

Monmouthshire Housing Association Limited

# Annual Report and Financial Statements

Reporting Period 31<sup>st</sup> March 2019

Welsh Government registration number: L144

Co-operative and Community Benefit Societies Act 2014 number: 30087R



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Services Team on **01495  
761104** or **corporateservices@  
monmouthshirehousing.co.uk** if  
you require this document in PDF,  
large print, another language, braille  
or audio format.

An abstract geometric pattern on a light yellow background. It features several large, overlapping triangles. Some triangles are filled with a black grid pattern, while others are filled with a pink grid pattern. There are also smaller, solid-colored triangles in shades of pink and white scattered throughout the composition.

# **Members, Executives & Advisors**





# The following people served on the Board during the year:

## Tenant Members



Ken **Bucknall**



Zena **Beirne**



Sandra **Flanagan**



John **Barrow**  
(Retired Sept 2018)



Colin **Marsh**  
(Appointed Sept 2018)

## Council Members



Dimitri **Batrouni**



Ann **Webb**

## Executive Officers



John **Keegan**  
Chief Executive



Steve **Higginson**  
Director of  
Resources &  
Deputy Chief  
Executive



Michele **Morgan**  
Director of Housing  
& Communities



Karen **Tarbox**  
Director of  
Property Services

## Independent Members



Andrew **Martyn-Johns** (Retired  
Sept 2018)



Lynnette **Glover**



Andy **Jones**  
(Chair)



Reg **Kilpatrick**



Tony **Deakin**



Anthony  
**Crowhurst**



Colin **Lewis**



Emma **Brute**  
(Co-opted)

## Registered Office

Nant Y Pia House,  
Mamhilad Technology Park, Mamhilad, Monmouthshire NP4 0JJ

## Independent Auditor

Beever and Struthers Statutory Auditor  
St George's House, 215/219 Chester Road, Manchester M15 4JE

## Principal Solicitors

Trowers and Hamlin, 3 Bunhill Row, London EC1Y 8YZ

## Principal Bankers

Barclays Bank Plc, 57 Frogmore Street, Abergavenny NP7 5AT



An abstract geometric pattern featuring several large triangles with internal grid lines. The triangles are arranged in a circular, star-like formation. The grids are in shades of blue and black. The background is a light yellow with smaller, fainter geometric shapes and grid patterns.

# Strategic Report





# Strategic Report

The Monmouthshire Housing Group consists of the parent, Monmouthshire Housing Association Limited, which is a Registered Social Landlord (RSL) regulated by the Welsh Government, and registered as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, and Capsel Limited which is a non-charitable subsidiary incorporated under the Companies Act 2006.



## Vision & Objectives

***The significant development of the MHA business and its progress towards completion of its objectives are outlined in support of its vision which is:***

"MHA is known for providing high quality homes and services that meet our stakeholders' expectations. Daily, we seek to transform lives by enabling communities to realise their ambitions. We have created an environment where people can have a brilliant quality of life, in areas where they aspire to live and work."

To achieve the vision we have agreed the following objectives for the next 5 years which can be summarised by the acronym LEEP; Landlord, Economic, Environmental and People. Progress against objectives are monitored and reported to Board on a six monthly basis.

### Landlord

- Develop 100 properties per annum until 2022, then average to increase by 120 per annum, and to 150 by 2024
- Continue with deployment of new enhancements to CX and implement Contractor/Repairs IT
- Develop Tenant Portal into an efficient business enhancement/service delivery tool
- Develop Apps for tenant use
- Increase intermediate and market rent offer by 15 properties - turnover to increase to £500k in

2020-21 and by an additional £100k per annum thereafter

- Review void standard
- Complete fire risk assessments and implement enhancements
- Maintain satisfaction levels at 90%+
- Increase rented social stock to 4,000 by 2024
- Have market and intermediate rented stock of 300 by 2024

### Economic

- Seek out new opportunities once Local Development Plan has been approved
- By 2024 have an annual turnover in excess of £30m
- Seek to increase forward development programme up to 700 units by 2022 and 1,000 units by 2024
- Start production at off site factory, producing 100 properties in year 1, 300 by year 2 and 600 by 2024
- Deploy new rent policy
- Get 30 more tenants into work each year
- Keep Universal Credit arrears to 5%
- Develop two tenant cooperatives to develop Foundation economy within Monmouthshire
- Expand factory staff to 20 by 2021 and 50 by 2024
- Make all strands of Capsel profitable
- Start sales in Govilon and Bronllys by 2021



- Start on new Innovative Housing Programme site, with planning for 20 properties – 2021
- Develop new ways of working delivering on 10% in business efficiencies and making sure MHA is set for future both in technology and working practices and culture
- Capsel to be a well-established and trusted local company employing 25 people with a regular turnover of £5m per annum and increasing by 2024
- To have developed our ability to work in joint venture's with developers to expand delivery of new properties
- To be a firmly established development partner and local landlord in Monmouthshire, Newport, Torfaen and Powys by 2024
- Develop the digital offer for tenants reducing the need for care and support workers
- Have tenant satisfaction with quality of life as highest in Wales
- Develop communities where people know each other and we can measure it
- Spend £1m transforming lives and ambitions through training and personal development on both staff and tenants, increasing productivity by 10%
- Focus our resources on ensuring that MHA can become a more flexible organisation adapting to a constantly changing environment

## Finances & the Business Model

### Environmental

- Reduce incoming calls by 50% by 2021 and 75% by 2024
- Reduce CO2 footprint by a further 10% by 2024
- Produce units from factory with SAP rating of 95
- Review existing stock to appraise feasibility of additional CO2 reduction interventions
- Start installation of new hybrid or alternative heating systems
- Expand pool car fleet

### People

- Develop five future leaders per annum
- Recruit five more apprentices per annum
- Retrain staff for new digital environment
- Implement new Contractor/Repairs system with full training and develop system further over subsequent years to 2024 and to have a sector leading system delivering to MHA to service the information it needs to be best in class
- Become a three star Times Best 100 Company
- Develop our own staff to bid for and construct 20 properties per year
- Develop more staff to work in hard to recruit posts
- Continue to develop succession plans for all posts
- Develop the best older person offer in Wales by 2021 with a forward programme of developing micro/pocket communities of 20 properties per annum

The Association has an existing loan facility with Barclays Bank of £45m, of which £32.4m has been drawn (72% of the facility). The Association is currently looking to renegotiate this facility with its funder. This has helped to fund the major repairs expenditure and contribute to the funding of our development programme.

The Association will continue to invest heavily in its planned improvements and development programme and a budget of £15m has been earmarked for the financial year to March 2020. The current business plan was approved by Barclays in the summer of 2019 and shows the Association's ability to work within its peak debt limit. Cash flow continues to be strong and the Association managed to deliver its planned maintenance and development programmes in the year to March 2019. The Association's cash flow continues to be strong with a balance of £1.1m at the end of the year whilst the cash balance for the Group is slightly higher at £1.2m.

The Association continues to stress test its financial robustness by changing single or multiple variables in its business forecasting model and this has been demonstrated to the Board with a number of scenarios discussed and modelled.

Welsh Government will continue to provide an annual dowry of £2.6m which is vital to the funding of our planned repairs programme and the financial health of the organisation.

# Performance in the Year

## Future Prospects

The Association's core turnover in the year fell slightly due to the Association's decision to no longer recover water charges from tenants and its underlying profitability remained strong. The rent increase was 4.5% in accordance with the guidelines of Welsh Government and the bad debts were 0.4%.

The Association's core profitability remains strong but the in year deficit for both pension schemes has had a £1.2m adverse effect on the surplus before tax and the actuarial loss of £2.8m with the Local Government Pension Scheme (LGPS) is much greater than in previous years.

The budget for 2019/20 sees the Association continuing to show a surplus and fund its planned maintenance programme from operating cash generated in the year.

## Risk & Uncertainty

The Association's register of key risks is reviewed annually by the Board and quarterly by the Audit Committee. In addition it is included in all Board papers in order to provide a context for discussions.

At present, the main items of risk have been identified as welfare reform, risks around increased development activity e.g. Possible build cost increase and the delay in sales receipts from properties built for sale and the availability of land, the implementation of our new housing management system and possible future changes to Government rent guidelines and policy.

## Governance

The regulatory opinion in December 2018 stated that "MHA has standard governance arrangements and identifies and manages new and emerging risks appropriately; meets the viability requirements; and has the financial capacity to deal with scenarios appropriately."

Internal audit reports on Governance and Internal Regulation produced the conclusion that the Board could take substantial assurance from existing governance arrangements.

# The Future

The Association has a significant development programme scheduled for the next five years along with the further growth of our trading subsidiary (Capsel Limited) which will enable the undertaking of commercial works for the benefit of the Association. This will help MHA to combat the impact of the major welfare reforms being introduced. Board Members continue to monitor the impact of welfare reforms on the Association and the actions we have taken thus far to mitigate the impact of the changes being introduced.

The Association continues to review its rents and service charges and will continue to consult with tenants and other stakeholders in 2019/20.

Capsel Limited's plan for the next three years is to focus on its core work streams to increase turnover and return to profitability.

The Association and its trading subsidiary will continue to strive for excellence and will seek to achieve accreditations which will support our commitment to providing good quality, efficient services.

The redevelopment of sheltered schemes has been a top priority in recent years with a scheme at Brookside in Caldicot completing just before the year end, delivering 25 new family homes and the redevelopment of Oakley Way will deliver additional homes in 2019/20. MHA will continue to seek development opportunities and aims to build or acquire an average of 100 new homes per annum.

We continue to benchmark our services against other RSLs in Wales and England and will seek to identify efficiency opportunities from any sector to bring into MHA's own work processes.

We have produced a Corporate Plan covering the next five years. Within that are a number of tasks we have outlined to achieve our vision by 2024.

The Strategic Report was approved by the Board on 17th July 2019.

Signed by: Steve Higginson  
Position: Deputy Chief Executive





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# Board Report





# Board Report

This report aims to demonstrate the commitment and work which the Association has undertaken in order to move closer to achieving our vision through our objectives (LEEP). The Association has prepared a summary to highlight these objectives.

## Planned Maintenance

The focus on planned maintenance work has changed from internal works to improving the quality and appearance to the externals of our properties.

**During the year our Building Services team together with private contractors carried out external maintenance to over 800 homes which included:**

- External decoration to 662 properties which included the communal areas to 54 flats and was completed by our trading subsidiary company Capsel
- Upgrade works to paths, gates, hard-standings, fencing and boundary walls to 228 properties
- Replacement roof covering to 156 homes
- Replacement of 98 external doors
- Replacement windows to 13 properties
- Installation of photo voltaic panels on 20 properties

**We also carried out a garage programme which included:**

- The demolition of 79 dilapidated garages
- Replacement of 61 garages
- The refurbishment of 76 garages
- The addition of nine car parking spaces

Properties at Raglan Way and Middle Way in Bulwark benefited from new roof coverings and over the door canopies. We also installed external wall insulation to improve protection and thermal efficiency.

We refurbished 60 kitchens, 26 bathrooms and 32 wet rooms, mainly where tenants have opted out of upgrade works and have since changed their minds or vacated the property.

We replaced over 130 central heating boilers together with associated central heating upgrades.

Tenants were asked to complete a satisfaction form upon completion of the works. Here are some of the comments we've received.

*"Absolutely over the moon. Can't praise them enough. Great tradesmen."*

*"Really great people to deal with. Looks great and we are really happy."*

*"We love our new kitchen. Absolutely marvellous."*

## Welsh Housing Quality Standard (WHQS) Environmental Improvements

Environmental improvements were carried out to over 150 properties. The largest project was the first phase at Oakley Close and Oakley Way, Caldicot where the existing communal rear garden areas have been completely revamped. This included demolishing the existing sheds, new paving to provide sustainable drainage, new retaining walls, fencing, railings, seating and new sheds for the tenants.

Our flats at Grove Mansions in Llanfoist have also had a complete makeover. Following consultation with our tenants, new play areas have been incorporated in to the communal gardens to encourage them to be used.

The feedback for all of our environmental projects has been extremely positive.



New roof and painting at Greenfield, Caldicot



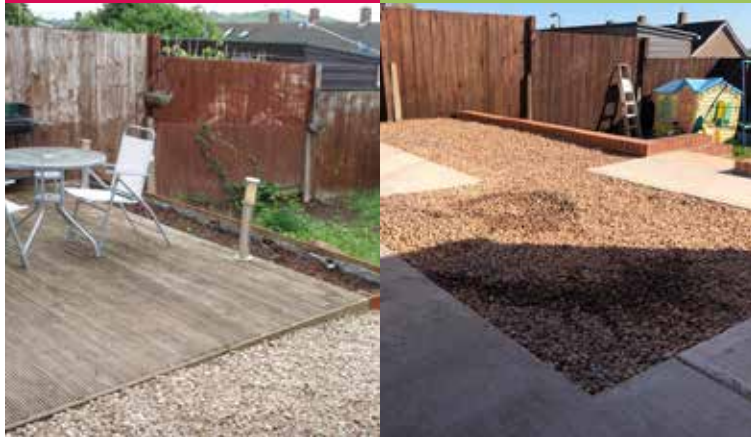
Newly painted balconies and garage doors at Cae Pen y Dre, Abergavenny



Underhill Crescent, Abergavenny

Before

After



Garages Park Road, Caldicot

Before

After



Properties at Raglan Way and Middle Way in Bulwark benefited from new roof coverings and over the door canopies. We also installed external wall insulation to improve protection and thermal efficiency.

Before

After





## Oakley Way, Caldicot - Regeneration

Before



After



## Grove Mansions, Abergavenny - Work in progress



## Grove Mansions, Abergavenny - Work completed





# Building Services

## Responsive Repairs

Our Building Services team completed 10,280 general responsive repairs and 4,120 heating repairs this year, this includes out of hours call outs. The average cost of a general repair carried out reduced to £120.04 per repair, compared to £125.16 last year.

This year the repairs performance has improved. The percentage of repairs completed right first time was above the 95% target achieving 96%. Repairs offered with appointments also performed above the target of 99% achieving 99.28%, whilst the percentage of appointments kept was slightly below the target of 97% achieving 96.36%. The team are aware that these performance indicators are most important to our tenants and are always looking at ways to improve the service.

The level of tenant satisfaction with responsive repairs is well below the target of 95% at 88.76%, however this is an improvement on last year's performance. Tenants are asked to complete a satisfaction survey on completion of work via text messages which has proven to be more forthcoming with honest responses rather than them generally agreeing with staff over the phone. Dissatisfied responses are shared with the team weekly allowing the repairs manager to act quickly to resolve any issues.

## Voids

283 voids were completed in the year. The voids standard continued to include full decoration in all properties and the provision of carpets in flats. Our Voids team have continued to gain high levels of satisfaction from tenants moving into our properties.

The team complete all repairs required within the property and also carry out any planned maintenance upgrade works required such as kitchen and bathroom renewals before handing a property back for let.

At the end of March 2019 the average void cost was 5% over the £3,200 target at £3,358.

## Planned Maintenance

2018/19 saw the completion of the internal refurbishment of 15 flats at Oakley Way, Caldicot. The refurbishment work included new kitchens and bathrooms, electrical upgrades, heating upgrades (if necessary), re-plastering, new internal doors, skirting/architraves, full redecoration and new carpets.

## Heating

The team continue to perform well on an element of work that carries the highest potential risk. As at 31st March 2019 we achieved 100% compliance with gas servicing which was maintained throughout most of the year, due to a sustained and collaborative working approach from staff.

The servicing of oil boilers, solid fuel and commercial systems was also maintained at 100%.

A total of 135 boiler installations were completed last year including gas, oil and air source fuel types.

## Disabled Adaptations

The team completed 42 level access showers, 15 stair lifts and 33 access works/adaptations.

## New Builds

We obtained Innovative Construction Grant Funding this year for the construction of four maisonette style apartments in Caldicot and four courtyard bungalows in Abergavenny. The project has been named "Start Up/Slim Down" and the grant funding required the works to be carried out by our trade staff.

Building Services have managed the construction on both sites. Sub-contractors were employed for the demolition of the garages, the ground works, drainage, building the superstructure, external rendering, internal plastering and the landscaping. Our staff completed the roof structure inclusive of photo-voltaic panels and installed the aluminium windows and doors. They also completed the internal fit-out including the heating system with underfloor heating, the electrical installation, carpentry works, plumbing works and decoration.

Both sites have been running simultaneously and are due to be completed in 2019/20.

# Development

## Delivery 2018/19

**MHA completed procurement of 90 new homes as follows:**

### Brookside, Caldicot

2 x bungalows, 4 x 1 bed flats, 6 x 3 bed houses, 13 x 2 bed houses

### Wonastow Road, Monmouth

(Phase 2)

12 x 1 bed flats, 20 x 2 bed houses, 2 x 2 bed bungalows, 7 x 3 bed houses, 1 x 5 bed house

### Shirenewton, Chepstow

1 x 3 bed house, 2 x 2 bed flats

MHA has set itself a target of procuring at least 100 new homes every year and continues to expand its Development team and identify opportunities that will help achieve this target.

### Off the Shelf

20 Residential Units

MHA has set itself a target of procuring at least 100 new homes every year and continues to expand its Development team and identify opportunities that will help achieve this target.

### Clos Ger y Nant (formerly Brookside Sheltered Scheme, Caldicot)

Clos Ger y Nant clearly demonstrates our commitment to creating the highest quality homes, whilst raising the bar for the standards and design of housing in the town and County. The highly desirable development is located on the site of our former 'Brookside' housing scheme for older people in Caldicot.

From the layout of the development encompassing large areas of green open space, to the layout of each house-type and overall quality of the build, every aspect has been carefully considered.

The homes also form part of our Love Caldicot Regeneration Programme, the largest ever seen in the town. It has so far seen more than £20m invested in the town by MHA over the last 8 years, combining upgrades to existing homes and

building many brand new ones.

Homes were built by P & P Builders and delivered in partnership with Monmouthshire County Council and the Welsh Assembly Government.

Project	Completion Date	Contract Value
Shirenewton	25 <sup>th</sup> September 2018	£186,552
Wonastow Road, Monmouth	June 2017 to March 2021	£8,000,000
Brookside, Caldicot	18 to 22 <sup>nd</sup> March 2019	£3,634,155

## 2019/2020 Projection

The Association expects to deliver 138 new and newly purchased refurbished homes in 2019/2020 across Monmouthshire and Powys.

**These projects include:**

### Oakley Way, Caldicot

21 x 2 bed houses, 5 x 3 bed houses, 8 x 1 bed flats, 3 x 2 bed bungalows

### Tintern, Monmouthshire

2 x 2 bed houses and 1 x 3 bed house

### Dingestow, Monmouth

3 x social rent, 6 x low cost home ownership (LCHO), 6 open market homes

### Govilon, Abergavenny

4 x 2 bed bungalows, 2 x 3 bed houses and 13 open market homes

### Elm Road, Caldicot

4 x 1 bed maisonette style apartments

### St Teilos, Abergavenny

4 x 1 bed courtyard bungalows

In addition MHA has agreed 36 homes from Bellway under a Section 106 agreement at Rockfield Farm, Undy.

Exploratory and feasibility work for other sites has also been carried out in 2018/19 and some of these sites will be brought forward in 2019/20 subject to land purchase and planning permission.



## Shirenewton

During construction



After



## Brookside (Clos Ger y Nant)

Before



After



## Wonastow Road, Monmouth



# Housing & Communities

## Homesearch

The Housing Register continues to grow and averages 3,200 applicants. This can be attributed to the lack of affordability of housing in the private rented sector as many applicants cite affordability as their main reason for applying.

Monmouthshire Homesearch registered 1,713 new applications with 491 households being housed in 2018/19. Homesearch have also assessed 454 medical/welfare applications, on average 50 applicants are helped weekly with assisted bidding and 55% of applicants bid through the Homesearch App.

During the next 12 months, Homesearch is looking to make improvements to the system and services it offers. This includes a new website and reviewing Monmouthshire's Common Allocations Policy.

## New Homes

New Homes offers starter tenants extra support, one point of contact and a mutually agreed plan right from the point tenants are shortlisted for their new home. This means that our starter tenants work with the same officer throughout the first 12 months of tenancy, building a strong, positive relationship with MHA.

By providing an intensive housing management service, an exceptionally high void property standard and a dedicated team, we have seen hundreds of successful starter tenants' progress to assured tenancies with MHA. In the three years that the service has been operating we have extended only 27 starter tenancies (4.3%) of the total 623 starter tenants who have moved into a new MHA home. In 2018/19, 100% of new tenants were satisfied with their new home and 94% of our starter tenants progressed to an assured tenancy.

Whilst we have seen starter arrears reduce significantly in the first two years of service, the arrival of Universal Credit in Monmouthshire presents additional challenges to new tenants, with delays to first payments starting to bite.

Adding a new part-time officer to the team has meant staff can continue to offer the high standard of service: staff regularly provide hands-on support with Universal Credit applications and refer to specialist services, foodbanks and our own hardship fund to help households get through the difficult assessment period. The team work hard with affected tenants to ensure their benefit application is as smooth as possible; currently 28% of our starter tenants are on Universal Credit, with that figure increasing every month.

Feedback from our tenants include wonderful compliments for our New Homes Officers with a regular theme that they go 'above and beyond' with the service they provide:

*"I met with S today. He spoke very highly of the support you have provided to him since he has moved in... you have made the transition easy for him. He felt that you have gone above and beyond and because of this he has been able to maintain his mental health and have a positive experience."*

*"My mother sadly passed away and we wanted to thank you personally for your tremendous support, advice and practical help during the application process, move and (albeit short stay). Mum loved her time there. Everyone was friendly, helpful and courteous-  
**THANK YOU**"*

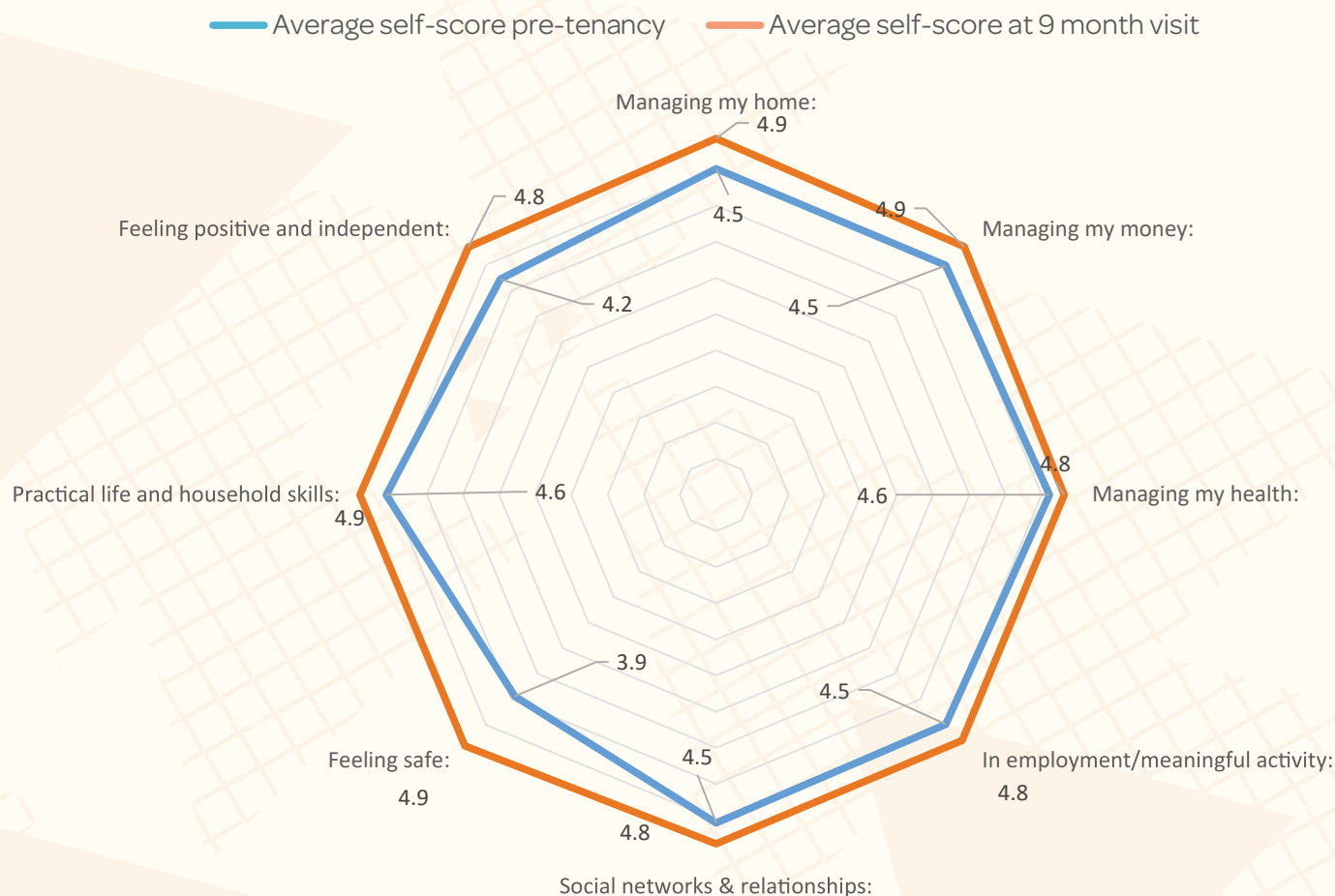
Our New Homes Officers work with every tenant to agree and develop a personal package of support to complete their starter period, with new tech-savvy IT kits and dedicated patches, our officers spend most of their time out with tenants.



## New tenant: Star chart results 2018/19

Tenants are asked to self-assess how they feel (on scale of 1-5) about eight areas of their life before they move in, and again nine months later, the chart shows the positive impact their

new home and the service received has had with tenants feeling safer, healthier, wealthier and positive about their lives:



## Neighbourhood Services

Neighbourhood Services carry out tenancy health check visits to offer a proactive and improved service to tenants. The checks allow MHA to help tenants as early as possible and put support in place for those who need it. It also helps keep properties well maintained and tenancies sustainable as well as helping MHA build relationships and understand our communities.

## Case Study 1

Following a visit to a tenant to complete a tenancy health check, the tenant was living in poor conditions and struggling to manage their tenancy. The tenant was elderly, with poor mobility and living in a top floor apartment. We were able to provide support to improve the property and for the tenant to live more comfortably. We also assisted the tenant to help them get on to the Homesearch register to look for alternative accommodation such as a bungalow to better suit their needs.

## Income Team

The Income team have many positive stories based on their early intervention, persistence and by providing the right skills to be able to identify support needs for our tenants. They understand the impact of debt both from a tenant and business perspective and have shown resilience as well as gaining the trust of tenants and building relationships to be able to manage expectations.

### Case Study 1

A tenant with a young child working 15 hours a week and doing overtime to make ends meet, was struggling financially and didn't find claiming benefits easy, therefore wasn't receiving the benefits they were entitled to and was going into arrears with their rent. After making contact with the tenant we were able to access the hardship fund to help ease the pressure.

The Money Wise team provided continued support and liaised with Tax Credits whilst assisting the tenant to get the correct benefits that they were entitled to. The tenant was really appreciative and prioritised paying their rent and is no longer in arrears.

### Case Study 2

A tenant's partner was sectioned under the Mental Health Act due to severe depression. A sensitive but prompt approach was required to support the tenants and avoid hardship and increasing rent arrears.

Due to the tenant's mental health condition, they were unable to attend the Job Centre Plus to verify their identity, causing delays in receiving payment, putting increased strain on the tenants.

The Income Officer had never encountered this situation and contacted the Department for Work and Pensions Association's partnership manager for further support. They were advised to set up a single claim whilst the partner was in treatment, and once home to arrange a home visit to verify his identity. This ensured that they could access an advance payment and avoid any further delays. The tenant also received a one off Discretionary Housing Payment of £500 to reduce their rent arrears. They were also supported by the hardship fund for heating costs and a referral was made to Mind Monmouthshire. Both tenants were extremely grateful for the support we provided to them during a very difficult time.





## Community Safety Team

Over 700 incidents of anti-social behaviour were reported in the last 12 months. Noise nuisance accounted for over a third of the total of complaints received. This is a figure which is reflected across the sector. To address this issue, MHA provides carpets in flats, education and targeted use of noise recording equipment which have produced some success.

Whilst Neighbourhood Officers have dealt with lower level reports of anti-social behaviour, the Community Safety team have addressed the more serious and often complex cases. During the year, fourteen cases were taken to the county court for injunction, demotion and possession orders with success in every application made. Eleven of these cases were advocated at court by members of the team, resulting in substantial saving to MHA in legal costs.

Changes in the latter half of the year in the way which Police share information on victims of domestic abuse has meant a reduction in the number of victims being referred by that source, however through closer co-operation and liaison with other support agencies, sixty-eight victims have been supported during the year.

The Community Safety team has looked to use new technology in gathering evidence in relation to anti-social behaviour complaints. The team piloted and evaluated the use of body-worn cameras with the help and support of the Scrutiny Panel and is now using them on a regular basis, not just for investigating anti-social behaviour but also for other housing functions including wider tenancy management and maintenance.

## Support & Wellbeing

### Tenancy Coaching

The team have achieved fantastic outcomes in partnership with other departments to prevent homelessness. Following a recent evaluation the feedback the team received from our tenants was the impact the support had made to them as individuals through increasing their self-esteem and self-confidence to better manage their own home, the key to the positive differences made to our tenants is the relationship built with their Tenancy Coaches and the approach taken to understand the story behind how they came to find themselves in their situation.

### Social Inclusion

There is huge recognition for people needing to have a wider sense of belonging and to have something meaningful to do. We are achieving this through providing support that is tailored to individuals needs through understanding their interests, mapping people with other community activities and social opportunities. We also then provide support to accompany a person to a particular group to enable them to widen their social network and build relationships with an aim to enable the person to increase their resilience. The team have worked pro actively with individuals and other partner organisations to achieve fantastic outcomes which have really made a difference to people's lives.

### Housing Support & Wellbeing

The service is funded through Supporting People and the team are place based. They cover Abergavenny, Caldicot, Usk and surrounding areas and not specific to MHA tenants. The team provide a prevention and intervention service which focuses on people aged 16 plus coming through the homelessness department or whom are identified at risk of losing their tenancy or need support to manage their tenancy.

The support offered is tailored to individuals to enhance their quality of life. This is achieved through the team providing advice and help with welfare benefits, debt and managing money, this year alone the team have maximised income





in the excess of £50k - £60K for the people we support. We enable people to have a voice and be able to manage their own affairs; to manage their tenancy, to set up utilities; to liaise with their landlord and to feel safe in their own home and to feel a part of the wider community.

At all times the team are looking to provide support to prevent homelessness and ensuring that the people we support are living in accommodation appropriate to their needs. 91% of people we supported in the last year were managing their own home 6 months on.

We provide a holistic approach to support people to maintain their homes and achieve a sense of wellbeing, this is achieved through providing timely support, acknowledging people will find themselves in different and potentially difficult situations at any given time.

### **Rise 2 Inspire**

The Rise 2 Inspire Project is funded through Comic Relief for people aged 55+. In the first year we engaged with over 80 people, focussing on the north of the County. We work with people individually and collectively to take steps to engage with local groups and the wider community. The project has provided key learning on the issues facing older people and how we can engage more effectively. One of our key aims is to enhance individual's wellbeing, through reducing isolation and loneliness. We are keen to enable the older generation to share their skills and knowledge with each other and with our younger generations. We are looking to roll out our learning and approach for the second year in to the south of the county.





## Work & Skills Wise

### Case Study

#### Where it started

Mr Y was referred to the Work & Skills Wise Service by his Income Officer as he had been made redundant from his job due to the company relocating. Mr Y was also affected by the Bedroom Tax. Mr Y wanted to look at a career change to something that was physical but more active. After meeting Mr Y, it was clear that he was incredibly proactive and had a real desire to go back to work but wanted to use this as an opportunity for a change.

#### What we did

We started by Mr Y accessing REACT funding through Careers Wales, which supports people who have been made redundant to access funded training. Mr Y signed up for fork lift training, covering Telescopic Handling, a Counterbalance Licence and a Reach Truck Licence of which the course and licence costs were funded by REACT. Mr Y missed having a work routine, so Work & Skills Wise supported Mr Y into a volunteer work experience placement with Monmouthshire County Council's Grounds Maintenance team in Caldicot, where he volunteered two days a week. This gave Mr Y a boost to be back in a work routine and also back

into the working environment. We helped Mr Y to buy boots for his volunteering, which he could also use for future work. Along with this, Work & Skills Wise supported Mr Y in creating an effective and tailored CV.

#### The outcome

Following this support, Mr Y came along to the 'Monmouthshire Employment & Skills Fayre' in Caldicot which is arranged jointly by MHA and Job Centre Plus. Bringing along his CV, Mr Y approached some of the more industrial, warehouse companies that were recruiting at the event and spoke with them about his experience, talked through his CV and presented his licences. He was asked to sign up on the day, which he did and was offered work immediately. Mr Y is now enjoying working as a Fork Lift Warehouse Operative.

Mr Y commented "it would not have been possible if it wasn't for the jobs fair and all your help and support. So a very big thank you for your help".

Mr Y was a pleasure to work with, his drive and ambition was clear to see. Work & Skills Wise are continuing to support Mr Y through our light-touch in work support.



## Money Wise

### Case Study

Mr X was referred to Money Wise in September 2018, with an untidy tenancy and having a different surname to his tenancy agreement. He was not engaging with his Income Officer and upon visiting it became clear that there were other agencies involved helping Mr X. His mental health at this time this was a little overwhelming for him.

Our Money Wise team called Universal Credit who confirmed that housing costs were not in payment as MHA were unable to verify rent, due to the issue of the different surnames. We advised him to take his driving licence to be scanned to allow us to confirm his correct name so we could verify his rent. We also worked with Monmouthshire County Council (MCC) and MIND Monmouthshire to help support him and make a Personal Independence Payment application. Mr X also signed a mandatory reconsideration letter regarding his untidy tenancy.

At this time the Money Wise team made the decision to take a step back as Monmouthshire County Council were already helping him with his benefits and Mind were also working with him.

The signed mandatory reconsideration letter was taken to the Job Centre to be scanned for Universal Credit.

In November 2018 the Money Wise team had a lengthy call with Universal Credit and they still refused to pay full housing costs, knowing this was incorrect, they agreed to refer Mr X's case to a manager to investigate further who later confirmed that full housing costs be paid.

Discretionary Housing Payment (DHP) awarded a one off payment of £150.00. Following further discussions the Discretionary Housing Payment department and Mr X's Income Officer in March they requested a further payment and £450 which was awarded.

Overall, both internally and externally Money Wise worked in partnership to get the best result for Mr X.

# Engagement Team

Following the tenant satisfaction results in 2017/18, Universal Credit modelling and tenancy health checks, two specific areas were identified for investment through the Neighbourhood planning initiative in Caldicot and Mardy, Abergavenny.

The neighbourhood plans will provide MHA with a framework to develop tailor-made local action plans which are community-led. These plans are fundamentally different to traditional ways of working and focus on the skills, strengths and assets within the local community, rather than their needs or “problems”. This in turn, empowers the community to co-create an action plan which helps them meet their aspirations in each area.

The plans will also deliver local solutions in partnership with local communities, which will ensure interventions are sustainable and fit for purpose, rather than being “parachuted in” or enforced onto a community.

Two groups have been formed and a series of co-production workshops have been run to develop a 12 month programme in each area that will address the issues that matter the most to our tenants.

Each group has chosen three themes they wish to address within their community.

## **Friends of Caldicot**

Family health & wellbeing, bringing the wildlife back to Caldicot and community cohesion.

## **Neighbours Working Together (Mardy)**

Food poverty, making your money last and online safety.

## **Progress to Date:**

- Complaints have been filtered through the groups and not on Virtual Voice
- Tenants have undertaken their own research on projects
- Tenants are taking ownership over neighbourhood issues – organising regular litter picks
- An increase in confidence of group members has been the biggest measure
- Tenants already feel they have better relationships with MHA
- More open and honest feedback with regards to individual services
- Tenants are now running their own workshops at events
- More tenants are engaged that are new to us
- Increase in referrals
  - o Four new referrals to the Income team in drop in sessions
  - o Three new referrals to the Work & Skills Wise at a consultation event
- Increased tenant satisfaction
- Internal staff relationships improved via working in a more collaborative manner
- Tenants feel they are now listened to and receive adequate responses to issues raised
- Tenants feel more proud of their area
- Bi-monthly MHA team surgeries will now be held in the communities
- Tenants have gone from having poor opinions of MHA to requesting Friends of MHA t-shirts
- Improved cohesion and community spirit







## Forward Together Group

A new strategic group has been developed which will enable tenants/leaseholders to be included in the strategic decision making of the organisation and close the gap to the corporate planning cycle.

The group will critically comment on the organisations delivery outcomes and make recommendations to Senior Management Team (SMT) and the Board. They will also influence the corporate planning process and input a tenants' perspective into the visioning of the organisation.

The group has undergone a fairly intensive training programme mixing in house and external trainers. Two sessions were delivered by the Tenant Advisory Participation Service (TPAS) Cymru during October and November and three members of the group attended the November TPAS Cymru Conference. MHA's CEO also utilised the new group and delivered a visioning session in December 2018 which enabled tenants' views to be considered by our Senior Management Team and the Board in the production of MHA's new Corporate Business Plan.

In preparation to going live in 2019/20, the group has completed two further sessions in which they looked at MHA's Compliance Statement and two of the delivery outcome reports in the business areas of Delivery and Opportunities. The eight members of the group consist of a mixture of some experienced long standing involved tenants and also four tenants and one leaseholder completely new to engagement. The group has now completed its successful pilot and we look forward to ensuring that tenants and leaseholders are involved in MHA's future strategic decision making.

## Making a Difference

The Making a Difference (MAD) awards was developed to recognise and celebrate the amazing work that goes on and the inspirational tenants and community members in Monmouthshire. Each year there are a range of categories to celebrate everything from small personal victories to large community initiatives.

This year was the eighth year of hosting the MAD Awards and we moved to a new venue, the Hogs Head in Abergavenny due to numbers increasing from previous years.

We received 47 nominations and the majority of these were from tenants, we had 11 awards categories all of which were sponsored by our community partners and 146 people attended the evening.

"I wanted to thank you for a great evening on Thursday, my husband and I thoroughly enjoyed it. Thanks must go to all the team for the hard work in planning it, to being on your toes all evening to ensure that your guests were happy. This started with the car park marshalls' to the greeters and went on throughout the evening - our every need was anticipated!"

"Crafty Women wanted to take this opportunity to thank everyone in Engagement team for shortlisting our project and inviting us to the MAD awards. It was a really enjoyable evening for all of the team and they said it was a lovely venue and felt like royalty."

"The group had no idea that they would come in and win the Best Group award, and were truly overwhelmed at such success and recognition. Thank you MHA's Engagement team for making a real difference to our team and group."

Dads Can was also finalist in the UK Housing Awards for the category of 'Outstanding Approach to Equality and Diversity.'

# Facilities Annual Achievements

## Health Safety and Environmental

We continue to review and strengthen our processes to ensure legal compliance and also to achieve best practice. The various external accreditations standards evaluate our approach and management of Health, Safety and Environmental in the workplace and how we aim to control the risks effectively. We are subject to annual audits which are carried out by an external auditor to verify whether our processes are meeting the requirements of each standard.

### **Monmouthshire Housing Group have been recertified to:**

- The Environmental ISO 14001:2015 Standard – March 2019.
- The Environmental Green Dragon (Welsh Standard) Level 5 – December 2018
- Achieved - The ISO 45001 (new Health & Safety standard) - March 2019

### **Monmouthshire Housing Group have:**

- Continued to achieve waste savings – Our average during this reporting year is 65%
- Continued to achieve CO2 savings. The original target was 42% by 2017. Our revised target is 47% by 2022. Currently we have achieved 44.53%. This will now become harder to achieve as we have already carried out extensive work to our stock. The recent refurbishment

programme at Oakley Way, Caldicot has also contributed to our CO2 savings.

We have achieved savings through reducing carbon dioxide (CO2) emissions by continuously improving the energy efficiency of our properties. We construct and manage the various ongoing planned maintenance programmes currently in place which include:

- PV installation
- Loft insulation
- External wall insulation
- Roof replacement
- Boiler replacement
- Air source heat pumps
- Fuel switching

## Pool Car

The expansion of our pool car fleet was one of our key environmental objectives and also linked into our corporate objective to reduce fuel usage.

We have now increased our pool car fleet and have two hybrid and two electric cars which are popular amongst staff and operating efficiently. We are currently in the process of carrying out a cost benefit analysis of all cars to report on their efficiency plus plan for future expansion.

The new MHA pool cars





## Corporate Services

MHA complies with the requirements of the Welsh Language (Wales) Measure 2011 and has an approved Welsh Language Strategy which is monitored and our progress against the strategy is reported to, and approved by the Welsh Language Commissioner. MHA is awaiting the regulatory framework in respect of the Welsh language and how it is to be applied to the sector in Wales. MHA has successfully run several training programmes of Welsh language courses for its staff in recent years and will continue to offer support in the learning of the Welsh language throughout 2019/20.

## Customer Excellence

MHA achieved the Customer Excellence Standard maintaining all of our compliance standards from previous years, plus an additional three elements reflecting MHA's continued understanding of, and engagement with, stakeholders coupled with high overall performance in comparison with similar housing associations.

MHA demonstrates it's clearly committed to using the Customer Service Excellence Standard to continuously improve its services and achieve its mission "to provide high quality homes and services that put people first". MHA is able to demonstrate that its culture of customer service is based on a long-standing understanding of, and engagement with tenants and leaseholders.

## Service Testing Team & Scrutiny Panel

MHA's Service Testing team and Scrutiny Panel groups have been running successfully for a number of years now, and throughout have continually sought improvement to maximise the impact of their involvement. The majority of their work focuses on operational service delivery and findings are also considered during the strategic direction setting of the organisation.

The Service Testing team are a small team of tenants who test MHA services from a customer's point of view, to ensure they are accessible, fair and efficient. Over the last 12 months, the team have carried out five 'checks' on a variety of service areas such as the customer service team who answer most of MHA's phone calls, MHA's cleaning contract for internal communal areas and MHA & Capsel Low Cost Home Ownership Information.

The feedback they provide is imperative to ensure that our services are the best they can be for customers, and of the 23 improvement suggestions made specifically by the team, 21 are currently being actioned. Following a rebrand last year, the team have also raised their profile internally and externally. Through an interactive and vibrant intranet and digital boards, staff can learn about the team's work and the outcomes achieved. Externally a short DVD featuring the team members is available on MHA's website and Facebook page which has had over 1,600 views.

The Scrutiny Panel consider a wide range of material and consult with a wider audience than that of the Service Testing team when drawing together a picture and seeking out improvements to the service area. This could include ascertaining customer expectations, email and telephone surveys (conducted on behalf of the group), reviewing satisfaction and consultation data, performance, research, use of the Service Testing team (where appropriate) and discussions with staff/neighbours/agencies.

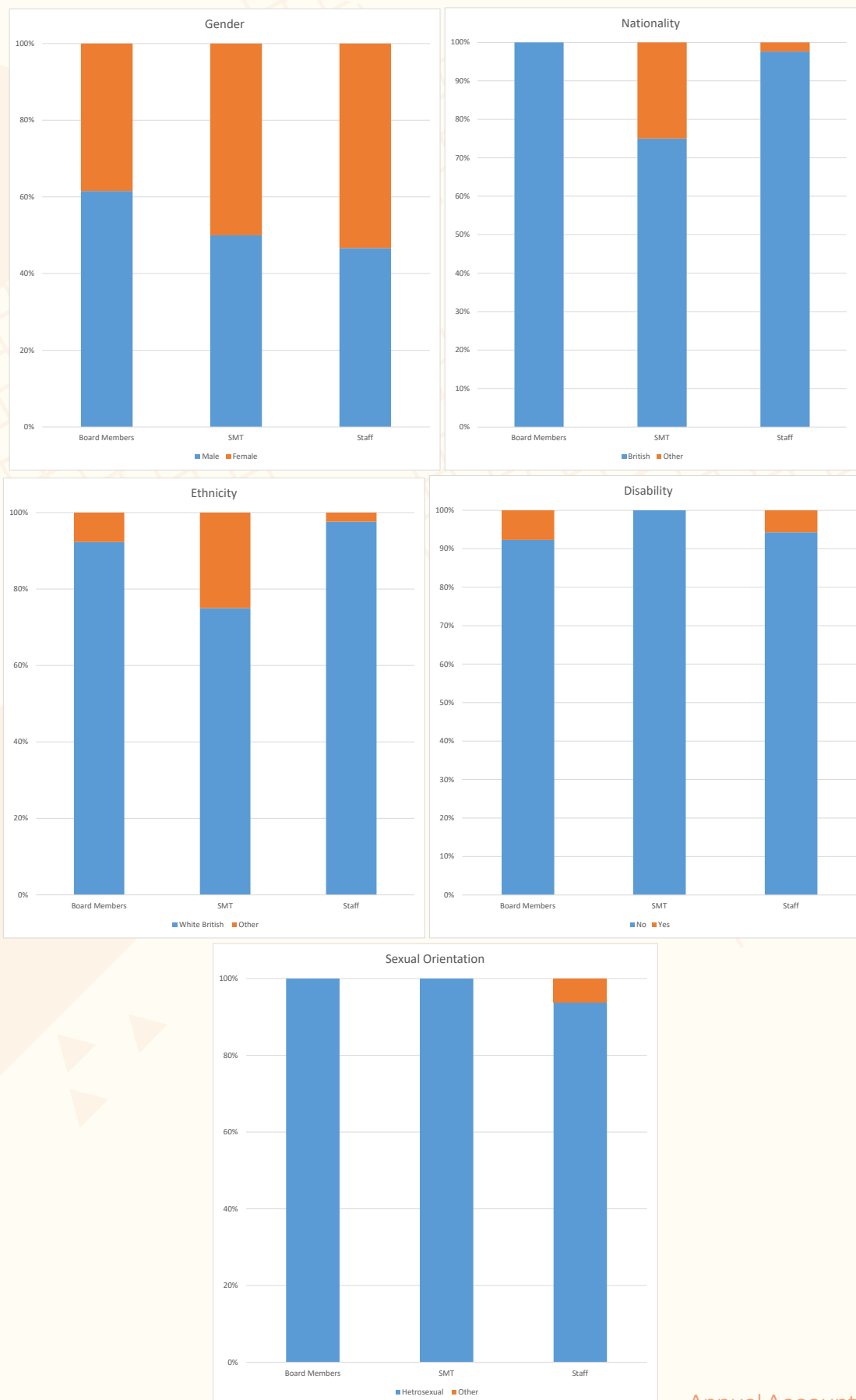
Officers and members of the Scrutiny Panel also belong to the South Wales Scrutiny Network who meet regularly to share best practice and avail of joint training opportunities.

## Staff Development

In 2018/19 MHA spent £150,000 (2017/18 > £130,000) on training its staff and Board Members which equates to almost 1,200 training days. This highlights our commitment to ensure our staff have the appropriate skills and knowledge to deliver high quality services to our customers.

# Equal Opportunities “Leading Diversity by 2020”

MHA has signed up to the Chartered Institute of Housing’s (CIH) Equality and Diversity Charter, to create a truly equal and diverse UK housing sector by 2020. In recognition of this, we have an action plan to achieve the challenges in the CIH’s Charter and will annually publish the makeup of our Board membership and workforce.



## Board Performance Indicators

Description:	2019 Actual	2019 Target	2018 Actual	2018 Target
<b>RENTS</b>				
% rent loss due to void	0.94%	0.9%	0.92%	1%
% rent arrears – current	1.54%	2.5%	0.81%	2.1%
% rent collected	99.94%	99%	102.1%	98.9%
<b>STAFFING</b>				
Annual Staff Turnover (voluntary)	11.79%	8%	8.54%	8%
Overall Sickness Level	4.22	3.2	3.99	3.2
<b>REPAIRS</b>				
% Repairs completed Right First Time	96%	95%	94.95%	95%
Re-let time (days) Standard lets	31.71	24	44.83	29.87
% properties with Landlord Gas Certificate	100%	100%	100%	100%
<b>MISCELLANEOUS</b>				
Loan Covenant	Met	-	Met	-
Overall Satisfaction with Services from MHA	No survey undertaken	No survey undertaken	90.1%	90%

### Annual Staff Turnover

26 members of staff left voluntarily in the last year, with one retiring and 25 resigning. Welsh Housing Associations reported a median turnover level of 14.1% in 2018 (CHC HR Business PI Survey 2018), and the UK average turnover is around 15%. These figures follow the general upward trend in turnover as the labour market becomes more fluid and employees no longer seek a job for life. MHA has increased its target to 12% for 2019/20, (currently 8%).

### Overall Sickness Level

Sickness performance has not met target and has risen since last year. The sickness breakdown is 1.48% for short term sickness against a target of 1.5% and 2.82% for long term against a target of 1.7%. MHA has a trigger points system in place for line managers to monitor and review sickness as well as return to work procedures. The Policy was reviewed in December 2018 and a new trigger point was introduced where an employee has accumulated a total of 8 days or more absence during a 12 month period.

Sickness levels have improved in the first quarter of 2019/20 achieving well below target at an average of 1.6%.

### Re-Let Time

There were 215 standard lets for the year. It should be noted that three hard to let properties heavily impacted on performance with exceptionally long re-let times (108, 142 and 276 days respectively) and seven properties were held in Monmouth for potential decants totalling 450 void days.

Removing hard to lets and decant-related delays from the general voids results in an average void turnaround time of 26.9 days; 2.9 days over target.

**During the year there were 109 properties that went over the 24 day target and the reasons for these were as follows:**

- Building Services capacity/supply/clearance issues x 38
- Allocation delays (re-advert/risk assessment/occupational therapist/verification/refusal) x 32
- Decant related delays (including Monmouth hold list) x 11
- Hard to let x 10
- Other x 18

The performance improved during the final 2 quarters of the year, following improvements in process and communications between teams. Changes in the enhanced void standard as of 1 April 2019 resulted in additional works and impact on resources. As such it is recommended the target should be increased to 25 days to accommodate the additional staff resources required, as MHA continues to expand its portfolio and improve its letting standard.





An abstract geometric pattern featuring various triangles and grid-like shapes in shades of pink, black, and white, set against a light yellow background. The pattern is composed of overlapping triangles, some filled with a grid of small squares, and others with solid colors or patterns. The overall effect is a dynamic and modern design.

# **Statement of Board Members' Responsibilities**



## The Board are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Housing Association legislation requires the Board to prepare financial statements for each financial year. Under that legislation the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Housing Association legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Association and of the surplus or deficit of the Group and Association for that period. In preparing these financial statements, the Board are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with Housing Association legislation, the Co-operative and Community Benefit Societies Act 2014 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

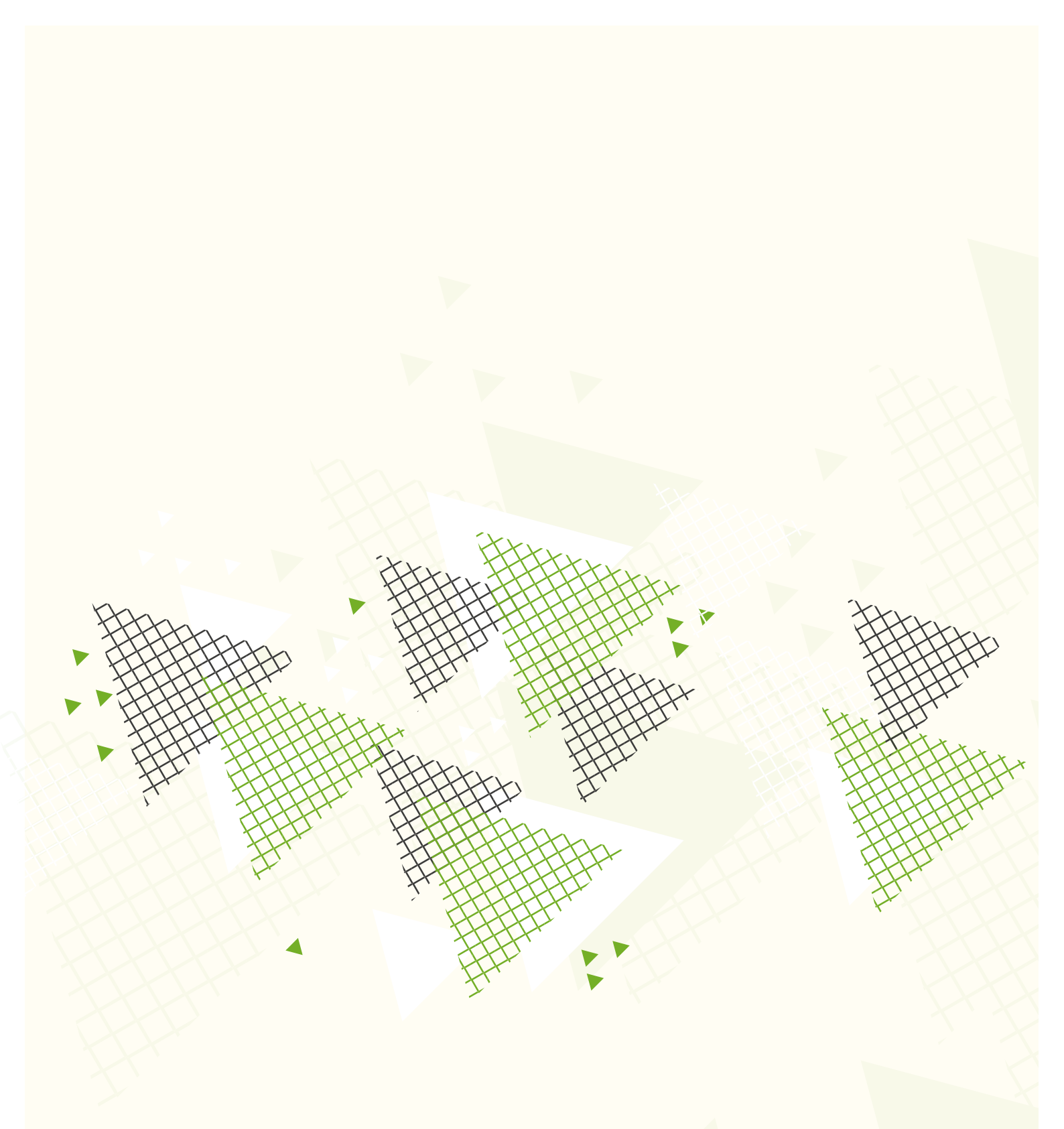
The Board are responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Disclosure of information to the auditor

### ***Each of the Board Members at the date of approval of this report has confirmed that:***

- As far as the Board Members are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- The Board Members have taken all the steps that they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.





# Statement of Internal Control

In accordance with the terms of reference and the best practice referred to in the Welsh Government's Housing Association Circular RSL 02/10 internal controls and reporting, the Deputy Chief Executive on behalf of the Audit Committee presents an annual report to the Board covering the period from 1 April 2018 to 31 March 2019. The purpose of this report is to record an assessment of the adequacy and effectiveness of the Association's system of internal control during this period.

## Internal Control framework

In accordance with the Welsh Government's Housing Association Circular RSL 02/10 Internal controls and reporting, MHA's Board acknowledges its responsibilities for the Association's system of internal control and for reviewing their effectiveness. The Board also acknowledges its responsibility for the wider aspects of risk management.

The Association's systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only 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. Any of which could adversely affect the Association'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 control in key areas of the business.

### **The Internal Controls are categorised under the 6 risk pillars:**

#### Delivery

- Procedure manuals for staff;
- Performance management information presented to SMT, Committees and Board

- Anti-Fraud, Theft and Corruption Policy
- Emergency plans which are tested and reviewed by external consultants

#### Governance and Regulation

- An established programme of internal audit activities derived from an assessment of key business risks
- An established programme of external audit activities from an assessment of the key financial risks
- The Audit Committee review and monitor reports from management, from Internal Audit and from External Audit to provide reasonable assurance that control procedures are in place and are being followed
- Monitoring of the control system by the Audit Committee, the Internal Auditors and External Auditors and management
- A Health and Safety Management system in place
- MHA have the following accreditations - ISO 14001 – Environmental, ISO 9001 – Quality, BS 18001 – Health & Safety, Green Dragon Level 5 – Environmental – regular external audits are carried out to ensure MHA comply with the standards
- A project is in place to ensure MHA comply with Data Protection legislation. Training is carried out to all staff periodically and a framework of policies, procedures and guidelines are in place
- MHA have the adequate security software to protect against cyber-attacks and penetration tests are carried out periodically

## Money

- Standing orders and financial regulations setting out clearly the system of delegation
- Defined business and strategic planning process including the preparation of annual budgets, rolling five year corporate plans, a 30 year financial forecasting model and the production and review of monthly management accounts. These are supported by specific operational/directorate action plans and a process for the monitoring of results against budgets
- Regular reporting of financial results and other performance indicators against budgets and other appropriate internal and external targets
- Board approved treasury policy and annual treasury strategy, which is reported against as part of the management accounting information
- Annual stress testing of the business plan is carried out and results are presented to Board

## Assets and Liabilities

- A cross departmental Housing Programme Board set up to oversee and monitor developments and the Asset Management Strategy
- An Asset and Liability Register maintained

## People

- Clearly defined corporate and directorate management responsibilities and reporting structures ensuring that experienced and suitably qualified staff take responsibility for important business decisions
- Careful staff recruitment, appropriate training and individual performance monitoring systems (implemented in 2008 and updated annually)
- Investors in People – Gold Standard
- Corporate Health Standard – Gold and Platinum accreditations

## Opportunity

- Two members of MHA Board sit on Capsel Board
- Capsel to consider opportunities in which MHA cannot participate
- All material opportunities within the Group to be subject to viability and social value assessments

## Risk Management Framework

MHA has a Risk Management Policy in place which clearly outlines MHA's approach to risk management and defines roles and responsibilities throughout the organisation.

The Corporate Risk Register is regularly reviewed by managers and SMT and presented at each Audit Committee. A Corporate Risk Dashboard summarising the main risks and movements in trends is presented and discussed at every Board and Committee meeting.

The Association continues to maintain or put in place a number of procedures designed to mitigate risks facing the Association. These include specific delegated authorities to managers and staff, insurances, performance management reporting, contract procurement processes and an annual self-certification of risks and how they are controlled by the Senior Management Team.

As part of the Corporate Planning Cycle, Board reviewed their appetite for risk. The appetite statement is communicated to SMT, managers and staff and the Corporate Objectives were set in line with the reviewed appetite.

MHA are continually developing its risk management framework and we are currently working with each service to develop service risk registers.

We are currently undertaking an assurance mapping exercise that maps out all the internal controls MHA have in place for key risks using the three lines of defence model.



## Register of Detected Frauds

The Company Secretary maintains the register of detected frauds. There are no frauds to report in the period covered by this report.

## Adequacy and Effectiveness of the Associations Internal Control System

The Deputy Chief Executive has reviewed the adequacy and effectiveness of the Association's internal control and risk management systems for the period 1 April 2018 to the date the annual accounts for 2018/19 are approved and confirms that they are operating effectively.

The Board Report, Statement of Members Responsibilities and the Statement of Internal Control were approved by the Board on 17th July 2019.

Signed by: Steve Higginson  
Position: Deputy Chief Executive

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# **Independent Auditors Report**



# Independent Auditor's Report to the Members of Monmouthshire Housing Association Limited

## Opinion

We have audited the financial statements of Monmouthshire Housing Association Limited (the Association) and its subsidiary (the Group) for the year ended 31 March 2019 which comprise the consolidated and Association Statement of Comprehensive Income, the consolidated and Association Statement of Financial Position, the consolidated and Association statement of changes in reserves, the consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 the Associations affairs as at 31 March 2019 and of the Group's income and expenditure and the Association'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 of Registered Social Landlords General Determination (Wales) 2015.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

## Other information

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

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

We have nothing to report in this regard.

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

**We have nothing to report in respect of the following matters 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
- The Association has not kept proper accounting records; or
- The financial statements are not in agreement with the books of account; or
- We have not received all the information and explanations we require for our audit.

## Opinion on other matters prescribed by the Housing association circular RSL 02/10: Internal controls and reporting

With respect to the Board's statement of internal financial controls on page 40, in our opinion:

- The Board have provided the disclosures required by the Housing Association Circular RSL 02/10: Internal Controls and Reporting; and
- The Board's statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

## Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 38, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at **[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)**

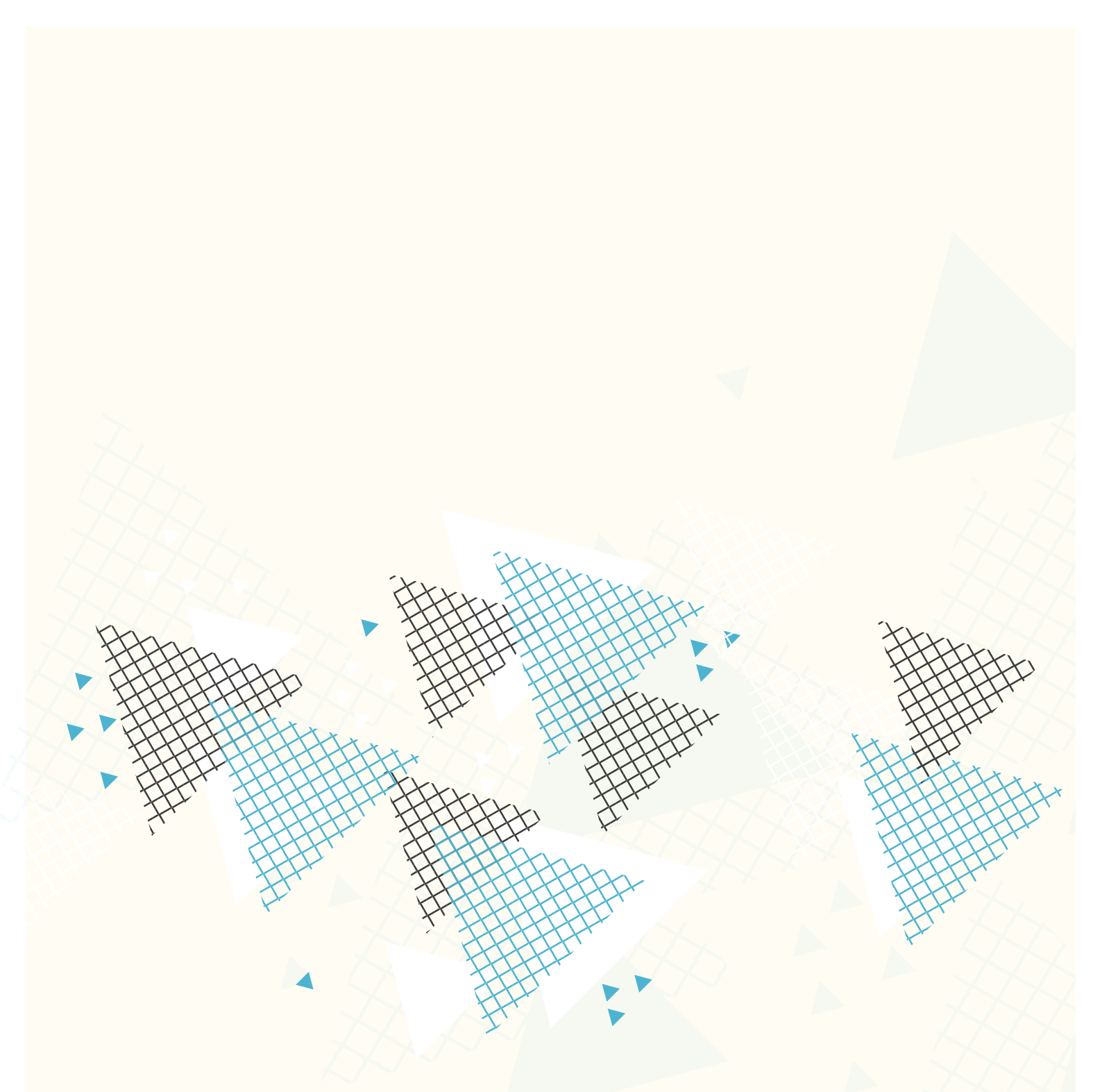
- This description forms part of our auditor's report.

## 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. Our audit work has been undertaken so that we might state to the Association 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 for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers  
Statutory Auditor  
St George's House  
215/219 Chester Road  
Manchester  
M15 4JE

Date:

An abstract geometric pattern featuring several large triangles pointing in various directions. Some triangles are filled with a blue grid pattern, while others are white or light blue. Small blue triangles are scattered throughout the composition. The background is a light yellow color with a faint, larger-scale grid pattern.

# Statement of Total Comprehensive Income

		<b>Group</b>		<b>Association</b>	
		<b>2019</b>	2018	<b>2019</b>	2018
	<b>Notes</b>	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Turnover	<b>3</b>	<b>20,425</b>	20,871	<b>20,049</b>	20,206
Operating expenditure	<b>3</b>	<b>(18,833)</b>	(18,242)	<b>(18,603)</b>	(17,646)
Gain on disposal of property, plant and equipment	<b>4</b>	<b>2,087</b>	1,686	<b>2,088</b>	1,689
		<b>3,679</b>	4,315	<b>3,534</b>	4,249
<b>Operating surplus</b>					
Interest receivable	<b>5</b>	<b>8</b>	3	<b>140</b>	109
Interest and financing costs	<b>6</b>	<b>(1,244)</b>	(900)	<b>(1,244)</b>	(900)
<b>Surplus before tax</b>		<b>2,443</b>	3,418	<b>2,430</b>	3,458
Taxation	<b>10</b>	<b>-</b>	24	<b>-</b>	24
<b>Surplus for the year</b>		<b>2,443</b>	3,442	<b>2,430</b>	3,482
Other comprehensive income for the year					
Initial recognition of multi-employer defined benefit scheme	<b>19</b>	<b>(343)</b>	-	<b>(343)</b>	-
Actuarial (loss)/gain in respect of pension schemes	<b>19</b>	<b>(2,926)</b>	1,047	<b>(2,926)</b>	1,047
<b>Total comprehensive income for the year</b>		<b>(826)</b>	4,489	<b>(839)</b>	4,529

There were no recognised gains or losses in either the current or prior years except those reported in the Statement of Comprehensive Income.

The notes on pages 58-89 form part of these financial statements.

The financial statements on pages 48-89 were approved and authorised for issue by the Board on 17/07/2019 and were signed on its behalf by:

Signed

**Andy Jones**

Chair

**Tony Deakin**

Vice Chair

**Steve Higginson**

Company Secretary



An abstract geometric pattern featuring various triangles and grid lines in shades of orange, black, and white, set against a light orange background. The pattern is composed of several overlapping triangles, some filled with a grid of black or orange lines, and others with a solid color. Small orange triangles are scattered throughout the design.

# Statement of Financial Position

	Notes	Group		Association	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Intangible fixed assets	11	302	193	294	188
Housing properties	12	92,332	79,656	89,479	76,614
Homebuy loans receivable	12	1,757	373	1,757	373
Investment properties	12	1,799	1,694	1,799	1,694
Other property, plant and equipment	13	3,973	4,055	3,973	4,055
<b>Total Fixed Assets</b>		<b>100,163</b>	85,971	<b>97,302</b>	82,924
<b>Current assets</b>					
Inventories	14	3,576	1,219	159	149
Debtors	15	1,594	2,272	8,134	6,624
Cash and cash equivalents		1,236	3,581	1,168	3,514
		<b>6,406</b>	7,072	<b>9,461</b>	10,287
<b>Current Liabilities</b>					
Creditors: amounts falling due within one year	16	(5,461)	(5,955)	(5,449)	(5,904)
Net current assets		<b>945</b>	1,117	<b>4,012</b>	4,383
<b>Total assets less net current assets</b>		<b>101,108</b>	87,088	<b>101,314</b>	87,307
Non-current liabilities					
Creditors: amount falling due after more than one year	17	(67,949)	(57,706)	(67,949)	(57,706)
Provision for liabilities and charges	18	-	-	-	-
Pension Fund	19	(12,629)	(8,026)	(12,629)	(8,026)
<b>Net assets</b>		<b>20,530</b>	21,356	<b>20,736</b>	21,575
<b>Capital and Reserves</b>					
Share capital	20	-	-	-	-
Pension Reserve		(12,629)	(8,026)	(12,629)	(8,026)
Revenue Reserve		33,159	29,382	33,365	29,601
<b>Total Reserves</b>		<b>20,530</b>	21,356	<b>20,736</b>	21,575

The notes on pages 58-89 form part of these financial statements

The financial statements of Monmouthshire Housing Association Limited on pages 48-89 were approved and authorised for issue by the Board on 17/07/2019 and signed on its behalf by:

**Andy Jones**

Chair

**Tony Deakin**

Vice Chair

**Steve Higginson**

Company Secretary

Date

An abstract geometric pattern featuring various triangles and grid-like shapes in shades of pink, black, and white, set against a light yellow background. The pattern is scattered across the upper half of the page.

# **Statement of Changes in Equity and Reserves**



	Consolidated			Association		
	Called up share capital	Revenue Reserve (Including Pension Reserve)	Total	Called up share capital	Revenue Reserve (Including Pension Reserve)	Total
As at 1st April 2017	-	16,867	16,867		17,046	17,046
Surplus for the year	-	3,442	3,442		3,482	3,482
Actuarial gain in respect of pension schemes	-	1,047	1,047	-	1,047	1,047
<b>As at 31st March 2018</b>	<b>-</b>	<b>21,356</b>	<b>21,356</b>	<b>-</b>	<b>21,575</b>	<b>21,575</b>
Surplus for the year	-	2,443	2,443	-	2,430	2,430
Initial recognition of SHPS defined benefit scheme	-	(343)	(343)		(343)	(343)
Actuarial loss in respect of pension schemes	-	(2,926)	(2,926)	-	(2,926)	(2,926)
<b>As at 31st March 2019</b>	<b>-</b>	<b>20,530</b>	<b>20,530</b>	<b>-</b>	<b>20,736</b>	<b>20,736</b>

The revenue reserve represents the accumulated surplus of the Group and Association.

The notes on pages 58-89 form part of these financial statements.



# Statement of Cash Flows

	Notes	Group		Association	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Net cash generated from operating activities	<b>21</b>	<b>5,101</b>	5,234	<b>4,954</b>	5,123
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		<b>(17,802)</b>	(19,096)	<b>(17,789)</b>	(19,093)
Proceeds from sale of property, plant and equipment		<b>2,087</b>	1,686	<b>2,088</b>	1,689
Grants received		<b>5,005</b>	6,280	<b>5,005</b>	6,280
Interest received		<b>8</b>	3	<b>140</b>	109
<b>Net cash flows from investing activities</b>		<b>(10,702)</b>	(11,127)	<b>(10,556)</b>	(11,015)
<b>Cash flows from financing activities</b>					
Loans		<b>4,500</b>	8,500	<b>4,500</b>	8,500
Interest paid		<b>(1,244)</b>	(890)	<b>(1,244)</b>	(890)
Taxation paid/received		<b>-</b>	24	<b>-</b>	24
<b>Net cash flows from financing activities</b>		<b>3,256</b>	7,634	<b>3,256</b>	7,634
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,345)</b>	1,741	<b>(2,346)</b>	1,742
Cash and cash equivalents at beginning of the year		<b>3,581</b>	1,840	<b>3,514</b>	1,772
Cash and cash equivalents at end of the year		<b>1,236</b>	3,581	<b>1,168</b>	3,514

The notes on pages 58-89 form part of these financial statements.





# Statement of Cash Flow

## Free cash flow for the reporting period ended 31 March 2019

		Group		Association	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Net cash generated from operating activities	<b>21</b>	<b>5,101</b>	5,234	<b>4,954</b>	5,123
Interest paid		<b>(1,244)</b>	(890)	<b>(1,244)</b>	(890)
Interest received		<b>8</b>	3	<b>140</b>	109
Taxation (paid)/received		<b>-</b>	24	<b>-</b>	24
Component replacements		<b>(4,935)</b>	(6,135)	<b>(4,935)</b>	(6,135)
Purchase of other replacement fixed assets		<b>(215)</b>	(28)	<b>(215)</b>	(28)
Component replacements grant received		<b>2,600</b>	2,600	<b>2,600</b>	2,600
Free cash generated/(consumed before loan repayments)		<b>1,315</b>	808	<b>1,300</b>	803
<b>Free cash generated/ (consumed) after loan repayments</b>		<b>1,315</b>	808	<b>1,300</b>	803

An abstract geometric pattern featuring various triangles and grid lines in shades of blue, black, and white, set against a light yellow background. The pattern is composed of several overlapping triangles, some of which are filled with a grid of small squares. The triangles are arranged in a way that creates a sense of depth and movement.

# Notes to the Financial Statements



## 1. Registration of the Association

Monmouthshire Housing Association Limited (the 'Association') is a registered society under the Co-operative and Community Benefit Societies Act 2014, incorporated and domiciled in England and Wales. The address of the registered office is Nant Y Pia House, Mamhilad Technology Park, Mamhilad, Pontypool, Monmouthshire, NP4 0JJ.

The main activities of the Association and its subsidiary is the provision of affordable homes for rent for people in housing need.

## 2. Principle Accounting policies and Basis of Accounting

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. Monmouthshire Housing Association Group is a public benefit entity, as defined in FRS 102, and applies the relevant paragraph prefixed 'PBE' in FRS 102.

The financial statements are presented in pounds sterling and, unless otherwise noted, amounts are rounded to the nearest £1000.

## Basis of Consolidation

The Group financial statements consolidate the financial statements of the Association and its subsidiary undertaking drawn up to 31 March each year. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Board has a reasonable expectation that there are adequate resources to continue for the foreseeable future, after reviewing future forecasts and budgets. The consolidated financial statements have therefore been prepared on a going concern basis.

## Property, plant and equipment – housing properties

Housing properties, held at cost less depreciation, were transferred from Monmouthshire County Council at no cost and were subject to a nil valuation based on an independent report using the basis of existing use value for social housing.

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings and directly attributable development costs.

Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

	Houses	Flats
New build	150 years	110 years
Purchased	100 years	80 years

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	80 – 150 years
Roofs	50 Years
Doors and Windows	30 Years
Kitchens	15 Years
Bathrooms	25 Years
Heating Systems	15 Years
Other works	20 Years
Photovoltaic panels	22 Years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

## Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

## Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

## Non-housing property, plant and equipment

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

Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

## Other fixed assets

Head Office (building and furniture)	5 – 100 Years
Computer equipment	3 – 10 Years

## Intangible assets

Software purchased and developed, or developed in house, is an intangible asset. Cost is measured initially at acquisition cost or costs incurred to develop the asset. Development expenditure incurred on an individual project is capitalised only if specific criteria are met including that the asset created will probably generate future economic benefits. These assets will be amortised over 3 - 5 years.

## Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

## Social Housing Grant and other Government Grants

Where grants are received from government agencies such as the Welsh Government, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support, with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

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

Grants received from non-government sources are recognised as revenue using the performance model.

## Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

## Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

## Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

## Properties for outright sale

Properties developed for outright sale and land held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.



## Right to Buy Sales

Property sales arise from a Preserved Right to Buy for tenants at the time of Local Authority transfer.

The surplus from the sale of Right to Buy properties is disclosed in the Statement of Comprehensive Income as a separate figure and is excluded from turnover. As it is considered to be an integral part of the Group's operating strategy, the surplus is disclosed within operating surplus.

## Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

## Taxation

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.

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

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

## VAT

The Association is registered for VAT and operates a VAT shelter for its programme of planned works.

A large proportion of its income, including rents, is exempt from VAT. Most of its expenditure is subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Any VAT recovered under partial exemption rules is credited to the Statement of Comprehensive Income.

## Pensions

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme

The Group participates in an industry wide multi-employer defined benefit pension scheme where the scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the scheme and the Group that determines how the deficit

will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

## Local Government Pension Scheme

The Group participates in a local government pension scheme which is a multi-employer scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme, the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded with the assets of the scheme, held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

## Social Housing Pension Scheme

The Group also participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions ('TPT'). Historically, TPT has not been able to provide sufficient information for each social landlord's share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP paragraphs 15.9 to 15.12, SHPS has been accounted for as a defined contribution scheme and recognised a liability for the present value of the landlord's deficit funding agreement.

Following changes made to systems and processes by TPT, sufficient information is now available for SHPS. In January 2019, the Financial Reporting Council issued FRED71 ('Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans.') which provides proposed changes to FRS 102 on this issue.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS has been recognised in Other Comprehensive Income. This constitutes a change in accounting policy. The relevant date to apply the adjustment is judged to be 1 April 2018, as TPT Retirement Solutions does not have data to provide sufficient information before the date 31 March 2018. Further disclosures in this area are included in note 19.

## Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets, such as properties developed for outright sale at completion together with revenue grants from local authorities and the Welsh Government and charitable fees and donations. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Other income is recognised once the work has been undertaken, this also applies to the recognition of the intercompany income. Revenue from services is recognised on completion of the service and the Company becomes entitled to payment. Revenue from photovoltaic panels is recognised on the basis of the feed-in-tariff receivable for the period.

## Financial Instruments

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

## Financial assets carried at amortised cost

Financial assets comprise rent and service charge arrears, other debtors and cash and cash equivalents. Where the effect of discounting is material, financial assets are measured at amortised cost using the effective interest method.

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

## Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at the transaction value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

## Inventories

Stocks of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

## HomeBuy Loans

The Group operates this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of social housing grant (SHG). On redemption:

- The SHG is recycled,
- The SHG is written off, if a loss occurs,
- The Group keeps any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised at the amount paid to the purchaser and reviewed annually for impairment. The associated Homebuy grant is recognised as deferred income until the loan is redeemed.



## 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.

## Provisions

Provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. However there are currently no provisions for the year end 31st March 2019.

## Key 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. Any estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates would be recognised in the period in which the estimate is revised and in any future periods affected. Detailed below are a few management judgements and estimates MHA have made within the financial year.

## Fair value measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

## Impairment of social housing properties

The Group have 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.

## Defined benefit pension scheme

The Group 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 determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

### 3. Particulars of turnover, operating costs and operating surplus

#### Group

	2019			2018		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing lettings	19,795	(17,716)	2,079	20,211	(17,651)	2,560
Non Social Housing activities	630	(1,117)	(487)	660	(591)	69
<b>Total</b>	<b>20,425</b>	<b>(18,833)</b>	<b>1,592</b>	<b>20,871</b>	<b>(18,242)</b>	<b>2,629</b>

#### Association

	2019			2018		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing lettings (Note 3a)	20,049	(18,603)	1,446	20,206	(17,646)	2,560
<b>Total</b>	<b>20,049</b>	<b>(18,603)</b>	<b>1,446</b>	<b>20,206</b>	<b>(17,646)</b>	<b>2,560</b>

### 3a. Particulars of income and expenditure from social housing lettings – Association

	General Needs £'000	Supported Housing £'000	2019 Total £'000	2018 Total £'000
<b>Income</b>				
Rents receivable	16,966	-	<b>16,966</b>	17,084
Service charge income	302	-	<b>302</b>	195
Income for support services	-	181	<b>181</b>	273
Amortised government grants	1,738	-	<b>1,738</b>	1,521
Other Income	862	-	<b>862</b>	1,133
	<hr/>	<hr/>	<hr/>	<hr/>
Turnover from social housing lettings	19,868	181	<b>20,049</b>	20,206
<b>Cost</b>				
Management costs	(3,966)	(344)	<b>(4,310)</b>	(5,201)
Service charge costs	(884)	-	<b>(884)</b>	(574)
Routine maintenance	(6,444)	-	<b>(6,444)</b>	(5,222)
Major repairs expenditure	(1,878)	-	<b>(1,878)</b>	(1,602)
Bad Debts	(65)	-	<b>(65)</b>	(13)
Depreciation of housing properties	(4,281)	-	<b>(4,281)</b>	(3,431)
Other costs	(741)	-	<b>(741)</b>	(1,603)
	<hr/>	<hr/>	<hr/>	<hr/>
Operating costs on social housing activities	(18,259)	(344)	<b>(18,603)</b>	(17,646)
	<hr/>	<hr/>	<hr/>	<hr/>
Operating surplus on social housing lettings	1,609	(163)	<b>1,446</b>	2,560
	<hr/>	<hr/>	<hr/>	<hr/>
Rent loss due to voids	189	-	<b>189</b>	192
	<hr/>	<hr/>	<hr/>	<hr/>



#### 4. Surplus on disposal of property, plant and equipment

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Housing properties - sales proceeds	<b>1,178</b>	1,695	<b>1,174</b>	2,695
Housing properties LCHO - sales proceeds	<b>2,932</b>	788	<b>2,932</b>	788
Cost of sales	<b>(458)</b>	(413)	<b>(453)</b>	(1,410)
Cost of sales LCHO	<b>(1,565)</b>	(384)	<b>(1,565)</b>	(384)
Surplus	<b>2,087</b>	1,686	<b>2,088</b>	1,689

During the year MHA disposed of 6 properties under the Association's asset management strategy, as they were uneconomical to repair, and a further 4 properties under the Right to Buy scheme. In addition to this, demolition has been carried out on existing properties and garages of 4 schemes.

#### 5. Interest receivable

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank interest receivable	<b>7</b>	-	<b>7</b>	-
Other Interest receivable	<b>1</b>	3	<b>133</b>	109
	<b>8</b>	3	<b>140</b>	109

Other interest receivable includes money received from Capsel in relation to the Photovoltaic panel lease.

## 6. Interest and financing costs

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest payable	1,014	900	1,014	900
Net interest on defined benefit pension liability	230	-	230	-
Total	1,244	900	1,244	900

## 7. Surplus for the year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
The operating surplus for the year is stated after charging (crediting):				
Depreciation - Housing Properties	4,470	3,622	4,281	3,431
Depreciation - Other	65	70	65	70
Amortisation - Intangible Assets	78	2	74	-
Amortised government grant	(1,562)	(1,521)	(1,562)	(1,521)
Gain on disposal of fixed assets	(2,087)	(1,686)	(2,088)	(1,689)
Audit fees (excluding VAT):				
Statutory audit	18	17	18	17
Other professional fees	-	-	-	-
Operating lease rentals	37	38	37	38

## 8. Employee Information

The average number of staff (including directors) employed during the year was:

The actual number of staff (including directors) employed at 31st March 2019

### Full time equivalents - 37 hours per week

Direct labour organisation including admin

Head office staff

Total

Wages and salaries

Social security costs

Pension costs

Total

	Group		Association	
	2019 No.	2018 No.	2019 No.	2018 No.
	<b>239</b>	242	<b>225</b>	227
	<b>234</b>	243	<b>221</b>	226
	<b>81</b>	88	<b>71</b>	77
	<b>131</b>	118	<b>128</b>	115
	<b>212</b>	206	<b>199</b>	192
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
	<b>6,417</b>	6,340	<b>6,040</b>	5,928
	<b>587</b>	598	<b>553</b>	562
	<b>923</b>	881	<b>918</b>	879
	<b>7,927</b>	7,819	<b>7,511</b>	7,369



## 9. Key Management Personnel

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Salaries	362	357	362	357
Social security costs	46	45	46	45
Pension costs	63	62	63	62
Total key management personnel remuneration	471	464	471	464

Board members receive no remuneration and are paid travel expenses at the existing HMRC approved rate of 45 pence per mile.

Key management personnel are defined as non-executive Board members, the Chief Executive and any other person who is a member of the executive management team.

	2019	2018
	£'000	£'000
Remuneration of the highest paid director, excluding pension contributions	118	115

The Chief Executive is an ordinary member of the pension scheme. No additional contributions to any pension scheme have been made and there were no special or enhanced terms which applied. The employer's contribution to the pension scheme on behalf of the Chief Executive in the year was £21k (2018:£21k)

The number of key management personnel who received emoluments (including pension contributions) in the following range was:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Salary band (£)				
£50,000-£59,999	-	-	-	-
£60,000-£69,999	-	-	-	-
£70,000-£79,999	-	-	-	-
£80,000-£89,999	-	1	-	1
£90,000-£99,999	2	1	2	1
£100,000-£109,999	1	1	1	1
£110,000-£119,999	-	-	-	-
£120,000-£129,000	-	-	-	-
£130,000-£139,000	1	1	1	1
	4	4	4	4

## 10. Tax on surplus on ordinary activities

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current tax on surplus on ordinary activities	-	-	-	-

The standard rate of tax applied to the reported surplus is 19% (2018 - 19%).

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the surplus is as follows:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Surplus before tax	2,443	3,418	2,430	3,458
Surplus/(loss) on taxable activities	(61)	-	(72)	(2)
Tax on ordinary activities at standard rate of UK corporation tax (20%)	-	-	-	-
Effects of:				
Utilisation of tax losses not previously recognised	-	-	-	-
Capital allowances in excess of depreciation	-	-	-	-
Tax (payable)/receivable due to an adjustment in respect of previous periods	-	24	-	24
Group Relief	-	-	-	-
	-	24	-	24

## 11. Intangible fixed assets

Intangible fixed assets include software purchased and developed in house. Cost is measured initially at acquisition cost or costs incurred to develop the asset. A full year's amortisation has been charged this year as the software had been completed and went live on 17<sup>th</sup> March 2019.

	Group			Association	
	Computer software £'000	Website £'000	Total £'000	Computer software £'000	Total £'000
<b>COST</b>					
As at 1 April 2018	188	7	195	188	188
Additions	180	7	187	180	180
Disposals	-	-	-	-	-
As at 31 March 2019	<b>368</b>	<b>14</b>	<b>382</b>	<b>368</b>	<b>368</b>
<b>AMORTISATION</b>					
As at 1 April 2018	-	2	2	-	-
Amortised in the year	74	4	78	74	74
Eliminated on disposal	-	-	-	-	-
As at 31 March 2019	<b>74</b>	<b>6</b>	<b>80</b>	<b>74</b>	<b>74</b>
<b>NET BOOK VALUE</b>					
As at 31 March 2019	<b>294</b>	<b>8</b>	<b>302</b>	<b>294</b>	<b>294</b>
As at 31 March 2018	188	5	193	188	188



## 12. Tangible Fixed Assets – Housing Properties (Group)

	Group		
	Completed Properties £'000	Under Construction £'000	Total £'000
<b>Cost</b>			
At 1 April 2018	91,993	8,486	100,479
Schemes completed in the year	7,012	(7,012)	-
Additions			
Component additions	4,940	-	4,940
New developments	7,382	6,850	14,232
Disposals	(2,091)	-	(2,091)
Transfer to investment properties	(105)	-	(105)
<b>At end of year</b>	<b>109,131</b>	<b>8,324</b>	<b>117,455</b>
<b>Depreciation</b>			
At 1 April 2018	(20,823)	-	(20,823)
Charge for the year	(4,470)	-	(4,470)
Eliminated on disposal	170	-	170
<b>At end of year</b>	<b>(25,123)</b>	<b>-</b>	<b>(25,123)</b>
<b>Net Book Value</b>			
As at 31 March 2019	<b>84,008</b>	<b>8,324</b>	<b>92,332</b>
As at 31 March 2018	71,170	8,486	79,656

## 12. Tangible fixed assets – Housing Properties (Association)

	Association		
	Completed properties £'000	Under Construction £'000	Total £'000
<b>Cost</b>			
At 1 April 2018	88,468	8,486	96,954
Schemes completed in the year	7,012	(7,012)	-
Additions			
Component additions	4,935	-	4,935
New developments	7,382	6,850	14,232
Disposals	(2,085)	-	(2,085)
Transfer to investment properties	(105)	-	(105)
<b>At end of year</b>	<b>105,607</b>	<b>8,324</b>	<b>113,931</b>
<b>Depreciation</b>			
At 1 April 2018	(20,340)	-	(20,340)
Charge for the year	(4,281)	-	(4,281)
Eliminated on disposal	169	-	169
<b>At end of year</b>	<b>(24,452)</b>	<b>-</b>	<b>(24,452)</b>
<b>Net Book Value</b>			
As at 31 March 2019	<b>81,155</b>	<b>8,324</b>	<b>89,479</b>
As at 31 March 2018	68,128	8,486	76,614

Freehold land and buildings with a carrying value of £91.3m and an Existing Use Value – Social Housing of £99.1m (2018: £112.5m) which both include market rent properties (note 12a), have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or sell them to another entity.

Work to existing properties includes costs charged by contractors, external consultants, and related in-house supervision and administration costs which have been capitalised.

The Association capitalised £0.964m of planned repair works undertaken by the Association's Building Services department (2018: £1.308m). This represents the element of the Group and Association's planned replacement programme which is undertaken by the Association's workforce. The balance of the programme is undertaken by contractors

	2019 £'000	2018 £'000
<b>Analysis of work to existing properties:</b>		
Capitalised replacement of components	<b>4,935</b>	6,135
Charge to Statement of Comprehensive Income	<b>6,548</b>	5,222

## 12a. Investment Properties

There have been no market rent property additions this year with 13 properties remaining in the Association's housing properties valued at £1.799 million (2018 – 13 properties valued at £1.694 million).

## 12b. Low Cost Home Ownership

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Cost as at 1 April 2018</b>	<b>223</b>	-
Additions during the year	<b>1,590</b>	603
Disposals during the year	<b>(1,540)</b>	(380)
<b>As at 31 March 2019</b>	<b>273</b>	223

The balance at 31<sup>st</sup> March 2019 relates to the LCHOs held for sale at the year end per note 23.

## 12c. Home buy Loans Receivable

	<b>Group</b>		<b>Association</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
<b>At 1st April 2018</b>	<b>373</b>	373	<b>373</b>	-
Loans issued in year	<b>1,384</b>	-	<b>1,384</b>	373
<b>At 31st March 2019</b>	<b>1,757</b>	373	<b>1,757</b>	373

Low Cost Home Ownership (LCHO) loans receivable represent the initial value of MHA's remaining equity share in properties funded under the equity share LCHO Schemes.



### 13. Property, Plant and equipment – other

	Group			Association		
	Freehold property £'000	Fixtures and Fittings £'000	Total £'000	Freehold property £'000	Fixtures and Fittings £'000	Total £'000
<b>Cost of valuation</b>						
At beginning of year	4,468	885	5,353	4,468	885	5,353
Additions	9	26	35	9	26	35
Disposals	-	(52)	(52)	-	(52)	(52)
<b>At end of year</b>	<b>4,477</b>	<b>859</b>	<b>5,336</b>	<b>4,477</b>	<b>859</b>	<b>5,336</b>
<b>Depreciation</b>						
At 1 April 2018	(490)	(808)	(1,298)	(490)	(808)	(1,298)
Charge for the year	(43)	(22)	(65)	(43)	(22)	(65)
Eliminated on disposal	-	-	-	-	-	-
<b>At end of year</b>	<b>(533)</b>	<b>(830)</b>	<b>(1,363)</b>	<b>(533)</b>	<b>(830)</b>	<b>(1,363)</b>
<b>Net Book Value</b>						
As at 31 March 2019	<b>3,944</b>	<b>29</b>	<b>3,973</b>	<b>3,944</b>	<b>29</b>	<b>3,973</b>
As at 31 March 2018	3,978	77	4,055	3,978	77	4,055

### 14. Inventories

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Raw materials and consumables	<b>3,576</b>	1,219	<b>159</b>	149
<b>Total</b>	<b>3,576</b>	1,219	<b>159</b>	149

Inventories are valued at the lower of cost or net realisable value.

## 15. Debtors

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Rent arrears (gross)	624	789	624	789
Provision for bad debts	(294)	(307)	(294)	(307)
Net rental debtors	330	482	330	482
Loans to employees	6	11	6	11
Inter company debtor	-	-	278	283
Other debtors	356	856	300	664
HMRC - VAT Refund	306	182	298	182
Prepayments and accrued income	570	678	468	667
Corporation Tax Refund Due	-	24	-	24
<b>Total</b>	<b>1,568</b>	<b>2,233</b>	<b>1,680</b>	<b>2,313</b>

The Association has made a number of car loans to employees. The loans are for a period up to 5 years and the interest charged is a fixed rate of 6.1% APR – which is above the HMRC official rate.

### The following debtors are due after more than one year:

	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Other debtors (car loans)	26	39	26	39
Finance lease	-	-	2,913	3,072
Inter company debtor	-	-	3,515	1,200
Total falling due after more than one year	26	39	6,454	4,311
<b>Total debtors</b>	<b>1,594</b>	<b>2,272</b>	<b>8,134</b>	<b>6,624</b>

The finance lease debtor is with Capsel for PV panels. See note 24 for further details.

**16. Creditors – Amounts falling due within one year**

	<b>Group</b>		<b>Association</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Rents in advance	<b>369</b>	249	<b>369</b>	249
Other creditors	<b>2,127</b>	1,237	<b>2,146</b>	1,151
Accrued interest	<b>219</b>	227	<b>219</b>	227
Accruals	<b>290</b>	262	<b>239</b>	262
SHG in advance	<b>188</b>	1,744	<b>188</b>	1,744
Taxation and national insurance	<b>8</b>	185	<b>-</b>	138
Retentions	<b>225</b>	128	<b>225</b>	128
Contractors - planned improvements	<b>473</b>	511	<b>473</b>	511
Pensions	<b>-</b>	7	<b>-</b>	7
Government grants	<b>1,562</b>	1,405	<b>1,562</b>	1,405
Intercompany creditor	<b>-</b>	-	<b>28</b>	82
	<b>5,461</b>	5,955	<b>5,449</b>	5,904

**17. Creditors – Amounts falling due after more than one year**

	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Housing loans	<b>32,400</b>	27,900	<b>32,400</b>	27,900
Welsh Government dowry grant	<b>18,790</b>	17,775	<b>18,790</b>	17,775
Other government grants	<b>16,759</b>	11,972	<b>16,759</b>	11,972
Social Housing Pension Scheme-deficit funding liability	<b>-</b>	59	<b>-</b>	59
	<b>67,949</b>	57,706	<b>67,949</b>	57,706

The loans are secured on those freehold properties which were transferred from the council in January 2008, interest is payable at 3.20% (2018: 3.48%)



## 17. Creditors – Amounts falling due after more than one year (continued)

### Analysis of debt repayments:

<b>Housing loans</b>	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Due within:				
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	<b>32,400</b>	27,900	<b>32,400</b>	27,900
	<b>32,400</b>	27,900	<b>32,400</b>	27,900

### Social Housing Pension Scheme

	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Due within:				
Less than one year	-	7	-	7
Between one and two years	-	7	-	7
Between two and five years	-	22	-	22
In five years or more	-	30	-	30
	-	66	-	66

## 17a. Creditors – Government Grants Group and Association

	Dowry Grant	SHG	Other Government Grants	Total
	£'000	£'000	£'000	£'000
<b>Grant Received</b>				
As at 1 April 2018	26,500	14,722	237	41,459
Received	2,600	4,926	-	7,526
As at 31 March 2019	<b>29,100</b>	<b>19,648</b>	<b>237</b>	<b>48,985</b>
<b>Amortisation</b>				
As at 1 April 2018	7,400	2,842	69	10,311
Amortised	1,455	97	10	1,562
Written back	-	-	-	-
As at 31 March 2019	<b>8,855</b>	<b>2,939</b>	<b>79</b>	<b>11,873</b>
As at 31 March 2019	<b>20,245</b>	<b>16,709</b>	<b>158</b>	<b>37,112</b>
As at 31 March 2018	19,100	11,880	168	31,148
<b>Due within:</b>				
Less than one year	1,455	97	10	1,562
Between one and two years	1,455	97	10	1,562
Between two and five years	4,365	291	29	4,685
In five years or more	12,970	16,224	109	29,303
	<b>20,245</b>	<b>16,709</b>	<b>158</b>	<b>37,112</b>

## 18. Provisions – Group and Association

	2019 £'000	2018 £'000
Provision brought forward	-	171
Net movement in the year	-	(171)
Provision carried forward	-	-

## 19. Defined benefit schemes

### SCHEME: Local Government Pension Scheme

Monmouthshire Housing Association is an admitted member of the Greater Gwent (Torfaen) Pension Fund, which is part of the Local Government Pension Scheme (LGPS) – a funded defined benefit scheme based on final salary. The Association's contributions in the year were 17.8% of pensionable salary (2018 – 17.8%)

The schemes are funded schemes.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2019 by Douglas Green of Hymans Robertson LLP, a fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit obligations, the related current service costs and the past service costs were measured using the projected unit credit method.

The key assumptions used are:

	2019 % p.a.	2018 % p.a.
Pension increase rate	2.5%	2.4%
Salary increase rate*	2.9%	2.8%
Discount rate	2.4%	2.7%

### Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2013 model assuming the rate of improvement will converge to a long term rate of 1.25%.

Based on these assumptions, the average future life expectancies at age 65 are summarised as follows:

	Males	Females
Current pensioners	21.5 years	23.9 years
Future pensioners*	23.6 years	26.1 years

\*Figures assume members age 45 as at the last formal valuation date.

### Historic Mortality

Life expectancies for the prior period are based on the Fund's VitaCurves. The allowance for future improvements are shown below:

Period ended	Prospective pensioners	Pensioners
31 March 2018	CMI 2013 tables with a 1.25% p.a. rate of long term improvements	CMI 2013 tables with a 1.25% p.a. rate of long term improvements.

Note that the mortality assumptions are identical to those used in the previous period.

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-2008 service and 50% of the maximum tax-free cash for post April 2008 service.

**Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2019**

	<b>Assets £000's</b>	<b>Obligations £000's</b>	<b>Net (liability) / / asset £000's</b>
Fair value of plan assets	26,213	-	26,213
Present value of funded liabilities	-	34,239	(34,239)
Present value of unfunded liabilities	-	-	-
<b>Opening position as at 31 March 2018</b>	<b>26,213</b>	<b>34,239</b>	<b>(8,026)</b>
Service cost			
Current service cost	-	1,904	(1,904)
Past service cost	-	-	-
Effect of settlements	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>1,904</b>	<b>(1,904)</b>
Net interest			
Interest income on plan assets	717	-	717
Interest cost on defined benefit obligation	-	947	(947)
Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>717</b>	<b>947</b>	<b>(230)</b>
<b>Total defined benefit cost recognised in surplus</b>	<b>717</b>	<b>2,851</b>	<b>(2,134)</b>
Cashflows			
Plan participants' contributions	323	323	-
Employer contributions	912	-	912
Contributions in respect of unfunded benefits	-	-	-
Benefits paid	(507)	(507)	-
Unfunded benefits paid	-	-	-
Effect of business combinations and disposals	-	-	-
<b>Expected closing position</b>	<b>27,658</b>	<b>36,906</b>	<b>(9,248)</b>
Remeasurements			
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	-	3,512	(3,512)
Other experience	-	-	-
Return on assets excluding amounts included in net interest	640	-	640
Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>640</b>	<b>3,512</b>	<b>(2,872)</b>
Fair value of plan assets	28,298	-	28,298
Present value of funded liabilities	-	40,418	(40,418)
Present value of unfunded liabilities**	-	-	-
<b>Closing position as at 31 March 2019</b>	<b>28,298</b>	<b>40,418</b>	<b>(12,120)</b>

\* The current service cost includes an allowance for administration expenses of 0.5% of payroll

\*\* For unfunded liabilities as at 31 March 2019, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.



## 19. Defined Benefit schemes (continued)

	<b>Liability split as at 31-Mar-19 £000's</b>	<b>Liability split as at 31-Mar-19 %</b>	<b>Weighted Average Duration</b>
Active members	29,718	73.50%	23.80
Deferred members	3,822	9.50%	28.10
Pensioner members	6,878	17.00%	13.30
<b>Total</b>	<b>40,418</b>	<b>100.00%</b>	<b>21.30</b>

Please note that the above figures are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are as they stood at the date of the most recent actuarial valuation of the employer.

### Information about the Defined Benefit Obligation

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Greater Gwent (Torfaen) Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Monmouthshire Housing Association is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.44% higher as at 31 March 2019, an increase of approximately £178k.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

### Social Housing Pension Scheme

Monmouthshire Housing Association participates in the Social Housing Pension Scheme (the Scheme), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

## 19. Defined Benefit schemes (continued)

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

The key assumptions used are:	2019	2018
	% p.a.	% p.a.
Discount Rate	2.35%	2.60%
Inflation (RPI)	3.25%	3.14%
Inflation (CPI)	2.25%	2.14%
Salary Growth	3.25%	3.14%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

## 19. Defined Benefit schemes (continued)

### Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2019

	Assets £000's	Obligations £000's	Net (liability) / / asset £000's
Fair value of plan assets	1,262	-	1,262
Present value of funded liabilities	-	1,671	(1,671)
Present value of unfunded liabilities	-	-	-
<b>Opening position as at 31 March 2018</b>	<b>1,262</b>	<b>1,671</b>	<b>(409)</b>
Service cost			
Current service cost	-	112	(112)
Past service cost	-	3	(3)
Effect of settlements	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>115</b>	<b>(115)</b>
Net interest			
Interest income on plan assets	33	-	33
Interest cost on defined benefit obligation	-	44	(44)
Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>33</b>	<b>44</b>	<b>(11)</b>
<b>Total defined benefit cost recognised in surplus</b>	<b>33</b>	<b>159</b>	<b>(126)</b>
Cashflows			
Plan participants' contributions	22	22	-
Employer contributions	80	-	80
Contributions in respect of unfunded benefits	-	-	-
Benefits paid	(92)	(92)	-
Unfunded benefits paid	-	-	-
Effect of business combinations and disposals	-	-	-
<b>Expected closing position</b>	<b>1,305</b>	<b>1,760</b>	<b>(455)</b>
Remeasurements			
Changes in demographic assumptions	-	5	(5)
Changes in financial assumptions	-	142	(142)
Other experience	-	(18)	18
Return on assets excluding amounts included in net interest	75	-	75
Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>75</b>	<b>129</b>	<b>(54)</b>
Fair value of plan assets	1,380	-	1,380
Present value of funded liabilities	-	1,889	(1,889)
Present value of unfunded liabilities**	-	-	-
<b>Closing position as at 31 March 2019</b>	<b>1,380</b>	<b>1,889</b>	<b>(509)</b>

## 20. Share Capital – Group and Association

The shares provide members with the right to vote at general meetings but do not have a right to any dividend or distribution in a winding up, and are not redeemable.

	2019	2018
	£	£
As at start of year	66	90
Issued during the year	10	6
Shares cancelled during the year	(4)	(30)
As at end of year	72	66

The par value of each share is £1

## 21. Statement of Cash Flows

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>Cash flow from operating activities:</b>				
Surplus for the year	2,443	3,418	2,430	3,458
Adjustment for non-cash items:				
Depreciation of property, plant and equipment	4,365	3,565	4,177	3,371
Amortisation of intangible assets	78	2	74	-
(Increase) in inventories	(2,356)	(1,066)	(10)	(3)
Decrease / (Increase) in debtors	678	268	(1,510)	(658)
Increase in creditors	4,415	5,129	4,448	5,146
(Decrease) in provision	-	(171)	-	(171)
Pension costs less contributions payable	1,334	1,168	1,334	1,168
Carrying amount of property, plant and equipment disposals	2,023	797	2,018	1,794
Adjustments for investing or finance activities:				
Proceeds from the sale of property, Plant and equipment	(4,110)	(2,483)	(4,106)	(3,483)
Government grants utilised in the year	(5,005)	(6,280)	(5,005)	(6,280)
Interest paid	1,244	890	1,244	890
Interest received	(8)	(3)	(140)	(109)
Taxation paid	-	-	-	-
<b>Net cash generated by operations</b>	<b>5,101</b>	<b>5,234</b>	<b>4,954</b>	<b>5,123</b>



## 22. Financial Commitments

Capital commitments are as follows:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Contracted but not provided for	8,229	8,362	8,229	8,362
Approved by the Board but not contracted for	15,328	6,415	15,328	6,415

The expenditure will be funded by a combination of Social Housing Grant and an existing loan facility of £45 million, of which the Association has drawn £32.4 million as at 31<sup>st</sup> March 2019.

The Association is in the process of renegotiating the current loan facility which should be concluded by March 2020.

### Operating Leases

The total minimum lease payments under non-cancellable opening leases are as follows:

	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Payments due:-</b>				
Not later than one year	36	5	36	5
Later than one year and not later than five years	43	-	43	-
Later than five years	-	-	-	-
	<b>79</b>	5	<b>79</b>	5

## 23. Housing Stock

	2019	2018
<b>Number of units:</b>		
Housing accommodation at an affordable rent	3,681	3,559
Housing accommodation at intermediate rent	35	29
Supported housing accommodation	6	6
Housing accommodation let at market rent	13	13
LCHO - held for sale	3	2
Total	<b>3,738</b>	3,609

At 31<sup>st</sup> March 2019, the Association was developing an additional 101 units (2018 -77 units) for social housing.

## 24. Related party transactions

Monmouthshire Housing Association's board consists of two councillors, three tenants and seven independent nominees, including one Co-optee to our Board. No board member can use their position to their advantage and they are only reimbursed with travel expenses at the appropriate HMRC rate. These travel expenses totalled £7,127 in the year. At the year end, the aggregate rent balance for tenant board members was an arrears balance of £80 (2018 - £108) after a rental charge of £14,789 in the year.

Capsel Limited is a non-charitable company which is 100% owned by Monmouthshire Housing Association Limited and any staff time and costs are recharged from the parent company. The recharge varies from 2% to 100% dependent on the level of involvement. For the year ending 31 March 2019 the total recharge was £66k (2018: -£41k).

During the year, Capsel Limited undertook £887k (2018: £1.33 million) of work for Monmouthshire Housing Association Limited and the yearend inter group balances were:

- Owed by Monmouthshire Housing Association to Capsel - £28k (2018: £82k)
- Owed by Capsel to Monmouthshire Housing Association - £6.71 million (2018: £4.55 million)

## 25. Ultimate controlling party

The ultimate controlling party of Monmouthshire Housing Association is the Board. The Group prepare publicly available Annual Financial Statements; copies of which are available upon request from the registered office.

## 26. Investments - Association

Capsel Limited is a company registered in the U.K. and is 100% owned by Monmouthshire Housing Association Limited. The primary activities of Capsel Limited are construction and repair of properties, renewable energy and property management.

Capsel has made an £11k profit with their net liabilities totalling £206k at 31st March 2019.

## 27. Financial Instruments

The carrying values of the group's financial assets and liabilities are summarised by category below:

	2019 £'000	2018 £'000
<b>Financial Assets</b>		
<b>Measured at undiscounted amount receivable</b>		
Rent arrears (note 15)	330	482
Other debtors	668	1,073
Cash and cash equivalents	1,236	3,581
	<b>2,234</b>	5,136
<b>Financial liabilities</b>		
<b>Measured at amortised cost</b>		
Loans payable (note 17)	32,400	27,900
<b>Measured at undiscounted amount payable</b>		
Trade and other creditors	40,445	33,583
	<b>72,845</b>	61,483









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