663</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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 £91.4m before amortisation (2022: £86.5). During the year, £4.7m of the £5.8m (2022: £4.8m) 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 Bron Afon Community Housing's properties. The interest rates range from 3.2040% to 6.36% for fixed rate loans and 1.35% plus SONIA for variable loans. Existing lenders are Natwest and Principality.

	2023	2022
	£'000	£'000
Repayable by instalments due as follows:		
Five years or more	63,000	58,000
	63,000	58,000

23 Provisions – Group and Bron Afon

	2023	2022
	Total	Total
	£'000	£'000
At beginning of year	641	544
Additional provisions arising in the year	343	97
At end of year	984	641

£984k relates to the anticipated dilapidation costs associated with T1 Bron Afon. The lease on the building ends on 30th March 2028, and there is currently no arrangement to extend beyond this date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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, Ardal Homes Limited has £1 authorised and issued share capital in its financial statements. This share is owned by Bron Afon Community Housing Ltd.

24 Capital commitments – Group and Bron Afon

Non-equity share capital – Bron Afon

	2023	2022
	£	£
Shares of 10p		
At beginning of year	250.9	252.1
Shares issued during the year	-	-
Shares forfeited in year	(17.0)	(1.2)
At end of year	<u>233.9</u>	<u>250.9</u>

25 Capital commitments – Group and Bron Afon

	2023	2022
	£'000	£'000
Expenditure contracted less certified	5,473	6,634
Expenditure authorised by the Board but not contracted	10,285	16,512
	<u>15,758</u>	<u>23,146</u>

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 not aware of any contingent liabilities at the end of year.

27 Operating leases – Group and Bron Afon

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

	2023		2022	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Payments due:				
Within one year	936	936	725	725
Between two and five years	3,704	3,704	3,209	3,209
Over five years	145	145	912	912
	<u>4,785</u>	<u>4,785</u>	<u>4,846</u>	<u>4,846</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

28 Statement of cash flows

Group	2023	2022
	£'000	£'000
Net cash generated from operating activities		
Surplus for the year	845	2,128
Adjustments for non-cash items:		
Depreciation of housing properties	10,564	9,636
Depreciation of other properties held	62	43
Depreciation of property, plant and equipment	531	405
Impairment of property, plant and equipment	-	-
Amortisation of intangible assets	109	130
Amortisation of Government grants	(3,270)	(2,828)
Disposal of Government grants	(173)	(109)
(Increase) /decrease in stock	(10)	751
Decrease in debtors	8,884	13,061
Decrease in Government grant debtors	42	41
(Decrease) in creditors	(6,998)	(23,813)
Increase in provisions	343	97
Pension contributions – FRS102 costs	1,764	2,353
Carrying value of fixed asset disposals	760	460
Amortisation of loan fees & loan arrangement fees	44	(498)
	12,652	(271)
Adjustment for investing or financing activities:		
Proceeds from sale of housing properties	(808)	(428)
Proceeds from sale of fixed assets	(86)	(246)
Interest paid	3,124	2,638
Interest received	(129)	(1)
Pension scheme FRS102 finance costs	1,085	1,113
	3,186	3,076
Net cash generated by operating activities	16,683	4,933

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

	2023	2022
	£'000	£'000
Cash at bank and in hand	9,447	9,177
Cash equivalents included in current asset investments	9,470	-
Cash and cash equivalents	18,917	9,177

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

28 Statement of cash flows (continued)

	2023 £'000	2022 £'000
Cash at bank and in hand	9,447	9,177
Cash equivalents included in current asset investments	9,470	-
Cash and cash equivalents	18,917	9,177
Bron Afon	2023 £'000	2022 £'000
Net cash generated from operating activities		
Surplus for the year	812	2,097
Adjustments for non-cash items:		
Depreciation of housing properties	10,564	9,636
Depreciation of other properties held	62	43
Depreciation of property, plant and equipment	567	440
Impairment of property, plant and equipment	-	-
Amortisation of intangible assets	109	130
Amortisation of Government grants	(3,270)	(2,828)
Disposal of Government grants	(173)	(109)
(Increase)/decrease in stock	(10)	751
Decrease in debtors	8,884	13,061
Decrease in Government grant debtors	42	41
(Decrease) in creditors	(6,998)	(23,813)
Increase in provisions	343	97
FRS 102 pension costs	1,764	2,353
Carrying value of fixed asset disposals	760	460
Amortisation of loan fees & loan arrangement fees	44	(498)
	12,688	(236)
Adjustment for investing or financing activities:		
Proceeds from sale of housing properties	(808)	(428)
Proceeds from sale of fixed assets	(86)	(246)
Interest paid	3,124	2,638
Interest received	(129)	(1)
Pension scheme finance costs	1,085	1,113
	3,186	3,076
Net cash generated by operating activities	16,686	4,937

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

28 Statement of cash flows (continued)

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

	2023 £'000	2022 £'000
Cash at bank and in hand	9,447	9,161
Cash equivalents included in current asset investments	9,470	-
Cash and cash equivalents	18,917	9,161

29 Reconciliation of net debt

Group

	At 1 April 2022	Cash flows	At 31 March 2023
Cash at bank and in hand	9,177	270	9,447
Cash equivalents included in current asset investments	-	9,470	9,470
Housing loans	(58,000)	(5,000)	(63,000)
	(48,823)	4,740	(44,083)

Bron Afon

	At 1 April 2022	Cash flows	At 31 March 2023
Cash at bank and in hand	9,161	273	9,434
Cash equivalents included in current asset investments	-	9,470	9,470
Housing loans	(58,000)	(5,000)	(63,000)
	(48,839)	4,743	(44,096)

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023**

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 customers of Bron Afon Community Housing:

	Bron Afon	Ardal Homes	Afon Community Trust
Hilary Drinkwater	*		
Amanda Owen	*		
Jillian Wadley			*

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

At 31 March 2023, Board members who were customers of Bron Afon had balances as follows:

	2023		2022	
	Rent	Arrears	Rent	Arrears
	£	£	£	£
Bron Afon	12,522	292	18,013	309

Additionally, fees of £6,073 were paid by Bron Afon on behalf of Afon Community Trust and later recharged (2022:£5,890).

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 £829k (2022: £949k). This includes grounds maintenance (£522k), and other services (£307k). The amounts outstanding at the year end were £7,219.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

Bron Afon is one of four members of Barcud LLP, which was set up to provide internal audit services to the member organisations. Barcud also provides 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 services during the year was £159k (2022: £135k) and there were no amounts outstanding at the year end.

31 Board Members Expenses

Board members have received remuneration since December 2020. The emoluments paid to the non-executive board members were as below:

	2023	2022
	Total	Total
	£	£
Andrew Lawrence (Chair)	11,000	11,000
Patrick Harkness (Vice Chair) (resigned w/e 01/01/23)	6,375	8,500
Veronica Crick (resigned w/e 31/07/22)	1,667	5,000
Hilary Drinkwater	4,583	7,500
Mandy Eddolls	7,500	5,000
Peter Jackson	5,000	5,000
Stephen Lodge (resigned w/e 01/01/23)	3,750	7,500
David Michael	7,500	5,000
Craig Nowell	5,625	5,000
Joanne Oak (resigned w/e 01/01/23)	3,750	5,073
Patrick Odling-Smee (Co-opted w/e 01/01/23)	3,125	2,321
Amanda Owen	5,000	-
David Selway	5,000	-
Jane Pound (Co-opted w/e 01/01/23)	3,125	-
Philipa Armstrong (Co-opted w/e 01/01/23)	3,125	5,000
David Williams (appointed we 27/07/22)	3,393	-
Jill Wadley (Afon Community Trust only)	-	-
	79,518	71,894

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

31 Board Members Expenses (continued)

In addition to the emoluments above the Board members have claimed the following expenses during the year. Travel expenses incurred for 2023 were £2,101 (2022: £nil). The expenses of £177 incurred in 2023 relate to events, mobile phone, stationery and car parking costs (2022: £242).

	2023	2022
	Total	Total
	£	£
Andrew Lawrence (Chair)	297	242
Patrick Harkness (Vice Chair)	170	-
Hilary Drinkwater	202	-
Patrick Odling-Smee	202	-
Amanda Owen	170	-
Jane Pound	170	-
David Williams	202	-
Peter Jackson	202	-
Craig Nowell	202	-
Joanne Oak	32	-
David Michael	429	-
	2,278	242

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 Ardal Homes Limited, Afon Community Trust, and Afon Energy Limited. Afon Energy Limited is currently dormant. Ardal Homes 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 Ardal Homes 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 Ardal Homes Limited and Afon Community Trust. During the year, Bron Afon paid £nil (2022: £nil) to Ardal Homes Limited and Ardal Homes Limited paid £870 (2022:£nil) to Bron Afon

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023**

Community Housing . During the year, Bron Afon paid £nil (2022:£nil) to Afon Community Trust and Afon Community Trust paid £780 (2022: £nil) to Bron Afon Community Housing.

33 Pension scheme – Group and Bron Afon Community Housing

Bron Afon employees who joined prior to 1 September 2016 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 £2,185,000 (2022: £2,218,000).

The main assumptions used in this valuation were:

	At end of 31 March 2023	At end of 31 March 2022
Rate of inflation	2.80%	3.05%
Rate of increase in salaries	2.80%	3.35%
Rate of increase in pensions	2.80%	3.05%
Discount rate	4.75%	2.85%

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

33 Pension scheme (Continued) – Group and Bron Afon

Mortality assumptions:

Non-retired members (retiring in the future in normal health)	SIPA CMI_2018_ [1.25%] (98% Males, 97% Females)
Current pensioners (retired in normal health)	SIPA CMI_2018_ [1.25%] (98% Males, 97% Females)

	2023	2022
	Years	Years
Retiring today:		
Males	19.7	20.5
Females	23.0	23.2
	2023	2022
	Years	Years
Retiring in 20 years:		
Males	20.7	21.8
Females	24.6	25.1

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

	2023		2022	
	£'000	%	£'000	%
Equities	74,410	81.0	78,703	81.0
Bonds	16,012	17.0	16,518	17.0
Property	2,826	3.0	1,943	2.0
Cash/liquidity	942	1.0	-	0.0
Total fair value of plan assets at end of period	94,190		97,164	
Present value of defined benefit obligations	(81,622)		(134,386)	
Surplus/(deficit)	12,568		(37,222)	

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

33 Pension scheme (Continued) – Group and Bron Afon

Movements in the fair value of the scheme assets during the year to 31 March 2023

	2023 £'000	2022 £'000
Present value of plan assets at beginning of year	97,164	90,402
Interest income	2,781	1,957
Actuarial (loss)/gain on plan assets	(6,713)	3,469
Employers and members contributions	2,782	2,825
Benefits and transfers paid	(1,824)	(1,489)
Present value of plan assets at end of year	94,190	97,164

Movements in the present value of the defined benefit obligations during the year to 31 March 2023.

	2023 £'000	2022 £'000
Present value of scheme liabilities at beginning of year	134,386	141,073
Current service cost	3,949	4,571
Interest cost	3,866	3,070
Members contributions	597	607
Past service cost	-	-
Benefits and transfers paid	(1,824)	(1,489)
Actuarial (gains) on liabilities	(59,352)	(13,446)
Present value of scheme liabilities at end of year	81,622	134,386

Change in scheme deficit during the year to 31 March 2023

	2023 £'000	2022 £'000
Deficit in scheme at the beginning of year	(37,222)	(50,671)
Current service cost	(3,949)	(4,571)
Net interest	(1,085)	(1,113)
Employer contributions	2,185	2,218
Past service cost	-	-
Actuarial gains	52,639	16,915
Surplus/ (deficit) in scheme at the end of the year	12,568	(37,222)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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:

	2023 £'000	2022 £'000
Analysis of amounts included in operating costs		
Current service cost	3,949	4,571
Past service cost	-	-
Analysis of amounts included in net pension costs		
Net interest cost (note 10)	1,085	1,113
	<u>5,034</u>	<u>5,684</u>
Actuarial gains on liabilities	59,352	13,446
Actuarial (losses)/gains on assets	<u>(6,713)</u>	<u>3,469</u>
Actuarial gain recognised in Other Comprehensive Income	<u>52,639</u>	<u>16,915</u>
Total (credit) relating to defined benefit scheme	(47,605)	(11,231)
Actual Return on Plan Assets	(3,932)	5,426

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

Sensitivity analysis

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

Change in assumptions at 31 March 2023:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	1,916
1 year increase in member life expectancy	4%	3,265
0.1% increase in the Salary Increase Rate	0%	304
0.1% increase in the Pension Increase Rate (CPI)	2%	1,644

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

	2023		2022	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Rent & leaseholder arrears (note 19)	558	558	530	530
Sales ledger debtors (note 19)	16	16	45	45
Cash and cash equivalents	9,447	9,434	9,161	9,161
Current asset investments	9,470	9,470	-	-
	19,478	19,478	9,773	9,773

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

Financial liabilities

Measured at undiscounted amount payable.

	2023		2022	
	Group	Bron Afon	Group	Bron Afon
	£'000	£'000	£'000	£'000
Loans payable (notes 20 and 21)	62,242	57,198	57,198	57,198
Trade creditors (note 20)	1,962	921	921	921
Rent received in advance (note 20)	1,478	1,534	1,534	1,534
Capital creditors (note 20)	1,171	1,053	1,053	1,053
	66,853	60,706	60,706	60,706

34 Financial Instruments (continued)

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

	2023		2022	
	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)	129	129	1	1
Total interest (expense) for financial liabilities at undiscounted amount payable (note 9)	(3,125)	(3,125)	(2,638)	(2,638)
	(2,996)	(2,996)	(2,637)	(2,637)



Bron Afon 



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