



**Annual Report &  
Financial Statements**  
2020/21



# Contents

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|           |  |
|-----------|--|
| <b>4</b>  | Members, Executives & Advisors               |
| <b>6</b>  | Strategic Report                             |
| <b>14</b> | Board Report                                 |
| <b>32</b> | Statement of Board Members' Responsibilities |
| <b>33</b> | Statement of Internal Control                |
| <b>36</b> | Independent Auditor's Report                 |
| <b>40</b> | Statement of Comprehensive Income            |
| <b>42</b> | Statement of Financial Position              |
| <b>44</b> | Statement of Changes in Equity and Reserves  |
| <b>45</b> | Statement of Cash Flows                      |
| <b>46</b> | Statement of Cash Flow                       |
| <b>47</b> | Notes to the Financial Statements            |

Please contact the Corporate 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.

# Members, Executives & Advisors

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

Andy Jones (Chair), Zena Beirne, Ken Bucknall, Colin Marsh, Cllr Ann Webb, Reg Kilpatrick, Colin Lewis, Tony Deakin (Vice Chair), Emma Brute, Cllr Dimitri Batrouni, Tony Crowhurst.

During the summer of 2020, MHA Group conducted a comprehensive consultation programme with stakeholders and subsequently made the move away from a voluntary constituent-based Board to a skills-based remunerated Board. For more information about this please visit our website:

[www.monmouthshirehousing.co.uk/about-](http://www.monmouthshirehousing.co.uk/about-)

## us/our-board-and-senior-management

Following a skills based audit and successful recruitment campaign, we appointed 5 new board members and transferred 5 existing board members to the new governance structure. The new Group Board Membership is noted below.

## 1st October 2020 - present



Andy **Jones**  
(Chair)



Tony **Deakin**  
(Vice Chair)



Colin **Lewis**



Emma **Brute**



Cllr Dimitri  
**Batrouni**



Hannah **Vickers**



John **Miller**



Cael  
**Sendell-Price**



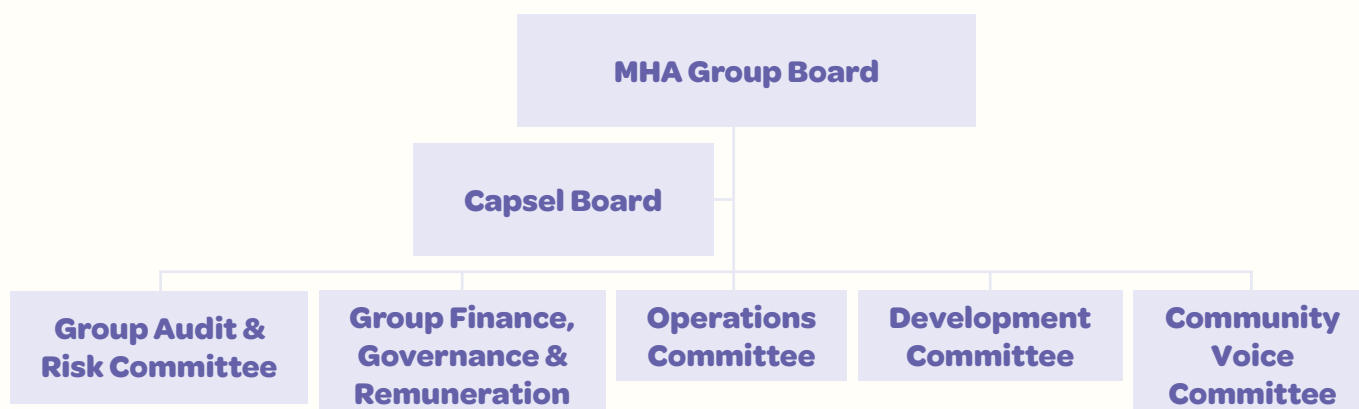
Reg **Kilpatrick**



Alan **Soper**

As part of the new governance structure a new Community Voice Committee will now be established predominantly comprising tenants, whilst also offering community members the opportunity to act as a critical friend and take an active role in the continual improvement of MHA's services.

## New Governance Structure:



## Executive Officers



**John Keegan**  
Chief Executive



**Gwyndaf Tobias**  
Director of Resources & Deputy Chief Executive (Started July 2020)



**Steve Higginson**  
Director of Resources & Deputy Chief Executive (Retired July 2020)



**Karen Tarbox**  
Director of Property Services



**Michele Morgan**  
Director of Housing & Communities

## 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

# Strategic Report

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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.

**Our strength is our people and our values are embedded in everything that we do...**



# Our Chairperson's statement

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Welcome to Monmouthshire Housing Group's annual report, for the year ended 31 March 2021.

At the risk of repeating my comments a year ago, I would like to again take the opportunity to pause and reflect on the challenges we have faced over the last 12 months, as individuals and as a sector. A worldwide pandemic has seriously affected our way of life, but, at long last, we appear to be heading in the right direction with a mass vaccination programme we are proud of here in Wales; giving us real hope of a return to a new normal, whatever that might be.

For those who have seen loved ones or friends pass on, we are truly sorry for your loss and, for those facing ongoing challenges, our thoughts and best wishes are with you.

In reviewing 2020/2021, we have to again recognise that the pandemic has impacted on our expected end of year outcome. We have had to manage the delay / cessation of key activities such as the development of new homes and planned maintenance, instead refocussing our resources on emergency repairs and strictly adhering to health and safety requirements.

As in previous years, this report demonstrates how much surplus we've made, how much goes back into our communities, how much we've spent and what we've spent it on. We are in our fourteenth year following transfer in 2008 and our desire to transform people's lives and provide good quality

affordable housing where people want to live and work resonates as strong as ever.

Looking after our existing tenants, homes and communities is in our DNA, whilst creating more affordable homes in line with Welsh Government's aspirations to tackle the massive housing crisis in Wales. MHA delivered 34 mixed tenure homes and started the construction of 77 affordable new homes during 2020/2021, with 50 new homes coming into management. Our plan is to deliver 100 new homes per annum over the next few years, increasing to 150 each year thereafter.

In support of these aspirations, it is worth drawing attention to several other notable achievements. MHA have moved from a representative board of tenants, council nominees and independent members to a board comprising greater diverse experience and a wealth of business acumen. Given our ambitious growth aspirations, the outgoing board decided this transition was integral to MHA's evolution and I would like to thank retiring members for their commitment and hard work, and to welcome the four new members to the Board.

We are pleased to have secured a new refinance loan, tapping into advantageous rates in the market place, meaning we can continue to deliver much needed new homes.

We are immensely proud of the commitment and dedication shown by all of our people at this difficult time both in Monmouthshire Housing and our trading subsidiary Capsel, who continue to go above and beyond, demonstrating our values as an organisation.

We very much look forward to continuing to work with our tenants and stakeholders as we look forward to what we hope will be a more normal environment.

**Andy Jones**

# Our key objectives

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Making our money go further enables us to devote more resources to achieving and exceeding our LEEP business objectives: providing more and better homes, improving service quality and supporting a wider range of activities to help tenants realise their ambitions.

Our key objectives for the year are:

## Landlord

MHA will provide high quality, well designed, affordable accommodation which will achieve upper-quartile levels of tenant satisfaction for value for money and with overall services provided by MHA.

### Our targets for this year are:

- To have all services operational and back to full capacity once guidance allows following the disruption of the pandemic
- Increase the number of homes we build to 100 and our intermediate properties by 5 in areas where our customers want to live
- Further develop the association's Living Rent model to include service charges
- Move 30 people into work through our Work & Skills Wise programmes
- Contribute towards addressing the education deficit within our operational area through enhancing our digital offer to our tenants and introducing training, access to Wi-Fi, resources and support to assist them with a new way of living
- Undertake a study into the practicalities of providing tenants access to Wi-Fi via a MESH or other methods such as access to Welsh Government networks
- Undertake a strategic review of homelessness within Monmouthshire in partnership with Monmouthshire County Council
- Maintain customer satisfaction at 90%+
- Develop a new Communication Strategy for stakeholders
- Seek to develop strategic link-ups with other RSL's and where appropriate local authorities to further development aims in light of new Grant regime
- Enhance digital offer to tenants and via New Business Evolution team develop a programme of deployment of resources and service improvements for next five years embracing new ways of working and I.T
- Influence Local Development Plan in Monmouthshire as process develops through responding to consultations and presenting well developed plans for proposed sites
- Avail of any further Innovative Housing Programme opportunities or equivalent
- Develop landbank / pipeline of 200 properties
- Town centre / regeneration, work with local authority through LDP and Regeneration plans to seek residential opportunities adjacent to town centres
- Have consulted on a rebrand of MHA to a more generic name as our area of operation expands
- All new builds funded with public money will be constructed to adhere to Welsh Government quality and environmental standards



## Economic

We will remain financially viable, build on our resilience and invest in our growth and diversification strategies to achieve additional income for reinvestment in core activities.

### Our targets for this year are:

- Maintain overall rent arrears at 3.0% or lower
- Maintain Universal Credit arrears at 6.5% or lower
- Increase turnover to £26m
- Identify market sales options outside Monmouthshire
- Work to identify and work with new strategic partners for development and other initiatives
- Respond to issues raised by Brexit, in particular supply chain issues
- Develop Capsel five year business plan
- Review MHA merger policy
- Agree investment strategy

## Environment

MHA will provide environmentally-friendly, sustainable homes and services, reducing our CO2 emissions and playing our part in helping Wales to meet Welsh Government ambitions within the Zero Carbon programme.

### Our targets for this year are:

- Assess impact on properties and Business Plan for zero carbon and EPC A
- Develop options analysis in response to zero carbon strategy
- Undertake further cost benefit analysis on off-setting as a methodology to reduce carbon emissions within stock and report to Board on any proposals to enter into agreements with partners
- Develop options analysis for Modern Methods of Construction project
- Assess with partners options to develop alternative methods to efficiently decarbonise properties, especially relating to moving to electricity from gas and the implications involved

## People

MHA will prioritise investment in its staff and tenants achieving upper-quartile levels of performance against all key tenant and staff indicators.

### Our targets for this year are:

- Develop three future leaders
- Retrain all staff for new digital environment
- Revise agile working arrangements
- Complete CAPSEL/MHA Governance Review and any relevant intragroup agreements
- Review subsidiary models of other housing associations
- Achieve a two Star Best Companies accreditation
- Engage in promotion of apprenticeship opportunities
- Review CHC Code of Governance & associated self-assessment
- Prioritise any of the Tai Pawb 18 recommendations where we do not meet the standards

## Finances & the Business Model

We have undertaken a complete refinancing in the year to 31 March 2021, and now have a **£65m** long term private placement loan funding from the Pension Protection Fund with **£50m** drawn at the end of the financial year, and a further **£15m** available for draw down in three years' time. We also negotiated a competitive 5 year revolving credit facility with Barclays of **£20m**, which is currently undrawn. This refinancing has laid a truly solid foundation for MHA's future ambitions, and has already helped to fund the major repairs expenditure and contribute to the funding of our development programme and corporate plan objectives. Alongside this external funding, we expect 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.

The Association will continue to invest heavily in its development programme and a budget of **£14.8m** has been earmarked for the financial year to March 2022. The current business plan shows the Association's ability to work within its current debt limits and comfortably meet all covenants. The Association's cash flow continues to be strong with a balance of **£10.4m** at the end of the year whilst the cash balance for the Group is slightly higher at **£11.4m**.

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.

## Performance in the Year

The Association's core turnover increased by **4%** during the year and its underlying profitability remained strong, with an operating margin of **18.5%** (2020: 17.1%). The rent increase was **2.7%** in accordance with the guidelines of Welsh Government and the bad debts were less than **0.1%**.

The Association's core profitability remains strong with a Group operating surplus for the year of **£5.1m** and net cash generated from operating activities being **£6.6m**. However, overall comprehensive income was impacted by the one off costs of refinancing amounting to **£7.9m**, interest costs of **£1.3m** and an actuarial loss of **£5.3m** within the LGPS and SHPS compares unfavourably with the actuarial gain of **£4.9m** made in the previous year, leading to Group Comprehensive loss of **£9.4m** for the year.

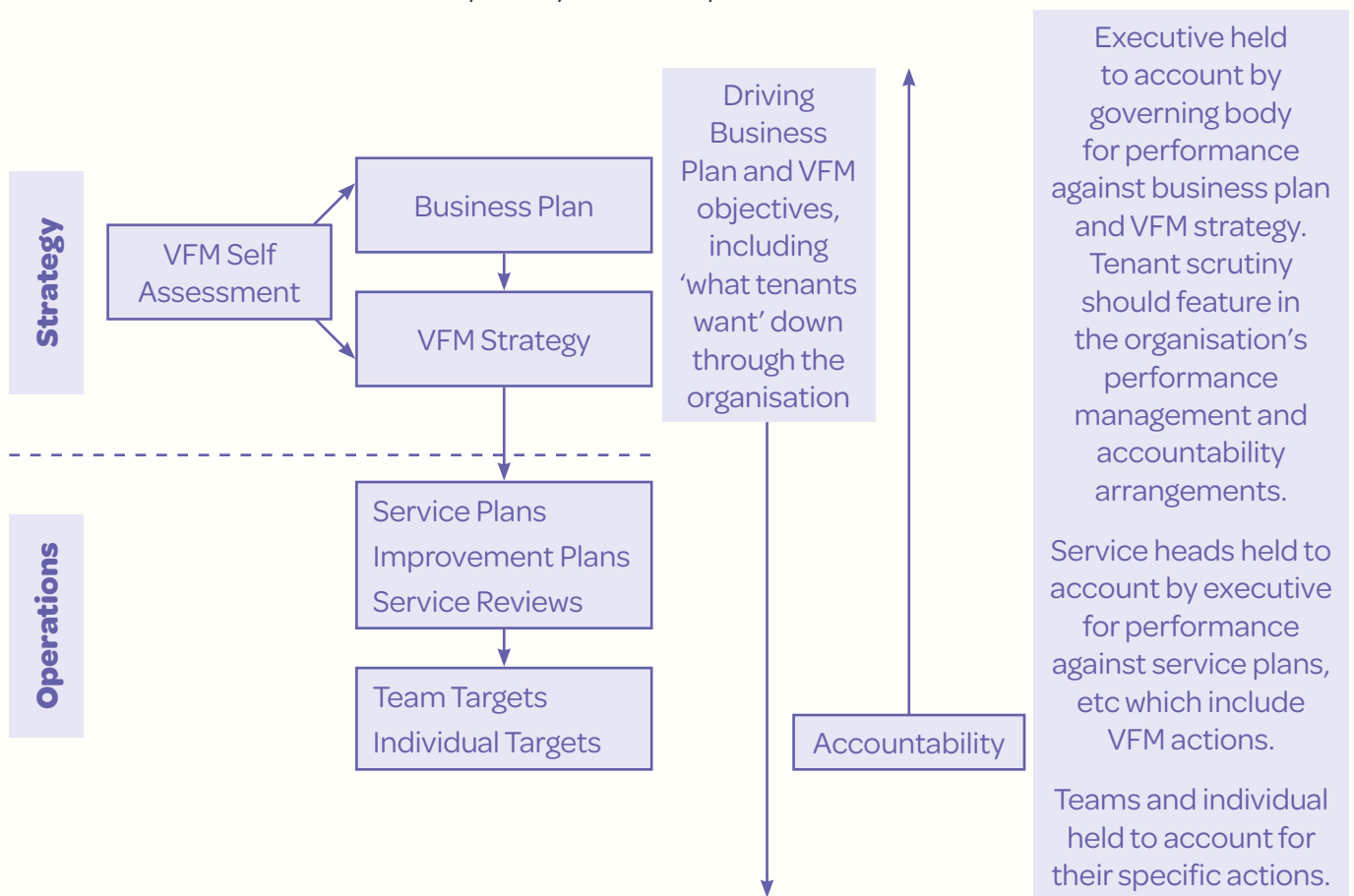
The budget for 2021/22 sees the Association continuing to show a strong surplus and fund its planned maintenance programme from operating cash generated in the year.

## Value for Money (VFM)

Operationally MHA strives for high performance and high satisfaction, whilst considering its costs. Our key drivers and values are culturally embedded throughout the organisation so all are making the right choices in how the Group uses its money and resources. Staff are encouraged to think not just about saving money but also about VFM in its wider sense, such as the cost to the customer, service quality, performance and social value.

According to our representative body Community Housing Cymru and Housemark; "VFM is about ensuring that every pound spent delivers the maximum impact possible in terms of quality and/or quantity. Without VFM as an overarching principle: you will inevitably spend more than you need to achieve your objectives. Nobody likes throwing money away and our tenants certainly can't afford for us to do so".

This statement parallels with our VFM Policy, which sets out MHA Group’s approach to value for money. It illustrates key aspects of the VFM process, and identifies the main reporting procedures. The policy is reviewed annually by the Board of Management and complies with Welsh Government’s regulatory requirements, to ensure our costs and performance are transparent and accessible to our stakeholders. This is the model adopted by MHA Group:



We will continue to work with a wide range of partners from the local community so that the best possible outcomes are achieved for our tenants, making sure we are delivering services equitably and addressing those in greatest need. Service users are at the heart of the decision making process, from the scrutiny group, mystery shoppers to dedicated service improvement focus groups. Following changes to our governance framework, the removal of tenant Board Members will be replaced by a Community Voice Committee who will also play a pivotal role in driving value, maximising positive outcomes for service users and holding MHA Group to account.



### **Our Commitment to VFM, is to:**

- Continue to improve our understanding of our current value for money position
- Promote and embed a value for money culture
- Optimise the future returns on assets deployed
- Direct resources to achieve the right balance between frontline services, maintaining existing assets and providing new homes
- Maintain a high level of tenant satisfaction with value for money, for example, in relation to rent & service charges

Throughout the year one of our key corporate projects was the long term refinancing of MHA's debt funding. This has secured 40 year financing for MHA at a very competitive fixed rate. The costs of this arrangement are reflected in these accounts, but the value that this funding provides will allow us to meet our corporate objectives over the next 40 years and beyond.

### **Risk and 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, the impact of the pandemic and the potential increased rent arrears, risks around increased development activity, building materials cost increases, the potential costs associated with decarbonisation, the delay in sales receipts from properties built for sale, cyber and data risks posed by remote working and possible future changes to Government rent guidelines and policy.

## Governance

The regulatory opinion in December 2019 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.”

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

## The Future

Our economic vision for 2021/22 will be to remain financially viable, build on our resilience and invest in our growth and diversification strategies to achieve additional income for reinvestment in core activities.

### **We will focus on the external policy context:**

- Financial viability
- Welfare Reform
- Welsh Government Grant Reform
- Collaboration & partnership working
- Diversification
- Supply chain management

MHA’s significant refinancing in 2021 has provided the strongest platform for growth in its history and will allow us to continue to strive for excellence in all that we do. 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. All of which will strengthen the organisation and feed back into our corporate vision to create good quality homes and an environment where people can have a brilliant quality of life, in areas where they aspire to live and work.

This will help MHA to combat the impact of the major welfare reforms being introduced. We 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.

MHA introduced its local rent policy in 2021 in order to set a fair, transparent and affordable rent for all. This policy will be monitored and adapted throughout 2021/22 to ensure that our rents remain affordable and continue to provide excellent value for money.

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

MHA has ambitious plans to extend the provision of affordable homes in Monmouthshire and will continue to seek development opportunities to create 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.

In order to support our plans we have created a Business Improvement team who will lead on implementing our digital strategy, improving our customer experience and continually improving and streamlining our services to benefit our customers.

We have also produced a Corporate Plan covering the next five years. We believe this is an important tool in ensuring we can continue to serve our customers, maintain our financial strength and tackle the future facing our communities and our sector. Within that are a number of tasks we have outlined to achieve our vision by 2026.

The Strategic Report was approved by the Board on 21st July 2021.

**Gwyndaf Tobias** – Company Secretary

# Board Report

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## MHA Highlights

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Awarded **Constructing Excellence** award for innovation in design

**Evicted no tenants** in line with our pledge to minimise evictions wherever possible

Developed a **Local Rent Setting Policy** to provide transparent and affordable rents to tenants

**'Standard' (Pass) achieved** in our Welsh Government Regulatory Judgement

Completed **34** mixed tenure homes for outright sale, rent and through our Homebuy assisted purchase scheme and started the construction of **77** affordable homes

A new skills based **Board of Management** appointed

Total **£85m** loan refinance deal secured to provide a firm foundation to MHA future strategic plans

Increased discretionary spending to help support **277** households in a crisis situation

Increased group turnover to **£28.1m**

Saved tenants **£557,971** with advice provided by our money saver experts

# Great People

The Covid-19 pandemic has placed an even greater emphasis on the importance of the health and safety of our employees. Now, more than ever, championing the physical and mental wellbeing of our people is critical.

At MHA we are starting from a great platform. We are a 'Time to Change' employer and already have mental health 'Champions' throughout our organisation.

Having the right tools in place to support our managers and their teams is critical. A combination of wellness action plans, resilience training, an independent counselling service and stress questionnaires help us to ensure the health and wellbeing of our most important asset.

We also comply with the provisions of the Health and Safety at Work Act 1974 and other relevant legislation to meet the objective of achieving the highest possible standards.

Diversity and inclusion remain a priority for us, both internally with our employees and externally within the communities we serve, instrumental in our goal to be an employer of choice, recruiting the brightest and best.

In 2020/21 we spent **£97,400** on training, with a focus on e-learning and virtual coaching which has resulted in a reduction of costs.

## Breakdown of our people

|                           | Board                                 | SMT                                   | Staff                                    |
|---------------------------|---------------------------------------|---------------------------------------|--|
| <b>Gender</b>             | 9 M 2 F                               | 2 M 2 F                               | 111 M 124 F                              |
| <b>Disability</b>         | 1 Yes<br>10 No                        | 0                                     | 13 Yes<br>222 No                         |
| <b>Ethnicity</b>          | 9 White British/<br>Welsh<br>1 Other* | 3 White British/<br>Welsh<br>1 Other* | 225 White British/<br>Welsh<br>10 Other* |
| <b>Sexual Orientation</b> | 9 Hetrosexual<br>2 Other*             | 4 Hetrosexual                         | 219 Hetrosexual<br>16 Other*             |

\*Other also includes Prefer Not To Say

## Case Study

### Faith Porter, Neighbourhood Officer Apprentice

After finishing University I didn't know what career I wanted, but I knew I wanted to work somewhere that puts people at the heart of everything they do. I wanted to work for an organisation I believed in, where I would be making a positive impact on people's lives daily". - Daily is in the wrong place it doesn't read right as it is.

When I saw the advert for my current post, Neighbourhood Officer Apprentice, I realised MHA was the type of organisation I had been searching for. We care for, support and empower people in all different ways, whilst providing affordable houses for those who most need them.

The variety is one of my favourite thing about my role; no two days are ever the same! I am also enjoying studying for a Level 2 Housing qualification which is providing me with a strong foundation to build my career on. All the staff at MHA are friendly, supportive and encouraging, and I thoroughly enjoy working alongside them all.

I believe housing is a vital industry. Our homes are so important, and they truly do act as the foundation of our whole lives. Therefore, in the future I would love to continue my career by learning more about the sector and gaining more experience of the wide range of aspects within housing.





# Great Services

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## Tackling Hardship

The importance of engagement and the central role MHA play in the lives of its tenants has never been so evident as in the last year. Our considerable resources in skills, logistics and empathy co-ordinated a response that put the welfare of our tenants at the forefront of our services.

### In 2020/21 we...

Increased our hardship fund from **£12,000** to **£25,000**, enabling MHA to provide greater support to **277** households in a crisis situation.

Supported the latest '**community fridge**' to open in Caldicot. Customers can access free perishable food donated by supermarkets.

Provided **40** families with summer picnics and engaged with **25** families in a 'cooking on a budget' programme.

Teamed up with **Sustainable You Sustainable Me** to raise awareness of period poverty, including running free workshops and providing participants with sustainable products.

Linked up with **United Welsh Housing Association** and **University of South Wales** to pilot a 'motivational interviewing' project aimed at people living with hoarding behaviour.

## Providing critical Covid support

Supporting tenants who need it the most throughout this challenging year has been critical. Staff were seconded across to bolster support teams, to ensure sufficient staff resources were in place.

MHA contacted every tenant, identifying those in need of additional practical support enabling them to safely shield, as well as tenants who would benefit from regular check-ins during a time of profound loneliness for many.

### In 2020/21 we...

Made **1,960** welfare calls to potentially vulnerable tenants during lockdown.

Contacted **150** tenants weekly to check on wellbeing and prevent isolation.

Supported **359** people throughout the year.



## Tenant involvement

### In 2020/21 we...

Engaged with **306** local people, **189** of whom were new to engagement.

Were awarded over **£42,000** in small grants or ad hoc financial support to spend in MHA communities.

Awarded **£25,000** to community groups through Pitch for Your Project.

Received **£17,113** in Community Benefits from development and asset management procurement to support local community development projects.

Awarded **£7,000** in community sponsorships supporting a range of groups from football clubs, to arts and craft and music groups.

Supported **20** tenants with digital devices and support to get online, enabling them to contact loved ones.

Were awarded **£20K** from the Integrated Care Fund to support tenants living in schemes to get online.

**26** staff members trained by RNIB to support tenants with visual impairment.

MHA created a range of community activities to help tackle health and wellbeing, keeping our communities engaged, happy and healthy...

- **Cooking sessions**
- **Crochet group**
- **Outdoor family fitness**
- **Virtual mindfulness**
- **Sign language course**
- **Gardening competition**
- **Drop in food hampers**
- **Community picnics**
- **Virtual Santa grotto**
- **Virtual health and wellbeing session**

## Customer Service Excellence

We are delighted MHA maintained its Customer Service Excellence Accreditation in November 2020 and was awarded Compliance Plus against 32 areas, which is the most ever awarded by this body.

### In 2020/21 our Customer Services team...

Answered **30,605** calls.

Achieved a satisfaction level of **99.3%** for their service.

Resolved **83.2%** calls at first point of contact.

Responded to **1,318** Live Chats.

Dealt with **10,170** customer emails.





# Case Study

## MHA launch Virtual Lounge Project

The Virtual Lounge project was supported by the ICF Small Grant scheme to enable and support sheltered scheme residents to connect with each other virtually while their communal lounges remained closed.

The project commenced in January 2021 and to date, 20 tenants have engaged with Virtual Lounge which meets twice a week via Zoom. Nine of those engaged had no previous digital skills and have never used a tablet before.

MHA have engaged with Digital Wales, Age Cymru, MIND and participants' family and friends to coach tenants to start to use their devices, particularly 'WhatsApp' and 'Face-Time', and share a coffee with their neighbours from the safety of their own home.

Through MHA's digital loan library we were able to provide people with the equipment they will need to get online and provide any help they will need to get started.

A tenant said: "This has been amazing, my family are so happy that I can face-time them and the grandchildren, especially those who live overseas. This has helped my well-being and I love the Thursday Virtual Lounge Coffee and Chat, it's so lovely to meet new people without leaving the house and to listen to others on how they have managed during these difficult times and to have a good laugh. MHA have made it so easy and accessible for us to use the equipment and I am now getting my husband to use it too."

## Creating thriving & sustainable tenancies

We supported hundreds of people throughout the challenging year, providing regular support for people with unexpected and unplanned financial or personal worries.

## Financial support & advice

Our Money Wise team were at the frontline of experiencing the financial fallout of the pandemic. Considerable effort was invested in supporting tenants as they transitioned to Universal Credit with prioritisation of sanctions, hardship, and appeals.

### In 2020/21 we...

Saved tenants **£557,971** with advice provided by our money saver experts.

Provided money, benefit and debt advice to **289** tenants.

## Employment & training

### In 2020/21 we...

Supported **44** tenants into work.

Supported **51** volunteering and work placements.

Welcomed **2** new members of staff, employed via the 'Kickstart Scheme'.

Linked up with **Business Wales** to run a 'business bootcamp' for tenants.

To date **13** tenants have benefitted by the Barriers Grant administered by Business Wales and tapped into **£4,000** of MHA's Bursary Scheme.



## Managing Monmouthshire's housing register

MHA continue to manage Monmouthshire's Common Housing Register 'Homesearch' and co-ordinated the marketing and launch of its' new interactive web portal.

During the pandemic, Homesearch received an unprecedented number of new applications.

### In 2020/21 we...

Processed a total of **4,000** people onto waiting list.

Accepted over **200** homeless applications.

Let **262** homes.

Supported **29** families move to a new home via the Mutual Exchange programme.

## Our male support service

**Dads Can Cymru** is a lottery funded service which helps fathers and father figures overcome challenges such as low confidence, mental ill health, relationship breakdown, access to children and negative lifestyle choices. During the last year the project has supported 214 males...

| Area          | Number of dads supported |
|---------------|--------------------------|
| Newport       | <b>108</b>               |
| Monmouthshire | <b>86</b>                |
| Torfaen       | <b>12</b>                |
| Caerphilly    | <b>5</b>                 |
| Cardiff       | <b>3</b>                 |

## Outcomes achieved during the last 12 months...

**87%** engagement with this typically hard to reach demographic.

**7** families engaged have had children taken off the child protection register following the project's intervention.

**70%** have said their mental health has improved.

**80%** have a sustainable relationship with social services, a willingness to comply and a means to do so with actions for next steps in place.

**90%** are prioritising their family's needs.

During the Covid-19 pandemic the project has offered a 12 week online support programme known as the 'Working with Dads Toolkit' which has received excellent feedback. 90% of participants have seen an improvement in their confidence and mental health.

**Dads Can Cymru** has also been working to deliver four external contracts with Monmouthshire Children's Social Services, Monmouthshire Housing Association, Newport City Council and a Gwent wide service for the Police and Crime Commissioner.









# Case Study

## MHA supporting tenants into work

Arron Powell was recently made redundant from his job of 14 years, although an initial shock, he decided to treat this as a positive opportunity and began looking into ways to potentially work for himself, creating a life and the new career he had always wanted.

Throughout his working life Arron has worked hard to overcome his dyslexia and has thrived and progressed in a variety of job roles. This attitude and perseverance ensured that when he attended MHA's Business Bootcamp, run in partnership with Business Wales and worked with the Work & Skills Wise team, he was able to secure himself a part-time position to continue to support his family whilst working towards the future he wanted.

With the help of MHA's Bursary Scheme funding Arron is now also able to access the training to become a driving instructor with Red School of Motoring, he is one step closer to realising his potential and a step closer to being his very own boss.

A bright future for Katie ... "I've recently started a course through the Cardiff Metropolitan University in Housing and Communities. Thanks to the help of MHA I've been able to do some volunteering and a number of training courses to help me get back to work after a long period of unemployment. When I first became a tenant I had a new baby and very poor mental health. I had no idea where to start or what to do. Because of their help my future is looking much brighter and I've been able to find something I love!"

## Managing our neighbourhoods

### In 2020/21 we...

Evicted **no tenants**.

Generated **3** Notices of Seeking Possession.

Enforced **1** injunction.

Generated **1** Suspended Possession orders.

Received **22** counselling referrals.

Received **14** mediation referrals.

Managed **431** cases of Anti Social Behaviour (ASB).

Received **1,023** reports of incidents of ASB.

Resolved **288** Fly tipping cases.

Resolved **204** Fire risks cases.

### Other...

Created **'no contact' procedures** for both tenancy sign up and mutual exchanges.

Launched **new software** for digital signatures.

**Regenerated communal gardens** at Clare Court, Old Hereford Road, St David's Road & The Albion.

**Installed mobility scooter storage** at The Lawns & Cwrt Severn.

Installed **45** CCTV Guardcam systems.

Issued **578** safety window and door alarms.



# Great Homes

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Despite the construction sector being significantly impacted by Covid-19, MHA quickly introduced safe systems of working, extending contract periods to reflect a reduced output, whilst prioritising any slippage in programme, following the eventual easing of restrictions.

We are continuing to work with development partners and stakeholders at a local authority and Welsh Government level to resolve drainage issues identified in respect of phosphorous pollution in water courses.

Several 2020/21 programmed developments located in affected areas require revised drainage proposals to demonstrate compliance with the guidelines set out by Natural Resources Wales.

## In 2020/21 we...

Completed **34** mixed tenure homes for outright sale, rent and through our Homebuy assisted purchase scheme.

Started the construction of **77** affordable homes and **3** for outright sale across **7** developments, including **17** highly energy efficient homes, funded by Welsh Government's Innovative Housing Programme.

Were awarded a **2020 Constructing Excellence Award** for 'Innovation' for our recently completed homes in Abergavenny and Caldicot.

Commenced construction of a **house with specialist adaptations** and an extension.

Have secured **land option agreements** on various sites to deliver more affordable homes.

Secured a **Section 106** opportunity to develop **45** affordable homes in Undy in partnership with Barratt Homes.

Continue to investigate opportunities to **extend our areas of operation** into neighbouring local authority areas.

Are working in partnership with private sector developers to **bring forward both affordable housing and homes for sale**.





# Case Study

## Delivery of energy efficient homes

MHA's latest innovative housing development of 17 affordable homes started on site in Bulwark, Chepstow in 2020. Developed on two ex-garage sites in Caldicot on Pembroke Road (5 x 2 bed bungalows, 4 x 1 bed mews) and nearby Western Avenue (8 x 1 bed mews), the result of a successful in-house partnership comprising MHA building and development teams and our in-house construction company Capsel.

Founded on the principles of making places for people, the designs closely mirror MHA's homes recently built in Abergavenny and Caldicot, for which we received an award for 'Innovation' at the 2020 Constructing Excellence Wales awards.

The developments comprise two different housetypes; a terraced mews-style house for younger people and an interlocking courtyard bungalow; for over 55's, created following a detailed consultation with the two distinct demographics.

The low-carbon homes, will be built and certified to the energy-efficient Passivhaus standard, and will be energy efficient, with a Standard Assessment Procedure (SAP) in excess of 100.

The houses will be constructed using Seven Oaks timber frame construction, have solar panels on the roofs and will use pumps to transfer natural heat from under the ground to keep them warm so they won't need a gas supply.

Karen Tarbox, MHA's Director of Property Services said; "The use of advanced building techniques ensure our extremely popular, contemporary housetypes are both highly sustainable and energy efficient, meaning they are affordable to run for our tenants, whilst enabling MHA to successfully reduce its' carbon footprint. What's also important is that we are again, using our own in-house building team, who have proved they have the expertise and know-how to build innovative homes like this."

## Maintaining existing homes

For over 10 years MHA have committed to building sustainable communities where residents feel safe, secure and are great places to live.

This year has necessitated a change in our focus, with limited planned maintenance work undertaken. We continue to maintain our properties to meet the Welsh Housing Quality Standard.

### In 2020/21 ...

**92** properties benefited from our External Works Programme.

**50** properties had new roofs.

**681** homes benefitted from external decoration.

## Undertaking repairs

Non-essential repairs were suspended during sustained periods of 'lockdown'. MHA continued to deliver all emergency and urgent repairs, kept all gas servicing up to date, and completed safety programmes and external works.

### In 2020/21 we ...

Actioned **3,068** emergency repairs.

Achieved a tenant satisfaction level of **92.03%**.

Completed **97.85%** of stair lift services.

Undertook **100%** of fire risk assessments, legionella water risk assessments and compliance with passengers lift servicing.

Maintained the **void property gold standard** regardless of lockdown levels.

Carried out a gas safety check to **99.97%** of our homes.

# Great Business

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## Getting future fit

This year has seen significant change, which has impacted on how we deliver our services and the way our colleagues undertake their roles. We have used this time to experiment with different ways of delivering services, and learnt lessons from pivoting the organisation to work from home during this period.

These lessons have helped shape and influence our Digital Strategy and associated roadmap, both of which inform our digital aspirations for the next five years. The strategy is heavily focused on getting the basics right, by aligning our IT infrastructure, ways of working and data to create the foundations for a digitally enabled, customer-centric organisation. In addition, the strategy will explore options to enable tenants to get online more easily and in a way that is affordable to them.

We have also bolstered our approach to business improvement, by re-aligning roles and expanding the team, enabling MHA to take forward its ambitious plans set out in our strategy.

## In 2020/21 we have...

Taken steps to **simplify our existing systems**, ensuring they enable our colleagues to provide excellent services.

Laid the groundwork for an organisational wide move to **Microsoft 365**, which will enable us to streamline and simplify our systems landscape.

Begun work on **Data Governance and Management**, ensuring we're keeping our data safe and secure, whilst using it to make evidence-based decisions to improve services and/or inform funding bids.

Revamped how we **manage our projects**, by introducing a project management system and new project governance arrangements.

**Supported service areas** in reviewing their services, ensuring they're customer-focused, efficient and effective.

## Environmental & Compliance

We recognise climate change is one of the key issues facing us all and, as a developer of new houses and landlord with more than 3,500 properties, we have a significant part to play.

MHA has a responsibility to all its stakeholders to deliver environmental good practice, energy and waste reduction and assist the Welsh Government to meet its target of net zero carbon emissions in Wales by 2050.

### In 2020/21 we have...

Reduced our CO2 emissions by **46.31%**.

Reduced our car mileage claims by **10%**.

Saved tenants **£841** by switching energy suppliers.

Awarded **£420** through the Warm Home Discount Scheme.

Achieved **ISO compliances**.

Achieved **ISO 45001**.

Maintained the **Environmental Green Dragon Award**.



# 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
- 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
- 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

## 1. Introduction

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 & Risk Committee presents an annual report to the Board covering the period from 1 April 2020 to 31 March 2021. 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.

## 2. Internal Control framework

**2.1** In accordance with the Welsh Government's Housing Association Circular RSL 02/10 Internal Controls and reporting, the MHA 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.

**2.2** 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.

**2.3** 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.

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

### Delivery

- Policies & Procedures in place to manuals for staff which are regularly reviewed & updated
- 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 external audit activities derived from an assessment of key business risks
- An established programme of internal 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
- The following table provides details of the internal audit completed for the 2020/21 period together with the assurance rating in each area:

| Audit area          | Assurance Level   |
|---------------------|-------------------|
| Asbestos management | Substantial       |
| Risk management     | Adequate          |
| Business continuity | Needs improvement |
| Responsive repairs  | Adequate          |
| Fire safety         | Adequate          |
| Development         | Substantial       |
| Governance          | Substantial       |

- Alongside these assurance engagements, MHA also undertook review engagements on Health and Safety, Key Control health checks and a data integrity review
- All Internal Audit recommendations are reported to Audit & Risk Committee with progress updates provided
- Monitoring of the control system by the Audit Committee, the Internal Auditors and External Auditors and management
- Internal reports on the effectiveness of Internal & External Audit have been undertaken and presented to Audit & Risk Committee in October 2020
- The MHA Board has set strategic KPI's which continue to be monitored on a regular basis by officers to provide assurance to members in relation to key risk areas:
  - Rent arrears
  - Repairs
  - Tenant satisfaction
  - Voids
  - Staff turnover & sickness
  - Loan covenant compliance
  - Gas safety compliance
  - H&S
- A Health and Safety Management system in place with updates on H&S at each Audit & Risk Committee provided by the Head of Compliance
- MHA have the following external accreditations - ISO 45001, Green Dragon Level 5 – Environmental – regular external audits are carried out to ensure MHA comply with the standards
- A project is ongoing to ensure MHA comply with Data Protection legislation. Training is carried out to all staff every two years as per ICO recommendation and a framework of policies, procedures and guidelines are in place. Specialist advice is provided by an external consultancy – GDPR Sentry who also act as our Data Protection Officer
- MHA have the adequate security software to protect against cyber- attacks and penetration tests are carried out periodically. Protections have been reviewed and where necessary upgraded to provide additional protections taking into account our new working environment
- The regulatory opinion published in December 2019 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
- In early 2021 MHA implemented the recommendations made in a specialist governance review undertaken by Central Consultancy. A new skills based board is in place complimented by a new committee structure as outlined below:
  - Audit & Risk
  - Development
  - Finance, Governance & Remuneration
  - Operations
  - Community Voice
- Updated Terms of Reference for each have been prepared outlining their specific responsibilities and authority

## Money

- Standing orders and financial regulations setting out clearly the system of delegation have been reviewed during 2020/21
- 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
- A 10% stock condition survey carried out every 5 years with the last survey undertaken in 2018

## 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 continual individual performance management process
- Corporate Health Standard – Gold and Platinum accreditations

## Opportunity

- Three members of MHA Board sit on Capsel Board
- Capsel to consider opportunities which MHA cannot take part in
- All material opportunities within the Group to be subject to viability and social value assessments
- Bespoke roles within our Development Team to focus on new opportunities

## 3. Risk Management framework

**3.1** 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.

**3.2** The Corporate Assurance Map 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 full Corporate Assurance Map is presented annually.

**3.3** MHA has updated the Corporate Assurance Map, aligning each risk with an appropriate risk pillar.

**3.4** 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.

**3.5** As part of the Corporate Planning Cycle Board are currently reviewing their appetite for risk. The appetite statement will be communicated to SMT, Managers and Staff and the Corporate Objectives are set in line with the reviewed appetite.

**3.6** A full review of the current Risk Management Policy & Process is currently under way. Working with an external consultancy -Hargreaves Risk & Strategy, a new Policy is being prepared with Board training planned for later in the year.

## 4. Register of Detected Frauds

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

## 5. Adequacy and Effectiveness of the Associations Internal Control System

**5.1** The Deputy Chief Executive reviewed the adequacy and effectiveness of the Association's internal control and risk management systems for the period 1 April 2020 to the date the annual accounts for 2020/21 are approved and confirms that they are operating effectively.

**5.2** The Board Report, Statement of Members Responsibilities and the Statement of Internal Control were approved by the Board on 21st July 2021.

**Gwyndaf Tobias** - Director of Resources & Deputy Chief Executive

# Independent Auditor's Report

## 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 2021 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 Equity and Reserves, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **In our opinion, the financial statements:**

- Give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2021 and of the Group's and 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 for Registered Social Landlords General Determination (Wales) 2015

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and 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

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

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

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

## Other information

The other information comprises the information included in the Strategic Report and Board Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and 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:

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

## Opinion on other matters prescribed by the housing association circular RSL 02/10: Internal Controls and Reporting

**With respect to the Board's statement on internal financial controls on pages 33 – 35, 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 Members' Responsibilities set out on page 32, 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 has 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.

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

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

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

- We obtained an understanding of laws, regulations and guidance that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the

Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015, tax legislation, health and safety legislation, and employment legislation

- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Group's activities
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit

in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

## Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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:

# Statement of Comprehensive Income

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|   | Notes | Group           |          | Association     |          |
|---|-------|-----------------|----------|-----------------|----------|
|   |       | £'000           | £'000    | £'000           | £'000    |
|   |       | 2021            | 2020     | 2021            | 2020     |
| Turnover  | 3     | <b>28,115</b>   | 22,960   | <b>22,911</b>   | 22,047   |
| Operating expenditure                               | 3     | <b>(24,802)</b> | (20,591) | <b>(20,484)</b> | (19,909) |
| Gain on disposal of PPE                             | 4     | <b>1,790</b>    | 1,637    | <b>1,790</b>    | 1,637    |
| <b>Operating surplus</b>                            |       | <b>5,103</b>    | 4,006    | <b>4,217</b>    | 3,775    |
| Interest receivable                                 | 5     | <b>70</b>       | 4        | <b>249</b>      | 222      |
| Interest and financing costs                        | 6     | <b>(9,223)</b>  | (1,408)  | <b>(9,223)</b>  | (1,408)  |
| Fair value movement - investment properties         | 12    | <b>25</b>       | 52       | <b>25</b>       | 52       |
| <b>(Deficit)/ Surplus before tax</b>                | 7     | <b>(4,025)</b>  | 2,654    | <b>(4,732)</b>  | 2,641    |
| Taxation  | 10    | <b>(72)</b>     | -        | <b>(62)</b>     | -        |
| <b>(Deficit) / Surplus for the year</b>             |       | <b>(4,097)</b>  | 2,654    | <b>(4,794)</b>  | 2,641    |
| <b>Other comprehensive income:</b>                  |       |                 |          |                 |          |
| Actuarial (loss)/gain in respect of pension schemes | 19    | <b>(5,315)</b>  | 4,949    | <b>(5,315)</b>  | 4,949    |
| <b>Total comprehensive income for the year</b>      |       | <b>(9,412)</b>  | 7,603    | <b>(10,109)</b> | 7,590    |

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 47-84 form part of these financial statements.

The financial statements on pages 40-84 were approved and authorised for issue by the Board on 21st July 2021 and were signed on its behalf by:

Signed .....

Andy Jones  
Chair

.....

Tony Deakin  
Vice Chair

.....

Gwyndaf Tobias  
Company Secretary

# Statement of Financial Position

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|  | Notes | Group          |               | Association    |               |
|--|-------|----------------|---------------|----------------|---------------|
|  |       | 2021<br>£'000  | 2020<br>£'000 | 2021<br>£'000  | 2020<br>£'000 |
| Intangible fixed assets                      | 11    | 157            | 234           | 154            | 231           |
| Housing properties                           | 12    | 104,931        | 101,980       | 102,450        | 99,322        |
| LCHO Properties                              | 12    | -              | 293           | -              | 293           |
| Homebuy loans receivable                     | 12    | 3,241          | 2,287         | 3,241          | 2,287         |
| Investment properties                        | 12    | 1,410          | 1,385         | 1,410          | 1,385         |
| Other property, plant and equipment          | 13    | 3,917          | 3,989         | 3,903          | 3,972         |
| <b>Total Fixed Assets</b>                    |       | <b>113,656</b> | 110,168       | <b>111,158</b> | 107,490       |
| <b>Current assets</b>                        |       |                |               |                |               |
| Inventories                                  | 14    | 6,310          | 6,819         | 83             | 158           |
| Debtors                                      | 15    | 1,581          | 1,422         | 10,306         | 11,072        |
| Cash and cash equivalents                    |       | 11,411         | 1,822         | 10,394         | 1,711         |
|  |       | <b>19,302</b>  | 10,063        | <b>20,783</b>  | 12,941        |
| <b>Current Liabilities</b>                   |       |                |               |                |               |
| Creditors: amounts falling due within 1 year | 16    | (5,980)        | (6,308)       | (5,467)        | (6,315)       |
| Net current assets                           |       | <b>13,322</b>  | 3,755         | <b>15,316</b>  | 6,626         |
| <b>Total assets less net current assets</b>  |       | <b>126,978</b> | 113,923       | <b>126,474</b> | 114,116       |
| <b>Non-current liabilities</b>               |       |                |               |                |               |
| Creditors: amount falling due after 1 year   | 17    | (92,306)       | (76,229)      | (92,306)       | (76,229)      |
| Pension Fund                                 | 19    | (15,951)       | (9,561)       | (15,951)       | (9,561)       |
| <b>Net assets</b>                            |       | <b>18,721</b>  | 28,133        | <b>18,217</b>  | 28,326        |
| <b>Capital and Reserves</b>                  |       |                |               |                |               |
| Share capital                                | 20    | -              | -             | -              | -             |
| Pension Reserve                              |       | (15,951)       | (9,561)       | (15,951)       | (9,561)       |
| Revenue Reserve                              |       | 34,672         | 37,694        | 34,168         | 37,887        |
| <b>Total Reserves</b>                        |       | <b>18,721</b>  | 28,133        | <b>18,217</b>  | 28,326        |

The notes on pages 47-84 form part of these financial statements. The financial statements of Monmouthshire Housing Association Limited on pages 40-84 were approved and authorised for issue by the Board on 21st July 2021 and signed on its behalf by:

Andy Jones  
Chair

Tony Deakin  
Vice Chair

Gwyndaf Tobias  
Company Secretary

# Statement of Changes in Equity & Reserves

|  | Consolidated                     |   |                | Association                      |   |                |
|--|----------------------------------|---|----------------|----------------------------------|---|----------------|
|  | Called up share capital<br>£'000 | Revenue Reserve<br>(including pension reserve)<br>£'000 | Total<br>£'000 | Called up share capital<br>£'000 | Revenue Reserve<br>(including pension reserve)<br>£'000 | Total<br>£'000 |
| As at 1 April 2019                           | -                                | 20,530  | 20,530         | -                                | 20,736  | 20,736         |
| Surplus for the year                         | -                                | 2,654   | 2,654          | -                                | 2,641   | 2,641          |
| Actuarial gain in respect of pension schemes | -                                | 4,949   | 4,949          | -                                | 4,949   | 4,949          |
| <b>As at 31 March 2020</b>                   | -                                | <b>28,133</b>   | <b>28,133</b>  | -                                | <b>28,326</b>   | <b>28,326</b>  |
| Deficit for the year                         | -                                | (4,097)   | (4,097)        | -                                | (4,794)   | (4,794)        |
| Actuarial loss in respect of pension schemes | -                                | (5,315)   | (5,315)        | -                                | (5,315)   | (5,315)        |
| <b>As at 31 March 2021</b>                   | -                                | <b>18,721</b>   | <b>18,721</b>  | -                                | <b>18,217</b>   | <b>18,217</b>  |

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

The notes on pages 47-84 form part of these financial statements.

# Statement of Cash flows

|   | Notes | Group         |                | Association   |                |
|---|-------|---------------|----------------|---------------|----------------|
|   |       | 2021<br>£'000 | 2020<br>£'000  | 2021<br>£'000 | 2020<br>£'000  |
| Net cash generated from operating activities        | 21    | 7,412         | 4,978          | 6,286         | 4,702          |
| <b>Cash flows from investing activities</b>         |       |               |                |               |                |
| Purchase of property, plant and equipment           |       | (7,567)       | (15,098)       | (7,526)       | (15,079)       |
| Proceeds from sale of property, plant and equipment |       | 1,536         | 1,886          | 1,536         | 1,882          |
| Grants received                                     |       | 6,334         | 3,724          | 6,334         | 3,724          |
| Interest received                                   |       | 70            | 4              | 249           | 222            |
| <b>Net cash flows from investing activities</b>     |       | <b>373</b>    | <b>(9,484)</b> | <b>593</b>    | <b>(9,251)</b> |
| <b>Cash flows from financing activities</b>         |       |               |                |               |                |
| New loans   |       | 49,697        | 7,500          | 49,697        | 7,500          |
| Repayment of loans                                  |       | (38,900)      | (1,000)        | (38,900)      | (1,000)        |
| Interest paid                                       |       | (8,993)       | (1,408)        | (8,993)       | (1,408)        |
| <b>Net cash flows from investing activities</b>     |       | <b>1,804</b>  | <b>5,092</b>   | <b>1,804</b>  | <b>5,092</b>   |
| <b>Net increase in Cash and Cash Equivalents</b>    |       | <b>9,589</b>  | <b>586</b>     | <b>8,683</b>  | <b>543</b>     |
| Cash and cash equivalents at beginning of the year  |       | 1,822         | 1,236          | 1,711         | 1,168          |
| Cash and cash equivalents at end of the year        |       | 11,411        | 1,822          | 10,394        | 1,711          |

The notes on pages 47-84 form part of these financial statements.

# Statement of Cash flow

Free cash flow for the reporting year ended 31 March 2021

|  | Note      | Group           |               | Association     |               |
|--|-----------|-----------------|---------------|-----------------|---------------|
|  |           | 2021<br>£'000   | 2020<br>£'000 | 2021<br>£'000   | 2020<br>£'000 |
| <b>Net cash generated from operating activities</b>        | <b>21</b> | <b>7,412</b>    | 4,978         | <b>6,286</b>    | 4,702         |
| Interest paid  |           | <b>(8,993)</b>  | (1,408)       | <b>(8,993)</b>  | (1,408)       |
| Interest received  |           | <b>70</b>       | 4             | <b>249</b>      | 222           |
| <b>Adjustments for reinvestment in existing properties</b> |           |                 |               |                 |               |
| Component replacements                                     |           | <b>(2,128)</b>  | (4,538)       | <b>(2,128)</b>  | (4,544)       |
| Purchase of other replacement fixed assets                 |           | <b>(21)</b>     | (87)          | -               | (87)          |
| Dowry grant received                                       |           | <b>2,600</b>    | 2,600         | <b>2,600</b>    | 2,600         |
| <b>Free cash generated before financing activity</b>       |           | <b>(1,060)</b>  | 1,549         | <b>(1,986)</b>  | 1,485         |
| Loan drawdowns   |           | <b>49,697</b>   | -             | <b>49,697</b>   | -             |
| Loans repaid   |           | <b>(38,900)</b> | (1,000)       | <b>(38,900)</b> | (1,000)       |
| <b>Free cash generated after financing activity</b>        |           | <b>9,737</b>    | 549           | <b>8,811</b>    | 485           |

# Notes to the Financial Statement

## 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 2018 (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.

## Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Board Report. The Group has in place long-term debt facilities, which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan, which shows that it can service these debt facilities whilst continuing to comply with lenders' covenants. The board has also considered the impact of the parent recoverability of the intercompany debtor and the high value of WIP. Expected sales proceeds, and market demand post year end, have remained in line with business plan assumptions and scheme appraisals. On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

## 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.

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

### **Local Government Pension Scheme and Social Housing Pension Scheme**

The Group participates in both a local government and social housing pension scheme which are multi-employer schemes where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For these schemes, 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.

## 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 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 31 March 2021.

## 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 the key 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.

Investment properties were valued as at 31 March 2021 by professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

However, there is uncertainty arising from the Covid-19 pandemic. Should the market value of house prices fall as a result of the ongoing pandemic and any subsequent recession of the economy then the reduction in value of these properties will affect the surplus generated in the year. As an illustration, a 10% fall in the valuation of the properties would reduce overall surplus by £141k.

## 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. The Group carries out an impairment review, assessing the Useful Economic Lives of properties and their future value to the Group, taking into account the current level of demand for properties, the level of void losses, projected discounted cash flows and the ongoing investment in property maintenance and improvement. We have also considered the impact of Covid-19 as a specific external shock that could impact the underlying demand or expected future cash flows of our housing assets. However, the Group have seen no reduction in demand for our properties. Void levels have

remained consistent with historic levels and are in-line with the business plan. Going forward the Group now has safe working practices in place to be able to continue to let properties in a manner that is safe and socially distanced, which will withstand any further waves of Covid-19. Hence MHA do not consider Covid-19 as an impairment trigger at this time. There are no other indicators of impairment present in our housing stock or other fixed assets at 31 March 2021.

## Valuation of work in progress

Work in progress (WIP) relates to the construction of new-build dwellings for sale, valued at the lower of cost or net realisable value. The directors have reviewed the situation and do not believe that the WIP needs to be impaired as all recent market intelligence and board updates show that there is no significant detriment to the sales environment by July 2021.

## 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

|  | 2021          |                 |                   | 2020     |                 |                   |
|--|---------------|-----------------|-------------------|----------|-----------------|-------------------|
|  | Turnover      | Operating Costs | Operating Surplus | Turnover | Operating Costs | Operating Surplus |
|  | £'000         | £'000           | £'000             | £'000    | £'000           | £'000             |
| <b>Social Housing lettings (Note 3a)</b> | <b>22,470</b> | <b>(20,384)</b> | <b>2,086</b>      | 21,424   | (18,366)        | 3,058             |
| <b>Other Social Housing Activities</b>   |               |                 |                   |          |                 |                   |
| Building services external income        | 92            | (100)           | (8)               | 493      | (1,083)         | (590)             |
| <b>Non Social Housing activities:</b>    |               |                 |                   |          |                 |                   |
| Property development and sales           | 4,915         | (3,242)         | 1,673             | 240      | (121)           | 119               |
| Property maintenance and refurbishment   | 126           | (630)           | (504)             | 361      | (505)           | (144)             |
| Estate agency services                   | 60            | (221)           | (161)             | 18       | (145)           | (127)             |
| Photovoltaic panels                      | 452           | (225)           | 227               | 424      | (371)           | 53                |
| <b>Total</b>                             | <b>28,115</b> | <b>(24,802)</b> | <b>3,313</b>      | 22,960   | (20,591)        | 2,369             |

## Association

|  | Turnover      | 2021<br>Operating<br>Costs | Operating<br>Surplus | Turnover | 2020<br>Operating<br>Costs | Operating<br>Surplus |
|--|---------------|----------------------------|----------------------|----------|----------------------------|----------------------|
|  | £'000         | £'000                      | £'000                | £'000    | £'000                      | £'000                |
| <b>Social Housing lettings<br/>(Note 3b)</b> | <b>22,470</b> | <b>(20,384)</b>            | <b>2,086</b>         | 21,512   | (18,826)                   | 2,686                |
| <b>Other Social Housing<br/>Activities</b>   |               |                            |                      |          |                            |                      |
| Building services<br>external income         | 92            | (100)                      | (8)                  | 535      | (1,083)                    | (548)                |
| <b>Non Social Housing<br/>activities:</b>    |               |                            |                      |          |                            |                      |
| Property development<br>and sales            | 349           | -                          | 349                  | -        | -                          | -                    |
| <b>Total</b>                                 | <b>22,911</b> | <b>(20,484)</b>            | <b>2,427</b>         | 22,047   | (19,909)                   | 2,138                |



### 3a. Particulars of income and expenditure from social housing lettings - Group

|  | General<br>Needs<br>£'000 | Supported<br>Housing<br>£'000 | 2021<br>Total<br>£'000 | 2020<br>Total<br>£'000 |
|--|---------------------------|-------------------------------|------------------------|------------------------|
| <b>Income</b>                                |                           |                               |                        |                        |
| Rents receivable                             | 19,346                    | -                             | <b>19,346</b>          | 18,198                 |
| Service charge income                        | 389                       | -                             | <b>389</b>             | 391                    |
| Income for support services                  | -                         | 121                           | <b>121</b>             | 179                    |
| Amortised government grants                  | 1,933                     | -                             | <b>1,933</b>           | 1,934                  |
| Leaseholders income                          | 131                       | -                             | <b>131</b>             | 93                     |
| Other income                                 | 550                       | -                             | <b>550</b>             | 629                    |
|  | <hr/>                     | <hr/>                         | <hr/>                  | <hr/>                  |
| Turnover from social housing lettings        | 22,349                    | 121                           | <b>22,470</b>          | 21,424                 |
| <b>Cost</b>                                  |                           |                               |                        |                        |
| Management costs                             | (3,612)                   | (383)                         | <b>(3,995)</b>         | (4,065)                |
| Service charge costs                         | (618)                     | -                             | <b>(618)</b>           | (820)                  |
| Routine maintenance                          | (8,353)                   | -                             | <b>(8,353)</b>         | (6,790)                |
| Major repairs expenditure                    | (1,967)                   | -                             | <b>(1,967)</b>         | (2,022)                |
| Bad Debts                                    | 21                        | -                             | <b>21</b>              | (192)                  |
| Depreciation of housing properties           | (4,750)                   | -                             | <b>(4,750)</b>         | (4,445)                |
| Other costs                                  | (722)                     | -                             | <b>(722)</b>           | (32)                   |
|  | <hr/>                     | <hr/>                         | <hr/>                  | <hr/>                  |
| Operating costs on social housing activities | (20,001)                  | (383)                         | <b>(20,384)</b>        | (18,366)               |
|  | <hr/>                     | <hr/>                         | <hr/>                  | <hr/>                  |
| Operating surplus on social housing lettings | <b>2,348</b>              | <b>(262)</b>                  | <b>2,086</b>           | <b>3,058</b>           |
|  | <hr/>                     | <hr/>                         | <hr/>                  | <hr/>                  |
| Rent loss due to voids                       | 159                       | -                             | <b>159</b>             | 219                    |

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

|  | General<br>Needs<br>£'000 | Supported<br>Housing<br>£'000 | 2021<br>Total<br>£'000 | 2020<br>Total<br>£'000 |
|--|---------------------------|-------------------------------|------------------------|------------------------|
| <b>Income</b>                                |                           |                               |                        |                        |
| Rents receivable                             | 19,346                    | -                             | <b>19,346</b>          | 18,198                 |
| Service charge income                        | 389                       | -                             | <b>389</b>             | 391                    |
| Income for support services                  | -                         | 121                           | <b>121</b>             | 179                    |
| Amortised government grants                  | 1,933                     | -                             | <b>1,933</b>           | 1,934                  |
| Leaseholders income                          | 131                       | -                             | <b>131</b>             | 93                     |
| Other income                                 | 550                       | -                             | <b>550</b>             | 717                    |
| Turnover from social housing lettings        | <u>22,349</u>             | <u>121</u>                    | <u><b>22,470</b></u>   | <u>21,512</u>          |
| <b>Cost</b>                                  |                           |                               |                        |                        |
| Management costs                             | (3,612)                   | (383)                         | <b>(3,995)</b>         | (4,514)                |
| Service charge costs                         | (618)                     | -                             | <b>(618)</b>           | (820)                  |
| Routine maintenance                          | (8,649)                   | -                             | <b>(8,649)</b>         | (6,790)                |
| Major repairs expenditure                    | (1,966)                   | -                             | <b>(1,966)</b>         | (2,022)                |
| Bad Debts                                    | 21                        | -                             | <b>21</b>              | (192)                  |
| Depreciation of housing properties           | (4,553)                   | -                             | <b>(4,553)</b>         | (4,256)                |
| Other costs                                  | (624)                     | -                             | <b>(624)</b>           | (232)                  |
| Operating costs on social housing activities | <u>(20,001)</u>           | <u>(383)</u>                  | <u><b>(20,384)</b></u> | <u>(18,826)</u>        |
| Operating surplus on social housing lettings | <u>2,348</u>              | <u>(262)</u>                  | <u><b>2,086</b></u>    | <u>2,686</u>           |
| Rent loss due to voids                       | 159                       | -                             | <b>159</b>             | 219                    |

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

|                                    | Group         |               | Association   |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Housing properties – proceeds      | 510           | 1,459         | 510           | 1,459         |
| Housing properties - cost of sales | (79)          | (430)         | (79)          | (430)         |
| LCHO proceeds                      | 2,019         | 1,062         | 2,019         | 1,062         |
| LCHO cost of sales                 | (660)         | (454)         | (660)         | (454)         |
| <b>Total</b>                       | <b>1,790</b>  | <b>1,637</b>  | <b>1,790</b>  | <b>1,637</b>  |

During the year MHA disposed of 4 properties under the Association's asset management strategy, as they were uneconomical to repair and met the criteria for disposal. No properties were sold under the under the Right to Buy scheme which has now ended.

#### 5. Interest receivable

|                           | Group         |               | Association   |               |
|---------------------------|---------------|---------------|---------------|---------------|
|                           | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Bank interest receivable  | 4             | 3             | 4             | 3             |
| Other interest receivable | 66            | 1             | 245           | 219           |
| <b>Total</b>              | <b>70</b>     | <b>4</b>      | <b>249</b>    | <b>222</b>    |

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

## 6. Interest and financing costs

|                                  | Group          |                | Association    |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2021<br>£'000  | 2020<br>£'000  | 2021<br>£'000  | 2020<br>£'000  |
| Interest payable                 | (1,089)        | (1,087)        | (1,089)        | (1,087)        |
| Net interest cost on DB pensions | (230)          | (321)          | (230)          | (321)          |
| Refinancing breakage costs       | (7,904)        | -              | (7,904)        | -              |
| <b>Total</b>                     | <b>(9,223)</b> | <b>(1,408)</b> | <b>(9,223)</b> | <b>(1,408)</b> |

## 7. Surplus for the year

|   | Group         |               | Association   |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| <b>Surplus stated after charging / (crediting):</b> |               |               |               |               |
| Depreciation - housing properties                   | 4,750         | 4,445         | 4,553         | 4,256         |
| Depreciation – other                                | 93            | 79            | 69            | 71            |
| Amortisation - intangible assets                    | 77            | 83            | 77            | 80            |
| Amortised government grant                          | (1,933)       | (1,753)       | (1,933)       | (1,753)       |
| Gain on disposal of fixed assets                    | (1,790)       | (1,637)       | (1,790)       | (1,637)       |
| Statutory audit fee                                 | 20            | 17            | 20            | 17            |
| Operating lease rentals                             | 274           | 37            | 250           | 37            |

## 8. Employee Information

|  | Group       |             | Association |             |
|--|-------------|-------------|-------------|-------------|
|  | 2021<br>No. | 2020<br>No. | 2021<br>No. | 2020<br>No. |
| Average number of employees                          | 256         | 245         | 241         | 231         |
| Actual number of employees employed at 31 March 2021 | <b>269</b>  | 253         | <b>252</b>  | 239         |
| <u>FTE's - 37 hours / week</u>                       |             |             |             |             |
| Direct labour organisation including admin           | 84          | 83          | 72          | 73          |
| Head office staff                                    | 141         | 130         | 138         | 127         |
| <b>Total</b>   | <b>225</b>  | 213         | <b>210</b>  | 200         |

|                       | Group         |               | Association   |               |
|-----------------------|---------------|---------------|---------------|---------------|
|                       | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Wages and salaries    | 7,120         | 6,648         | 6,624         | 6,221         |
| Social security costs | 632           | 595           | 591           | 559           |
| Pension costs         | 1,870         | 979           | 1,860         | 970           |
| <b>Total</b>          | <b>9,622</b>  | 8,222         | <b>9,075</b>  | 7,750         |

## 9. Key Management Personnel

|                       | Group         |               | Association   |               |
|-----------------------|---------------|---------------|---------------|---------------|
|                       | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Wages and salaries    | 422           | 374           | 422           | 374           |
| Social security costs | 49            | 47            | 49            | 47            |
| Other pension costs   | 68            | 67            | 68            | 67            |
| <b>Total</b>          | <b>539</b>    | 488           | <b>539</b>    | 488           |

Key management personnel are defined as the Chief Executive and any other person who is a member of the executive management team and board.

## 9. Key Management Personnel (continued)

As a result of moving to a skills based board during the year, board members are now remunerated and receive a salary based on their roles and responsibilities. Total remuneration of £29.4k was paid to non-employee members of the Board during the year (2020 - Nil). Board members were remunerated as follows:

| Board Member                   | Remuneration (£'000) |
|--------------------------------|----------------------|
| Andy Jones                     | 3.3                  |
| Tony Deakin                    | 2.7                  |
| Nicholas Battersby - Capsel    | 2.5                  |
| Colin Lewis                    | 2.3                  |
| Emma Brute                     | 2.3                  |
| Alan Soper                     | 2.3                  |
| Hannah Vickers                 | 2.3                  |
| Dimitri Batrouni               | 1.7                  |
| Cael Sendell-Price             | 1.7                  |
| John Miller                    | 1.7                  |
| Geoffrey Hughes - Capsel       | 1.7                  |
| Elgan Jones - Capsel           | 1.7                  |
| Suhail Khan - Capsel           | 1.3                  |
| Catriona Standingford - Capsel | 1.3                  |
| Mathew Cooling – Co-opted      | 0.6                  |
| <b>Total</b>                   | <b>29.4</b>          |

For a full calendar year the Chair of the Board is paid £9k, Vice Chair £6.5k, other Chairs £5.5k and Board members £4k. For Capsel the Chair is paid £6k, the Vice Chair £5k and members and co-opted members £4k. The total remuneration paid to key management personnel during this year was £539k (2020: £488k).

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Remuneration of the highest paid director (excluding pension contributions) | 127           | 122           |

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 (2020:£22k)

The number of key management personnel and non-executive Board members who received emoluments (including pension contributions) in the following range was:

| Salary Band (£)   | Group       |             | Association |             |
|-------------------|-------------|-------------|-------------|-------------|
|                   | 2021<br>No. | 2020<br>No. | 2021<br>No. | 2020<br>No. |
| 50,000 - 59,999   | -           | -           | -           | -           |
| 60,000 - 69,999   | -           | -           | -           | -           |
| 70,000 - 79,999   | 1           | -           | 1           | -           |
| 80,000 - 89,999   | -           | -           | -           | -           |
| 90,000 - 99,999   | 1           | 2           | 1           | 2           |
| 100,000 - 109,999 | 1           | 1           | 1           | 1           |
| 110,000 - 119,999 | -           | -           | -           | -           |
| 120,000 - 129,999 | -           | -           | -           | -           |
| 130,000 - 139,999 | -           | -           | -           | -           |
| 140,000 - 149,999 | 1           | 1           | 1           | 1           |
| <b>Total</b>      | <b>4</b>    | <b>4</b>    | <b>4</b>    | <b>4</b>    |

## 10. Tax on surplus on ordinary activities

|   | Group         |               | Association   |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Current tax on surplus from ordinary activities | <u>72</u>     | <u>-</u>      | <u>62</u>     | <u>-</u>      |

The standard rate of tax applied to the reported surplus is 19% (2020 - 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      |                 |
|---|------------------|-----------------|------------------|-----------------|
|   | 2021<br>£'000    | 2020<br>£'000   | 2021<br>£'000    | 2020<br>£'000   |
| Overall (deficit)/surplus before tax          | <b>(4,025)</b>   | 2,654           | <b>(4,732)</b>   | 2,641           |
| Profit on taxable activities before tax       | <u>1,038</u>     | <u>13</u>       | <u>331</u>       | <u>-</u>        |
| Profit multiplied by tax rate:                | <b>197</b>       | 2               | 62               | -               |
| Expenses not tax deductible                   | -                | -               | -                | -               |
| Capital allowances in excess of depreciation: | <b>(27)</b>      | -               | -                | -               |
| Group relief                                  | -                | -               | -                | -               |
| Utilisation of tax losses                     | <b>(25)</b>      | (2)             | -                | -               |
| Charitable donations                          | <b>(73)</b>      | -               | -                | -               |
| <b>Current tax charge for the year</b>        | <u><u>72</u></u> | <u><u>-</u></u> | <u><u>62</u></u> | <u><u>-</u></u> |



## 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.

|  | <b>Group<br/>2021<br/>£'000</b> | <b>Association<br/>2021<br/>£'000</b> |
|--|---------------------------------|---------------------------------------|
| <b>Cost</b>  |                                 |                                       |
| As at 1 April 2020                                   | 392                             | 385                                   |
| Additions  | -                               | -                                     |
| Reclassified from other property plant and equipment | 130                             | 130                                   |
| Disposals  | (130)                           | (130)                                 |
| As at 31 March 2021                                  | <u>392</u>                      | <u>385</u>                            |
| <b>Amortisation</b>                                  |                                 |                                       |
| As at 1 April 2020                                   | 158                             | 154                                   |
| Charged  | 77                              | 77                                    |
| Reclassified from other property plant and equipment | 130                             | 130                                   |
| Eliminated on disposal                               | (130)                           | (130)                                 |
| As at 31 March 2021                                  | <u>235</u>                      | <u>231</u>                            |
| <b>Net book value</b>                                |                                 |                                       |
| As at 31 March 2021                                  | <u>157</u>                      | <u>154</u>                            |
| As at 31 March 2020                                  | <u>234</u>                      | <u>231</u>                            |

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

|                                 | <b>Group</b>                              |   |                        |
|---------------------------------|---|---|------------------------|
|                                 | <b>Completed<br/>Properties<br/>£'000</b> | <b>Under<br/>Construction<br/>£'000</b> | <b>Total<br/>£'000</b> |
| <b>Cost</b>                     |   |   |                        |
| At 1 April 2020 (restated)      | 120,422                                   | 10,889                                  | 131,311                |
| Schemes completed in the year   | 4,041                                     | (4,041)                                 | -                      |
| Additions                       |   |   |                        |
| New developments                | -   | 5,722                                   | 5,722                  |
| Component additions             | 2,128                                     | -                                       | 2,128                  |
| Aborted development written-off | -   | (109)                                   | (109)                  |
| Disposals                       | (69)                                      | -                                       | (69)                   |
|                                 | <b>126,522</b>                            | <b>12,461</b>                           | <b>138,983</b>         |
| <b>Depreciation</b>             |   |   |                        |
| At 1 April 2020                 | (29,331)                                  | -                                       | (29,331)               |
| Charge for the year             | (4,750)                                   | -                                       | (4,750)                |
| Eliminated on disposal          | 29  | -                                       | 29                     |
|                                 | <b>(34,052)</b>                           | <b>-</b>                                | <b>(34,052)</b>        |
| <b>Net Book Value</b>           |   |   |                        |
| As at 31 March 2021             | <b>92,470</b>                             | <b>12,461</b>                           | <b>104,931</b>         |
| As at 31 March 2020 (restated)  | 91,091                                    | 10,889                                  | 101,980                |

The opening figures have been restated to account for the LCHO properties having been removed from note 12 and displayed separately on the face of the balance sheet and alone in note 12b.

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

|                                 | Association                      |                                |                 |
|---------------------------------|----------------------------------|--------------------------------|-----------------|
|                                 | Completed<br>Properties<br>£'000 | Under<br>Construction<br>£'000 | Total<br>£'000  |
| <b>Cost</b>                     |                                  |                                |                 |
| At 1 April 2020 (restated)      | 116,904                          | 10,889                         | 127,793         |
| Schemes completed in the year   | 4,041                            | (4,041)                        | -               |
| Additions                       |                                  |                                |                 |
| New developments                | -                                | 5,722                          | 5,722           |
| Component additions             | 2,128                            | -                              | 2,128           |
| Aborted development written-off | -                                | (129)                          | (129)           |
| Disposals                       | (69)                             | -                              | (69)            |
|                                 | <b>123,004</b>                   | <b>12,441</b>                  | <b>135,445</b>  |
| <b>Depreciation</b>             |                                  |                                |                 |
| At 1 April 2020                 | (28,471)                         | -                              | (28,471)        |
| Charge for the year             | (4,553)                          | -                              | (4,553)         |
| Eliminated on disposal          | 29                               | -                              | 29              |
|                                 | <b>(32,995)</b>                  | <b>-</b>                       | <b>(32,995)</b> |
| <b>Net Book Value</b>           |                                  |                                |                 |
| As at 31 March 2021             | <b>90,009</b>                    | <b>12,441</b>                  | <b>102,450</b>  |
| As at 31 March 2020 (restated)  | 88,433                           | 10,889                         | 99,322          |

The opening figures have been restated to account for the LCHO properties having been removed from note 12 and displayed separately on the face of the balance sheet and alone in note 12b.

Freehold land and buildings with a carrying value of £44.3m (2020: £101m) are pledged as security. Those measured at an Existing Use Value – Social Housing valuation currently total £23.6m (2020: £101.4m) which both include market rent properties (note 12a), have been pledged to secure undrawn revolving credit facilities for the Association. New long term loans secured in the year against housing assets are valued on a MV-STT basis and are currently valued at £81.3m. The Association is not allowed to pledge these assets as security for other borrowings or sell them to another entity. In total, 2,213 properties are uncharged whereas the remaining 1,601 properties are charged.

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 £0.65m of replaced components undertaken by the Association's Building Services department (2020: £1.49m). 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.

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

|   | <b>2021</b>  | 2020  |
|---|--------------|-------|
|   | <b>£'000</b> | £'000 |
| <b>Analysis of work to existing properties:</b> |              |       |
| Capitalised replacement of components           | <b>2,128</b> | 4,544 |
| Charge to Statement of Comprehensive Income     | <b>1,966</b> | 2,022 |

### 12a. Investment Properties

|                          | <b>Group</b>        |              | <b>Association</b>  |              |
|--------------------------|---------------------|--------------|---------------------|--------------|
|                          | <b>2021</b>         | 2020         | <b>2021</b>         | 2020         |
|                          | <b>£'000</b>        | £'000        | <b>£'000</b>        | £'000        |
| At 1 April 2020          | <b>1,385</b>        | 1,799        | <b>1,385</b>        | 1,799        |
| Properties re-classified | -                   | (466)        | -                   | (466)        |
| Movement in fair value   | <b>25</b>           | 52           | <b>25</b>           | 52           |
|                          | <hr/>               | <hr/>        | <hr/>               | <hr/>        |
| <b>At 31 March 2021</b>  | <b><u>1,410</u></b> | <u>1,385</u> | <b><u>1,410</u></b> | <u>1,385</u> |

At 31 March 2021, 10 properties remain as market rent valued at £1.410m (2020: 10 properties valued at £1.385m). These properties were valued on the basis of MV-STT by an independent valuer with a recognised and professional qualification in March 2021.

### 12b. Low Cost Home Ownership

|                                | <b>Group</b>    |            | <b>Association</b> |            |
|--------------------------------|-----------------|------------|--------------------|------------|
|                                | <b>2021</b>     | 2020       | <b>2021</b>        | 2020       |
|                                | <b>£'000</b>    | £'000      | <b>£'000</b>       | £'000      |
| <b>Cost as at 1 April 2020</b> | <b>293</b>      | 273        | <b>293</b>         | 273        |
| Additions during the year      | <b>367</b>      | 468        | <b>367</b>         | 468        |
| Disposals during the year      | <b>(660)</b>    | (448)      | <b>(660)</b>       | (448)      |
|                                | <hr/>           | <hr/>      | <hr/>              | <hr/>      |
| <b>As at 31 March 2021</b>     | <b><u>-</u></b> | <u>293</u> | <b><u>-</u></b>    | <u>293</u> |

The LCHO balances do not form part of the figures in note 12 above.

### 12c. Home buy Loans Receivable

|                                | Group        |              | Association  |              |
|--------------------------------|--------------|--------------|--------------|--------------|
|                                | 2021         | 2020         | 2021         | 2020         |
|                                | £'000        | £'000        | £'000        | £'000        |
| <b>At 1 April 2020</b>         | <b>2,287</b> | 1,757        | <b>2,287</b> | 1,757        |
| Loans issued in year           | <b>1,059</b> | 530          | <b>1,059</b> | 530          |
| Loans redeemed during the year | <b>(105)</b> | -            | <b>(105)</b> | -            |
| <b>At 31 March 2021</b>        | <b>3,241</b> | <b>2,287</b> | <b>3,241</b> | <b>2,287</b> |

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**

|                                   | <b>Group</b>                       |  |                        | <b>Association</b>                 |  |                        |
|-----------------------------------|------------------------------------|--|------------------------|------------------------------------|--|------------------------|
|                                   | <b>Freehold property<br/>£'000</b> | <b>Fixtures and Fittings<br/>£'000</b> | <b>Total<br/>£'000</b> | <b>Freehold property<br/>£'000</b> | <b>Fixtures and Fittings<br/>£'000</b> | <b>Total<br/>£'000</b> |
| <b>Cost</b>                       |                                    |  |                        |                                    |  |                        |
| At 1 April 2020                   | 4,492                              | 939                                    | 5,431                  | 4,492                              | 914                                    | 5,406                  |
| Additions                         | -                                  | 21                                     | 21                     | -                                  | -                                      | -                      |
| Reclassified to intangible assets | -                                  | (130)                                  | (130)                  | -                                  | (130)                                  | (130)                  |
| Eliminated on disposal            | -                                  | (94)                                   | (94)                   | -                                  | (94)                                   | (94)                   |
| <b>As at 31 March 2021</b>        | <b>4,492</b>                       | <b>736</b>                             | <b>5,228</b>           | <b>4,492</b>                       | <b>690</b>                             | <b>5,182</b>           |
| <b>Depreciation</b>               |                                    |  |                        |                                    |  |                        |
| At 1 April 2020                   | (576)                              | (866)                                  | (1,442)                | (576)                              | (858)                                  | (1,434)                |
| Charge for the year               | (33)                               | (60)                                   | (93)                   | (33)                               | (36)                                   | (69)                   |
| Reclassified to intangible assets | -                                  | 130                                    | 130                    | -                                  | 130                                    | 130                    |
| Eliminated on disposal            | -                                  | 94                                     | 94                     | -                                  | 94                                     | 94                     |
| <b>As at 31 March 2021</b>        | <b>(609)</b>                       | <b>(702)</b>                           | <b>(1,311)</b>         | <b>(609)</b>                       | <b>(670)</b>                           | <b>(1,279)</b>         |
| <b>Net Book Value</b>             |                                    |  |                        |                                    |  |                        |
| As at 31 March 2021               | <b>3,883</b>                       | <b>34</b>                              | <b>3,917</b>           | <b>3,883</b>                       | <b>20</b>                              | <b>3,903</b>           |
| As at 31 March 2020               | 3,916                              | 73                                     | 3,989                  | 3,916                              | 56                                     | 3,972                  |

## 14. Inventories

|                               | Group         |               | Association   |               |
|-------------------------------|---------------|---------------|---------------|---------------|
|                               | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Raw materials and consumables | 104           | 170           | 83            | 158           |
| Work in progress              | 6,206         | 6,649         | -             | -             |
| <b>Total</b>                  | <b>6,310</b>  | <b>6,819</b>  | <b>83</b>     | <b>158</b>    |

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

## 15. Debtors

|                                | Group         |               | Association   |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Rent arrears (gross)           | 1,133         | 700           | 1,133         | 700           |
| Provision for bad debts        | (331)         | (408)         | (331)         | (408)         |
| Net rental debtors             | <u>802</u>    | <u>292</u>    | <u>802</u>    | <u>292</u>    |
| Loans to employees             | -             | 1             | -             | 1             |
| Intercompany debtor            | -             | -             | -             | 285           |
| Other debtors                  | 265           | 408           | 112           | 312           |
| HMRC - VAT Refund              | 169           | 191           | 149           | 191           |
| Prepayments and accrued income | 338           | 512           | 275           | 501           |
| <b>Total</b>                   | <u>1,574</u>  | <u>1,404</u>  | <u>1,338</u>  | <u>1,582</u>  |

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:

|  | Group         |               | Association   |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Other debtors (car loans)                  | 7             | 18            | 7             | 18            |
| Finance lease - intercompany debtor        | -             | -             | 2,578         | 2,749         |
| Other intercompany debtor                  | -             | -             | 6,383         | 6,723         |
| Total falling due after more than one year | <u>7</u>      | <u>18</u>     | <u>8,968</u>  | <u>9,490</u>  |
| <b>Total debtors</b>                       | <u>1,581</u>  | <u>1,422</u>  | <u>10,306</u> | <u>11,072</u> |

The finance lease debtor is with Capsel for PV panels. See note 25 for further details.



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

|                                    | Group         |               | Association   |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Rents in advance                   | 380           | 481           | 380           | 481           |
| Deferred rental income             | 211           | -             | 211           | -             |
| Other creditors                    | 1,441         | 1,631         | 1,011         | 1,461         |
| Accrued interest                   | 188           | 221           | 188           | 221           |
| Accruals                           | 648           | 382           | 530           | 469           |
| SHG in advance                     | -             | 1,058         | -             | 1,058         |
| Government grants                  | 1,933         | 1,753         | 1,933         | 1,753         |
| Retentions                         | 78            | 310           | 78            | 310           |
| Contractors - planned improvements | 746           | 184           | 746           | 184           |
| Tax and social security            | 244           | 173           | 217           | 148           |
| Pensions                           | 111           | 115           | 111           | 115           |
| Intercompany creditor              | -             | -             | 62            | 115           |
| <b>Total</b>                       | <b>5,980</b>  | <b>6,308</b>  | <b>5,467</b>  | <b>6,315</b>  |

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

|                              | Group         |               | Association   |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Housing loans                | 49,697        | 38,900        | 49,697        | 38,900        |
| Welsh Government dowry grant | 20,430        | 19,675        | 20,430        | 19,675        |
| Social Housing grant         | 22,051        | 17,516        | 22,051        | 17,516        |
| Other government grants      | 128           | 138           | 128           | 138           |
|                              | <b>92,306</b> | <b>76,229</b> | <b>92,306</b> | <b>76,229</b> |

The loans are secured on those freehold properties. During the year MHA has refinanced its housing loan portfolio and interest is now payable at 2.25% (2020: 2.92%)

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

| Analysis of debt repayments: | Group         |               | Association   |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Housing loans                |               |               |               |               |
| Due within:                  |               |               |               |               |
| Between one and two years    | -             | -             | -             | -             |
| Between two and five years   | -             | -             | -             | -             |
| In five years or more        | <b>49,697</b> | 38,900        | <b>49,697</b> | 38,900        |
|                              | <b>49,697</b> | 38,900        | <b>49,697</b> | 38,900        |

During the year MHA refinanced its housing loans with a 40 year private placement. £50m was drawn in February 2021, with a further undrawn facility of £15m available for draw down in 2024. The interest rate is fixed for the duration of the loan at 2.247% on the first tranche £50m and £2.297% on the second tranche delayed drawdown. The association also has undrawn revolving credit facilities of £20m. (2020 – £Nil). All loans are secured against the association’s housing assets at either MV-STT or EUV-SH valuations. The Association is not allowed to pledge these assets as security for other borrowings or sell them to another entity. In total 2,213 properties are uncharged whereas the remaining 1,601 properties are charged.

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

|                            | <b>Dowry<br/>Grant</b> | <b>SHG</b>    | <b>Other<br/>Government<br/>Grants</b> | <b>Total</b>  |
|----------------------------|------------------------|---------------|--|---------------|
|                            | <b>£'000</b>           | <b>£'000</b>  | <b>£'000</b>                           | <b>£'000</b>  |
| <b>Grant Received</b>      |                        |               |  |               |
| As at 1 April 2020         | 31,700                 | 20,772        | 237                                    | 52,709        |
| Received                   | 2,600                  | 4,792         | -                                      | 7,392         |
| As at 31 March 2021        | <b>34,300</b>          | <b>25,564</b> | <b>237</b>                             | <b>60,101</b> |
| <b>Amortisation</b>        |                        |               |  |               |
| As at 1 April 2020         | 10,440                 | 3,097         | 89                                     | 13,626        |
| Amortised                  | 1,715                  | 208           | 10                                     | 1,933         |
| As at 31 March 2021        | <b>12,155</b>          | <b>3,305</b>  | <b>99</b>                              | <b>15,559</b> |
| As at 31 March 2021        | <b>22,145</b>          | <b>22,259</b> | <b>138</b>                             | <b>44,542</b> |
| As at 31 March 2020        | 21,260                 | 17,675        | 148                                    | 39,083        |
| <b>Due within:</b>         |                        |               |  |               |
| Less than one year         | 1,715                  | 208           | 10                                     | 1,933         |
| Between two and five years | 6,860                  | 832           | 40                                     | 7,732         |
| In five years or more      | 13,570                 | 21,219        | 88                                     | 34,877        |
|                            | <b>22,145</b>          | <b>22,259</b> | <b>138</b>                             | <b>44,542</b> |

**18. Provisions – Group and Association**

There are no provisions for the year end 31 March 2021.

## 19. Defined benefit schemes

### SCHEME: Local Government Pension

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 (2020 – 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 2021 by Hymans Robertson LLP. 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: | <b>2021</b> | <b>2020</b> |
|                               | % p.a.      | % p.a.      |
| Pension increase rate         | 2.8%        | 1.8%        |
| Salary increase rate          | 3.1%        | 2.1%        |
| Discount rate                 | 2.05%       | 2.3%        |

### Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2020 model, with 0% weighting of 2020 data, standard smoothing (sk7), initial adjustment of 0.5% and a long term rate of improvement at 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

|                    | Males      |            | Females    |            |
|--------------------|------------|------------|------------|------------|
|                    | 2021       | 2020       | 2021       | 2020       |
| Current pensioners | 20.7 years | 20.6 years | 23.4 years | 22.9 years |
| Future pensioners* | 22.1 years | 21.6 years | 25.4 years | 24.6 years |

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

### Historic Mortality

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

| Prospective Pensioners  | Pensioners  |
|---|---|
| CMI 2018 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. | CMI 2018 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. |

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-April 2008 service and 50% of the maximum tax-free cash for post-April 2008 service.

## 19. Defined benefit schemes (continued)

### SCHEME: Social Housing Pension

Monmouthshire Housing Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer 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.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the Association 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 accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2020. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2021 to 29 February 2022 inclusive.

The key assumptions used are:

|   | <b>2021</b>              | <b>2020</b>              |
|---|--------------------------|--------------------------|
|   | % p.a.                   | % p.a.                   |
| Discount Rate   | 2.22%                    | 2.34%                    |
| Inflation (RPI)   | 3.20%                    | 2.53%                    |
| Inflation (CPI)   | 2.87%                    | 1.53%                    |
| Salary Growth   | 3.87%                    | 2.53%                    |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance | 75% of maximum allowance |

The mortality assumptions adopted imply the following life expectancies:

|                         | <b>2021</b>                              |                         | <b>2020</b>                              |
|-------------------------|--|-------------------------|--|
|                         | <b>Life expectancy at age 65 (Years)</b> |                         | <b>Life expectancy at age 65 (Years)</b> |
| Male retiring in 2021   | 21.6                                     | Male retiring in 2020   | 21.5                                     |
| Female retiring in 2021 | 23.5                                     | Female retiring in 2020 | 23.3                                     |
| Male retiring in 2041   | 22.9                                     | Male retiring in 2040   | 22.9                                     |
| Female retiring in 2041 | 25.1                                     | Female retiring in 2040 | 24.5                                     |

## 19. Defined benefit schemes (continued)

### Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2021 for LGPS and SHPS

|  | LGPS Net<br>(liability)/asset<br>£000's | SHPS Net<br>(liability)/asset<br>£000's | Total Pensions<br>(liability)/asset 2021<br>£000's |
|--|---|---|--|
| Fair value of plan assets  | 26,460                                  | 1,457                                   | 27,917   |
| Present value of funded liabilities  | (35,783)                                | (1,695)                                 | (37,478)   |
| Present value of unfunded liabilities                                      | -                                       | -                                       | -  |
| <b>Opening position as at 31 March 2020</b>                                | <b>(9,323)</b>                          | <b>(238)</b>                            | <b>(9,561)</b>                                     |
| Service cost   |   |   |  |
| Current service cost   | (1,747)                                 | (109)                                   | (1,856)  |
| Expenses   | -                                       | (4)                                     | (4)  |
| Past service cost (including curtailments)                                 | -                                       | -                                       | -  |
| Effect of settlements  | -                                       | -                                       | -  |
| <b>Total service cost</b>  | <b>(1,747)</b>                          | <b>(113)</b>                            | <b>(1,860)</b>                                     |
| Net interest   |   |   |  |
| Interest income on plan assets   | 614                                     | 35                                      | 649  |
| Interest cost on defined benefit obligation                                | (839)                                   | (40)                                    | (879)  |
| <b>Total net interest</b>  | <b>(225)</b>                            | <b>(5)</b>                              | <b>(230)</b>                                       |
| <b>Total defined benefit cost recognised in Profit</b>                     | <b>(1,972)</b>                          | <b>(118)</b>                            | <b>(2,090)</b>                                     |
| Cashflows  |   |   |  |
| Participants' contributions:   | 350                                     | 37                                      | 387  |
|  | (350)                                   | (37)                                    | (387)  |
| Employer contributions   | 889                                     | 126                                     | 1,015  |
| Estimated benefits paid:   | (685)                                   | (102)                                   | (787)  |
|  | 685                                     | 102                                     | 787  |
| Estimated unfunded benefits paid   | -                                       | -                                       | -  |
| Estimated contributions in respect of unfunded benefits paid               | -                                       | -                                       | -  |
| Effect on business combinations and disposals                              | -                                       | -                                       | -  |
| <b>Expected closing position</b>   | <b>(10,406)</b>                         | <b>(230)</b>                            | <b>(10,636)</b>                                    |
| Remeasurements   |   |   |  |
| Changes in financial assumptions   | (12,169)                                | (572)                                   | (12,741)   |
| Changes in demographic assumptions   | (629)                                   | (8)                                     | (637)  |
| Other experience   | 335                                     | (58)                                    | 277  |
| Return on assets excluding amounts included in net interest                | 7,555                                   | 231                                     | 7,786  |
| <b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b> | <b>(4,908)</b>                          | <b>(407)</b>                            | <b>(5,315)</b>                                     |
| Fair value of plan assets  | 35,183                                  | 1,784                                   | 36,967   |
| Present value of funded liabilities  | (50,497)                                | (2,421)                                 | (52,918)   |
| <b>Closing position as at 31 March 2021</b>                                | <b>(15,314)</b>                         | <b>(637)</b>                            | <b>(15,951)</b>                                    |

19. Defined benefit schemes (continued)

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2020 for LGPS and SHPS

|  | LGPS Net<br>(liability)/asset<br>£000's | SHPS Net<br>(liability)/asset<br>£000's | Total Pensions<br>(liability)/asset 2020<br>£000's |
|--|---|---|--|
| Fair value of plan assets  | 28,298                                  | 1,380                                   | 29,678   |
| Present value of funded liabilities  | (40,418)                                | (1,889)                                 | (42,307)   |
| Present value of unfunded liabilities                                      | -                                       | -                                       | -  |
| <b>Opening position as at 31 March 2019</b>                                | <b>(12,120)</b>                         | <b>(509)</b>                            | <b>(12,629)</b>                                    |
| Service cost   |   |   |  |
| Current service cost   | (2,480)                                 | (89)                                    | (2,569)  |
| Past service cost (including curtailments)                                 | (119)                                   | (3)                                     | (122)  |
| Effect of settlements  | -                                       | -                                       | -  |
| <b>Total service cost</b>  | <b>(2,599)</b>                          | <b>(92)</b>                             | <b>(2,691)</b>                                     |
| Net interest   |   |   |  |
| Interest income on plan assets   | 690                                     | 34                                      | 724  |
| Interest cost on defined benefit obligation                                | (999)                                   | (46)                                    | (1,045)  |
| <b>Total net interest</b>  | <b>(309)</b>                            | <b>(12)</b>                             | <b>(321)</b>                                       |
| <b>Total defined benefit cost recognised in Profit</b>                     | <b>(2,908)</b>                          | <b>(104)</b>                            | <b>(3,012)</b>                                     |
| Cashflows  |   |   |  |
| Participants' contributions:   | 366                                     | 25                                      | 391  |
|  | (366)                                   | (25)                                    | (391)  |
| Employer contributions   | 1,031                                   | 100                                     | 1,131  |
| Estimated benefits paid:   | (616)                                   | (6)                                     | (622)  |
|  | 616                                     | 6                                       | 622  |
| Estimated unfunded benefits paid   | -                                       | -                                       | -  |
| Estimated contributions in respect of unfunded benefits paid               | -                                       | -                                       | -  |
| Effect on business combinations and disposals                              | -                                       | -                                       | -  |
| <b>Expected closing position</b>   | <b>(13,997)</b>                         | <b>(513)</b>                            | <b>(14,510)</b>                                    |
| Remeasurements   |   |   |  |
| Changes in financial assumptions   | 5,146                                   | 277                                     | 5,423  |
| Changes in demographic assumptions   | 1,860                                   | 15                                      | 1,875  |
| Other experience   | 977                                     | 59                                      | 1,036  |
| Return on assets excluding amounts included in net interest                | (3,309)                                 | (76)                                    | (3,385)  |
| <b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b> | <b>4,674</b>                            | <b>275</b>                              | <b>4,949</b>                                       |
| Fair value of plan assets  | 26,460                                  | 1,457                                   | 27,917   |
| Present value of funded liabilities  | (35,783)                                | (1,695)                                 | (37,478)   |
| <b>Closing position as at 31 March 2020</b>                                | <b>(9,323)</b>                          | <b>(238)</b>                            | <b>(9,561)</b>                                     |

## 20. Share Capital – Group and Association

|                                  | 2021      | 2020      |
|----------------------------------|-----------|-----------|
|                                  | £         | £         |
| As at start of year              | 68        | 72        |
| Issued during the year           | -         | -         |
| Shares cancelled during the year | -         | (4)       |
| As at end of year                | <u>68</u> | <u>68</u> |

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.

## 21. Statement of Cash Flows

|   | Group               |              | Association         |              |
|---|---------------------|--------------|---------------------|--------------|
|   | 2021                | 2020         | 2021                | 2020         |
|   | £'000               | £'000        | £'000               | £'000        |
| <b>Cash flow from operating activities</b>                |                     |              |                     |              |
| (Deficit)/Surplus for the financial year                  | <b>(4,097)</b>      | 2,654        | <b>(4,794)</b>      | 2,641        |
| <i>Adjustments for non cash items:</i>                    |                     |              |                     |              |
| Depreciation of tangible fixed assets                     | <b>4,843</b>        | 4,524        | <b>4,622</b>        | 4,327        |
| Amortisation of intangible fixed assets                   | <b>77</b>           | 83           | <b>77</b>           | 80           |
| Movement in fair value of investment properties           | <b>(25)</b>         | (52)         | <b>(25)</b>         | (52)         |
| Decrease/(increase) in stock                              | <b>509</b>          | (3,243)      | <b>75</b>           | 1            |
| (Increase)/decrease in trade and other debtors            | <b>(159)</b>        | 172          | <b>766</b>          | (2,936)      |
| (Decrease)/increase in trade and other creditors          | <b>(83)</b>         | 945          | <b>(593)</b>        | 964          |
| Profit on disposal of tangible fixed assets               | <b>(1,790)</b>      | (1,637)      | <b>(1,790)</b>      | (1,637)      |
| Amortisation of government grants                         | <b>(1,933)</b>      | (1,753)      | <b>(1,933)</b>      | (1,753)      |
| Pension costs less contributions payable                  | <b>845</b>          | 1,881        | <b>845</b>          | 1,881        |
| <i>Adjustments for investing or financing activities:</i> |                     |              |                     |              |
| Interest payable  | <b>9,223</b>        | 1,408        | <b>9,223</b>        | 1,408        |
| Interest receivable                                       | <b>(70)</b>         | (4)          | <b>(249)</b>        | (222)        |
| Taxation  | <b>72</b>           | -            | <b>62</b>           | -            |
| <b>Net cash generated from operating activities</b>       | <b><u>7,412</u></b> | <u>4,978</u> | <b><u>6,286</u></b> | <u>4,702</u> |



## Net debt reconciliation – Group

|                                  | At 1 April 2020<br>£'000 | Cash flows<br>£'000   | Other non-<br>cash changes<br>£'000 | At 31 March 2021<br>£'000 |
|----------------------------------|--------------------------|-----------------------|-------------------------------------|---------------------------|
| <b>Cash and cash equivalents</b> |                          |                       |                                     |                           |
| Cash                             | 1,557                    | 9,854                 | -                                   | 11,411                    |
| Cash equivalents                 | 265                      | (265)                 | -                                   | -                         |
|                                  | <u>1,822</u>             | <u>9,589</u>          | <u>-</u>                            | <u>11,411</u>             |
| <b>Borrowings</b>                |                          |                       |                                     |                           |
| Debt due within one year         | -                        | -                     | -                                   | -                         |
| Debt due after one year          | (38,900)                 | (11,100)              | 303                                 | (49,697)                  |
|                                  | <u>(38,900)</u>          | <u>(11,100)</u>       | <u>303</u>                          | <u>(49,697)</u>           |
| <b>Total</b>                     | <b><u>(37,078)</u></b>   | <b><u>(1,511)</u></b> | <b><u>303</u></b>                   | <b><u>(38,286)</u></b>    |

## Net debt reconciliation – Association

|                                  | At 1 April 2020<br>£'000 | Cash flows<br>£'000   | Other non-<br>cash changes<br>£'000 | At 31 March 2021<br>£'000 |
|----------------------------------|--------------------------|-----------------------|-------------------------------------|---------------------------|
| <b>Cash and cash equivalents</b> |                          |                       |                                     |                           |
| Cash                             | 1,446                    | 8,948                 | -                                   | 10,394                    |
| Cash equivalents                 | 265                      | (265)                 | -                                   | -                         |
|                                  | <u>1,711</u>             | <u>8,683</u>          | <u>-</u>                            | <u>10,394</u>             |
| <b>Borrowings</b>                |                          |                       |                                     |                           |
| Debt due within one year         | -                        | -                     | -                                   | -                         |
| Debt due after one year          | (38,900)                 | (11,100)              | 303                                 | (49,697)                  |
|                                  | <u>(38,900)</u>          | <u>(11,100)</u>       | <u>303</u>                          | <u>(49,697)</u>           |
| <b>Total</b>                     | <b><u>(37,189)</u></b>   | <b><u>(2,417)</u></b> | <b><u>303</u></b>                   | <b><u>(39,303)</u></b>    |

## 22. Financial Commitments

Capital commitments are as follows:

### Capital Commitments

|  | Group         |               | Association   |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Contracted but not provided for              | 8,497         | 5,684         | 8,497         | 5,684         |
| Approved by the Board but not contracted for | 6,334         | 3,937         | 6,334         | 3,937         |
|  | <u>14,831</u> | <u>9,621</u>  | <u>14,831</u> | <u>9,621</u>  |

The expenditure will be funded by a combination of Social Housing Grant, an existing long –term loan facility of £50m, and undrawn revolving credit facility of £20m as at 31 March 2021.

## 23. Operating Leases

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

| Operating leases                                  | Group         |               | Association   |               |
|---|---------------|---------------|---------------|---------------|
|   | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Payments due:-                                    |               |               |               |               |
| Not later than one year                           | 15            | 37            | 15            | 37            |
| Later than one year and not later than five years | 12            | 6             | 12            | 6             |
| Later than five years                             | -             | -             | -             | -             |
| <b>Total</b>                                      | <u>27</u>     | <u>43</u>     | <u>27</u>     | <u>43</u>     |

## 24. Housing Stock

|   | As at 1 April<br>2020<br>(Restated) | Acquisitions | Disposals   | As at 31 March<br>2021 |
|---|-------------------------------------|--------------|-------------|------------------------|
| Housing accommodation at a social rent        | 3,709                               | 44           | (4)         | <b>3,749</b>           |
| Housing accommodation at an intermediate rent | 41                                  | 3            | -           | <b>44</b>              |
| Supported Housing Accommodation               | 11                                  | -            | -           | <b>11</b>              |
| Housing accommodation at market rent          | 10                                  | -            | -           | <b>10</b>              |
| LCHO - held for sale                          | 6                                   | 3            | (9)         | -                      |
|   | <u>3,777</u>                        | <u>50</u>    | <u>(13)</u> | <u><b>3,814</b></u>    |

The opening units have been adjusted from the amounts presented as the closing units in the previous financial statements (2020 - 3,793). 16 units which were presented as having been handed over in the year to 31 March 2020 were completed early in this financial year. At 31 March 2021, the Association was developing an additional 61 units (2020 - 57 units) for social housing. Of the social housing units above 15 are leased to partner organisations who lease them at social rents and 12 are earmarked for disposal under the asset management strategy when possible.

## 25. Related party transactions

Monmouthshire Housing Association's board consists of two councillors and fourteen independent members. All members are remunerated based on their responsibilities. No board member can use their position to their advantage. These travel expenses total £252 in the year (2020: £2,285). At the year end, tenant board members had an aggregate rent balance of £352 in credit (2020: £259) after a rental charge of £14,757 in the year (2020: £14,431).

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 2021 the total recharge was £42k (2020: £41k).

During the year, Capsel Limited undertook £2,516k (2020: £1,084k) of work for Monmouthshire Housing Association Limited. Monmouthshire Housing Association undertook £2,548k (2020: £1,983k) of work for Capsel Limited.

The yearend inter-company balances were:

- Owed by Monmouthshire Housing Association to Capsel £62k (2020: £115k)
- Owed by Capsel to Monmouthshire Housing Association £8.96 million (2020: £9.76 million)

## **26. 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.

## **27. 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 £697k profit (2020: £13K) with their net assets totalling £503k at 31 March 2021 (2020: net liabilities totalling £194k).









## Monmouthshire Housing Association

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