Financial Statements

31 March 2021

Valleys to Coast Housing Limited

(Registered Society with charitable rules)
Registration Number: 30205R

Cymoedd i'r Arfordir
Valleys to Coast

Providing homes where people feel safe and happy


o'r Cymoedd i'r Arfordir
from Valleys to Coast

Contents

Information

Board Members (as at 31 March 2021)

Independent Board Members:	**Anthony Whittaker - Chair** **Joanne Smith - Vice Chair** **Jason Evans** **Lisa Griffiths** **Caroline Jones** **Sophie Taylor** **Andrew Wallbridge** **Stuart Baldwin (resigned 18/06/2021)** **Mark Woloshak** **John Kinder - Vice Chair (resigned 31/12/20)**

The Board members listed above have held office during the whole of the year and to the date of this report unless otherwise stated. The Board members are drawn from a wide range of backgrounds, bringing together professional, commercial, tenant and local experience.

The Leadership Team as at 31 March 2021 were Joanne Oak (Chief Executive) appointed 4 May 2020, Darrin Davies (Corporate Director of Development and Growth), Emma Howells (Corporate Director of Homes and Communities), Steve Gopal (Corporate Director of Property Services, resigned 11/06/21), Claire Marshall (Corporate Director of Finance, Governance, Strategy and Performance), Liz Murray-Downie (Corporate Director of People and Organisational Development), and Polly Thompson (Corporate Director of IT, Digital and Data).

Other Information

Registered Office:	Tremains Business Park Tremains Road Bridgend CF31 1TZ
Company Secretary:	**Christopher Mundy**
External Auditors:	**Mazars LLP** Chartered Accountants and Statutory Auditor 90 Victoria Street Bristol BS1 6DP

Internal Auditors:	**Barcud Shared Services** 2 Alexandra Gate Ffordd Pengam Cardiff CF24 2SA	
Solicitors:	**Capital Law** Tyndall Street Cardiff CF10 4AZ	**Blake Morgan LLP** One Central Square Cardiff CF10 1FS
	Hugh James Two Central Square Cardiff CF10 1FS	**Geldards LLP** Dumfries House Cardiff CF10 3ZF
	Trowers & Hamlins LLP 55 Princess Street Manchester M2 4EW	
Bankers:	**Lloyds Banking Group** Commercial Banking St William House Tresilian Terrace Cardiff CF10 5BH	
Funders:	**Nationwide Building Society** Kings Park Road Moulton Park Northampton NN3 6NW	**Principality Building Society** Principality Buildings Queen Street Cardiff CF10 1UA
	M&G Investments Laurence Poultney Hill London EC4R 0HH	**Natwest Bank** 9th Floor 250 Bishopsgate London, EC2M 4AA

Welsh Government Registration No: L137
Company Registration No: 30205R

Registered Society with charitable rules under the Co-operative and Community Benefit Societies Act 2014

Principal Activities

Valleys to Coast Housing Limited (the Company) is a Registered Society with charitable rules under the Co-operative and Community Benefit Societies Act 2014.

The Company is a not-for-profit organisation administered by a remunerated Board. The Company operates within the Bridgend County Borough Council local authority area, and provides management, maintenance, and improvement services to 5,933 rented homes, all within the administrative boundary of Bridgend County Borough Council (BCBC).

Valleys to Coast also provides management services to 689 leasehold flats, has a portfolio of 50 shops and other non-residential properties let on commercial terms, and manages 815 garages.

The Company's principal activities are the improvement, management, and development of housing for rent.

Valleys to Coast was established through a stock transfer from Bridgend County Borough Council (BCBC) in September 2003 with the aim of improving our customers' homes and working with other organisations to support the wider community.

Board Report - Strategic Review

Having stepped out of the shadow of the pandemic, Valleys to Coast is currently in a period of optimistic change and improvement. The past year, since the last Annual Review, has been a challenge for everyone. Staff had to work from home, and lockdowns resulted in our repairs and maintenance teams experiencing interrupted service.

We know we have not bounced back from COVID as fast as we should have. So now the business is back to full strength, and because our customers are at the heart of everything we do, we have dedicated the necessary resources needed to prioritise the postponed repairs and maintenance, and amplify our safe and happy homes project.

This is in the form of a Turnaround Programme, which will bring experts from across the business together to get things up to speed and done - swiftly, to high standards. The programme will also focus on understanding what our customers want and need. We are doing this by consulting, engaging and communicating what we are doing with all our customers moving forward.

This forms part of the ‘Brilliant Basics’ stage of our refreshed 10-year Corporate Plan (2021-2031), which maps our strategic priorities into three stages, the first laying the solid foundation the organisation needs to build and grow upon.

Ultimately, our core purpose as a housing association is to create homes where customers feel safe and happy. This is the very essence of why we exist, and drives all our strategic priorities.

We recognise that safe and happy customers, living in safe and happy homes, need to live in safe and happy places. Which is why we also focus on giving back to the communities where our customers live, investing in what they tell us they need.

Recently this has meant creating a schoolyard and putting bus stops, benches and communal green spaces in the right spots - the pandemic has shown us how important access to nature is when it comes to our customers' wellbeing.

Moving forward, sustainability will be a key theme running through the business. From putting nesting boxes in our estates to bring birdlife back to our communities, to ensuring our homes, office and depot are carbon neutral by 2030. We have made huge strides in this already, from moving our IT systems into the 'cloud' to our Barnhaus eco homes in Marlas, and committing to changing our fleet of vehicles to electric.

This is part of our vision to help build a better Bridgend and Wales. We believe passionately in supporting our local community, and strive to create strong and meaningful relationships with other local anchor organisations to help regenerate Bridgend.

Our organisation's purpose is:

Providing homes where people feel safe and hapy

Board Report

We continue to work with local suppliers and contractors wherever possible to maximise the impact of our investments within the local community. We pay all of our suppliers on time, and are fair and transparent in our procurement and tendering processes to ensure we deliver true value for our customers.

For our organisation to reach its potential, our colleagues need to feel safe and happy too. After spending so much time working from home, the Corporate Strategy is a roadmap to guide our colleagues' working behaviour as they return back to the office, depot and communities.

But we are determined to take the positives from the past year, and have engaged an external consultancy to look at our 'Future Ways of Working'. By giving our colleagues flexibility and choice on where and how they work, they can work smarter, which is beneficial to the organisation and what it wants to achieve.

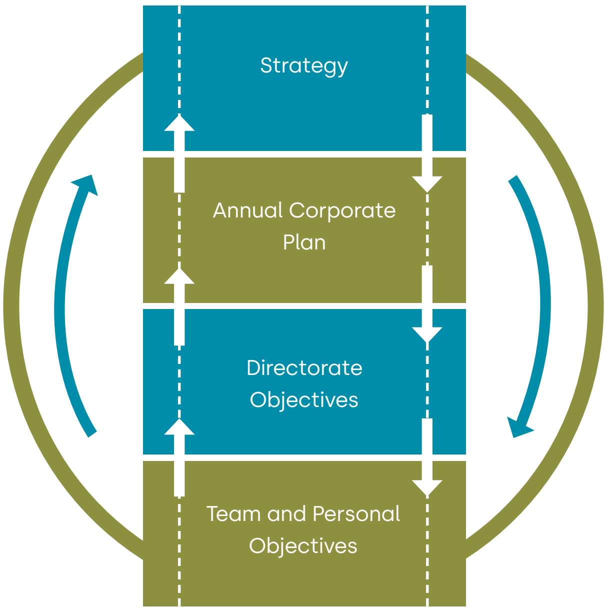
The Turnaround Programme will ensure we think and work together as an organisation, focusing on themes and not teams, and getting the Brilliant Basics foundation stage right. By creating a culture of continuous improvement, and by valuing, trusting, inspiring and challenging our colleagues to be brilliant, their work will help us achieve for our customers.

It is these values, and our work culture, that really defines the organisation. They are our guiding principles, inspiring our colleagues on how to behave and act.

We see the potential in all our colleagues and customers, and nurture that. We always try to think differently, to try new things to improve our colleagues' lives and careers. And we are committed to having the courage to see things through, acting with conviction and compassion, strength and determination.

Our Corporate Strategy will drive our annual plans and objectives for every directorate, team and employee over the next decade. Our achievements on the journey will feed back into our overarching organisational strategy, which is what we call our 'Golden Thread'.

Golden thread



It will ensure we continue to be a vibrant organisation which delivers quality homes and services for its customers. Providing value for money is a key objective for Valleys to Coast, and we aim to work continuously on driving through greater efficiencies across the whole organisation, achieving truly customer-centric services, finding ways to be a more environmentally sustainable business and landlord, and to provide a dynamic and enjoyable work experience for all our colleagues.

Performance of the year

The Board reports a surplus for the year before actuarial gains of £2.2 million as shown in the Statement of Comprehensive Income, and net assets of £46.1 million, as reported in the Statement of Financial Position.

During the year, the Company invested £9.1m (2020: £6.9 million) on planned repairs and improvement of housing properties. Details of changes to the Company's fixed assets are shown in notes 9, 10 and 11 to the financial statements.

Even though many parts of the business were materially impacted by the pandemic, our development projects are going from strength to strength. The team continued to operate throughout the past 12 months, finishing 40 new homes: 4 units at Clos Capel Y Pil (the Barnhaus Pilot), 23 at Ael Y Bryn and 13 in Heol Y Cyw.

A number of development projects are currently in the pipeline, which will deliver innovative, desirable, and affordable housing both in Bridgend town centre and our surrounding communities including:

- Dros Y Lyn in Porthcawl - 24 new homes welcoming customers in summer 2021
- Ffordd Yr Eglwys in North Cornelly - 4 new homes due to be ready by autumn 2021
- St John's in Cefn Cribwr - 10 new homes ready for completion in early 2022
- Woodland Avenue in Porthcawl - 10 new homes due to be ready by spring 2022
- Maesteg Road in Tondu - 10 new homes also due to be ready by spring 2022
- Ewenny Road in Bridgend Town Centre - 7 new homes expected by spring 2022
- Parc Derwen in Coity - 16 new homes (and 7 to sell) by summer 2022
- Brocastle Avenue in Waterton - 25 new homes expected by autumn 2022
- Heol y Groes in Pencoed - 24 new homes aiming to complete in 2021
- The former Welsh Water site in Cefn Cribwr - aiming to purchase the site for 14 new homes in March 2022
- Bettws Regen (Lower Bettws) - currently investigating options to construct 20-30 homes on land owned by Valleys to Coast
- 10 homes in Oxford Court, North Road, in Ogmore Vale
- 35 homes in Glanyrafon, Ynysawdre

The development of new homes is a key part of our 10-year Corporate Plan as this strategy delivers much needed new affordable housing in Bridgend, provides valuable jobs and investment opportunities within our communities, and also helps us to generate income which can be reinvested into the maintenance and improvement of all our homes.

In such uncertain times, communities are looking towards housing associations to do what they do best and continue providing support to those in need, particularly the most vulnerable members of our society. However, social distancing has made this a real challenge during the past year, and our priority throughout the pandemic has been to ensure that our customers and colleagues have remained safe and well.

At times, this has led us to having to make very difficult operational decisions about which services we have been able to provide to our customers, and the support received from colleagues and customers alike has been exceptional throughout. Our Money Matters and Welsh Water teams generated additional value for customers of approximately £1.62m (2020: £1.26m) during the year.

By the end of the financial year, some 81.58% (2020: 81.82%) of customers reported they were satisfied with the service from Valleys to Coast. Rent arrears have decreased marginally to 2.18% from 2.20% last year, 99.5% (2020: 100%) of properties had valid gas safety certificates, and electrical certifications were below target at 99.8% (2020: 99.88%) by the end of March 2021.

Compliance with key health and safety targets has continued to be a major area of focus during the pandemic, and we have closely followed Welsh Government guidance with regards to entering our customers' homes to keep our colleagues and our customers safe.

During the year, a number of our colleagues were furloughed under the Government's Coronavirus Job Retention Scheme (JRS). Many of these colleagues were part of our home repairs service because non-emergency home repairs were unable to be carried out during lockdowns to minimise the risk to our colleagues and customers. Valleys to Coast has received income from the JRS to the total of £319k.

The Board's role continues to be one of oversight, and it has fully embraced virtual working to allow this important role to be maintained. The Leadership Team worked closely with the Board to keep them informed on the ongoing financial and operational performance during the last financial year.

The focus continues to be on delivering our operational priorities and to protect the organisation for the long-term, delivering our strategic priorities as detailed in our new Corporate Strategy.

A restructure was carried out by the Leadership Team and Board in December 2020 to ensure the organisation was equipped and able to deliver the new Corporate Strategy objectives. As a result of the restructure, some exceptional staff costs were incurred - a breakdown is included in notes 7 and 8 to these financial statements on pages 58 and 59.

The Leadership Team shouldered the day-to-day responsibility for managing the organisation's response to the pandemic. They met regularly throughout the year to ensure decision making continued and all activities were appropriate, with the safety of our customers, colleagues and stakeholders being paramount.

As we hopefully now emerge from the pandemic, our priorities continue to include our long-term financial viability, whilst providing a high level of service to our customers. Our Money Matters team continues to work closely with our customers to optimise income levels and reduce rent arrears wherever possible. And the Turnaround Team are focused on all repairs being completed on a timely basis, to the high standards our customers rightly deserve and expect. They are also focused on reducing the backlog of repairs and getting all void properties ready to let to our new customers as soon as possible.

Liquidity continues to be strong, and there are no expected loan covenant breaches within our five year business plan. These are monitored in line with the company's treasury management policy, incorporating the Board's 'Golden Rules'. No additional funding has been required because of the pandemic, with sufficient funding in place to deliver the current planned development and major repairs programme.

As at the balance sheet date, management considers that the actions being taken are sufficient to safeguard against any long-term risks to the business.

Key Accounting Policies

The principal accounting policies are set out in Note 1 to the financial statements.

In preparing the financial statements on the going concern basis, the Board and management team have had regard to the budgets, business plans, liquidity position and financial forecasts for the company.

Following this review, the Board considers it appropriate to draw up the financial statements on the going concern basis. Further analysis on this is provided in Note 1 to the financial statements on page 35.

Post Balance Sheet Events

The Board is not aware of any post balance sheet events that require disclosure.

Key Performance Indicators

Key Performance Indicators, as reported either to the Welsh Government or internally, are set out in the following table:

	2020/21 Actual	2020/21 Target	2019/20 Actual	2018/19 Actual
Arrears	2.18%	3.1%	2.28%	1.99%
Empty homes loss percentage	2.68%	0.83%	1.20%	0.90%
Average time taken to complete repairs:				
- All responsive repairs	13.6 days	10 days		
- Emergency	9.6 hours		8.8 hours	4.3 hours
- Urgent	5.9 days		4.4 days	3.9 days
- Non-urgent	15.53 days		13.65 days	12.8 days
Annual housing management cost per unit	£397	£424	£389	£688
Annual total cost of maintenance per unit (revenue)	£1,742	£1,752	£1,658	£1,136
Annual total cost of planned maintenance and improvements per unit (capital)	£1,177	£1,375	£782	£908
Total maintenance and improvement costs per unit (revenue and capital)	£2,919	£3,127	£2,440	£2,044

Arrears - The total value of current tenant arrears at the year-end (net of unpaid direct Housing Benefit) as a percentage of the annual rent debit - Arrears at 2.18% are lower than the target of 3.1%.

Empty homes loss percentage - The cumulative value of void loss as a percentage of the annual rent debit - Losses from empty homes at 2.68% is higher than the target of 0.83%.

The average time taken to complete repairs - our performance is worse than target for all categories of repairs; emergency, urgent and non-urgent and performance has deteriorated compared with the previous financial year. The impact of the pandemic has resulted in a decline in performance in all areas of repairs and maintenance, but a plan is in place to address this and greatly improve performance in 2021-2022.

Annual Housing Management Cost per unit - The cost shown above has decreased compared with the prior year due to changes in the mix of repairs carried out, and the decrease in the number of repairs carried out.

The housing management cost per unit provides a measure of how efficient the company is in terms of the management of the portfolio of tenanted properties. It includes all direct salary costs for housing management staff, together with costs such as insurance, tenant participation, costs of rent collection as well as a fair apportionment of overhead and office costs. It does not include estate costs which could be recovered through the charging of a service costs. The actual cost per unit at £397 is lower than the budget assumption for the year

Annual total cost of maintenance per unit (revenue and capital) - The total cost of maintenance per unit provides a measure of how costly it is for the Company to maintain its stock. It includes all routine and cyclical maintenance and the cost of major repairs and improvements, charged to the Income and Expenditure Account (revenue) or charged to the Balance Sheet (capital). The total maintenance cost (revenue and capital) per unit at £3,126 was almost exactly on budget for the year.

The total cost also includes the cost of administration and management of the maintenance functions of the Company.

Value For Money Statement

The Board recognises the importance of Value for Money (VFM) in all its activities, not just in terms of managing costs but also achieving sustainable value for its stakeholders and continuing to build its balance sheet strength and financial robustness. We monitor VFM performance on a monthly basis, and it forms an integral strand of our new Corporate Strategy for 2021-2031.

Valleys to Coast's value for money goals are:

- The improvement of its operating margin and achieving better operating efficiencies;
- The improvement of its operating margin and achieving better operating efficiencies;
- Continuously developing new development and treasury strategies to improve its stock of homes and support its fair share of the sector ambition of building 20,000 new homes in Wales. Our ambition is to develop 1,000 new homes over the next 10 years;
- Having sufficient resources available to adequately invest in our asset management and technology improvement strategies.

To do this will require the furtherance of effective procurement, developing better management information, business data and customer insight, effective project management and close monitoring of its future forecasts and financial plans.

We will also continue to consider the allocation of resources across the business; the social return on investment it achieves; seek to better understand business performance compared to our peers and work hard in meeting the challenges and opportunities presented by welfare reform, the Affordable Housing Review and tenure reform.

We will engage in sector initiatives relating to VFM and transparency as they develop. Finally, a strong cultural focus on our customers and their needs, both internal and external, will also be an essential element to achieving VFM across the whole of Valleys to Coast.

Remuneration

Policy

The Remuneration Committee is responsible for annually reviewing the Reward Policy for all colleagues. It considers any salary uplifts for colleagues and makes recommendations to the Board.

The Remuneration Committee pays close attention to remuneration levels in the sector in determining the remuneration packages of the Leadership Team and other senior staff. Basic salaries are set having regard to issues of affordability, the external market, CPI inflation and pay levels for comparable positions.

Service contracts

The Leadership Team are appointed on permanent contracts with a six-month period of notice.

Pensions

All members of the Leadership Team were ordinary members of a defined contribution SHPS pension scheme as at 31 March 2021. The Leadership Team participates in the scheme on the same terms as all other eligible staff. The Company contributes to the schemes on behalf of its employees.

Other benefits

The senior officers are not entitled to other benefits such as the provision of a car allowance. Full details of the Leadership Team's remuneration packages are included in note 8 to these audited financial statements.

Employees

The strength of the Company lies in the quality and commitment of our colleagues. Our ability to meet our objectives and commitments to customers in an efficient and effective manner depends on the contribution of colleagues throughout the Company.

The Company continues to provide information on its objectives, progress and activities through regular office and departmental meetings and full briefings.

The Company is committed to equal opportunities for all its colleagues and supports the employment of any individuals with a disability, both in recruitment and in the retention of colleagues who may become disabled whilst in the employment of the Company.

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Company has prepared detailed health and safety policies and provides training, communications and education on health and safety matters to all colleagues on a regular basis. The Board will continue to ensure that health and safety is of the highest importance going forwards.

Corporate Governance

The Company has adopted Community Housing Cymru's (CHC) first Code of Governance and is now working towards adopting the recently updated 2021 Code of Governance. It is pleased to report that, in all material respects, it complies with the principal recommendations of the Code of Governance.

With regards to the Regulatory Framework issued by Welsh Government in May 2017, the latest regulatory judgement for Valleys to Coast was issued by Welsh Government in December 2020. Valleys to Coast was rated as 'standard' for both financial viability and 'governance and services' which is the highest possible rating. The Board reports below on how it seeks to continue to achieve effective housing association governance:

The Board

The Board comprises nine non-executive members, as at March 2021, and they are collectively responsible for managing the affairs of the Company. The Board meets at least four times a year for regular business and also meets to discuss strategic direction, in-depth reviews, and for members' training.

The Board is responsible for the Company's strategy and policy framework. Day-to-day management and implementation of that framework is delegated to the Chief Executive and other members of the Leadership Team who meet regularly and who also attend Board meetings.

Committees

The Board is supported by a committee structure to support in key areas and to advise on detailed areas of the business. The committees currently in place are an Audit and Risk Committee, a People and Remuneration Committee, and a new Development and Assets Committee.

The Audit and Risk Committee comprises a minimum of three Board members and meets up to four times a year. It considers the appointment of internal and external auditors, the scope of their work and their reports, as well as monitoring risk management.

The People and Remuneration Committee comprises a minimum of three Board members and meets at least once a year. It reviews remuneration of all colleagues in accordance with the Company's Reward Policy.

The Development and Assets Committee includes two co-optee members, supported by Board Members and colleagues from our Leadership Team.

The Board and its committees obtain external specialist advice when needed.

The Company's business plans, and Corporate Plan, establish the overall objectives and strategy in respect of risk management. This reflects:

- Risk appetite - the types and levels of risk that are considered acceptable. The Company's risk appetite is agreed for each individual strategic risk by the Audit and Risk Committee. Where a strategic risk is found to not be within the Company's risk appetite action is taken to put in place further controls, or assurances are sought that the identified controls are operating effectively;
- Risk response - the action that will be taken to manage, monitor or mitigate the risk;
- Policy setting - where risks levels and responses can be determined, internal policies are established;
- Assurance - how the Board can be comfortable that the risks are being monitored and managed and any issues arising are being tackled.

Within the Risk Management Policy, it is acknowledged that the Board retains overall responsibility for risk. Day-to-day management of risks is formally assigned to the Leadership Team.

The Board's objective in doing so is to:

- Encourage a culture of risk awareness;
- Ensure risks remain well controlled;
- Ensure accountability and responsibilities are clear;
- Create a structure for the provision of reporting on the management of risk to the Leadership Team and the Board.

Identification of risk is conducted in a structured way to ensure that:

- Board Members and colleagues undertaking the review are aware of the Company's strategic objectives as set out in the Corporate Plan;
- All high priority strategic and operational risks are identified;
- The evaluation of risk is set in overall context;
- Risks can be prioritised in a realistic manner in order to ensure resources are focussed on critical areas.

The Board's strategic risk analysis has identified several challenges over the next five years with the most significant including:

- Governance;
- Regulation;
- Treasury and cash management;
- Landlord health and safety;
- Inadequate investment into our existing homes;
- People and culture;
- Data integrity and protection;
- Decarbonisation;
- Unforeseen major incidents or events, and;
- IT resilience and cyber security.

Internal Control

The Board bears responsibility for ensuring the Company operates a secure control environment. The controls serve to give reasonable assurance regarding:

- The reliability of financial information used within the Company and for publication;
- The maintenance of proper accounting records;
- The safeguarding of assets against unauthorised use.

The Board is responsible for establishing and maintaining systems of internal control. Such systems cannot provide categorical assurance against material financial misstatement or loss, but can be expected to provide reasonable assurance.

Key elements in ensuring a strong control environment include:

- The presence of formal policies and procedures;
- Clear delegation of authority;
- An appropriate level of experienced and suitably qualified colleagues;
- The performance monitoring of forecasts and budgets;
- The identification, evaluation, and management of significant risks;
- A policy on fraud prevention, detection and reporting, and the recovery of assets;
- Suitable authorisation of major commitments which might put the Company at risk;
- A robust and independent internal audit service, reporting appropriately to members, with suitable follow-up mechanisms in place.

The Audit and Risk Committee has reviewed the effectiveness of the system of internal control in the Company for the year ended 31 March 2021 and does so on an on-going basis.

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements, and the Board are not aware of any such weaknesses from 1 April 2021 to date.

Directors Indemnity

The Board confirmed the Company does have Directors' and Officers' Insurance in place.

Treasury Management

The Company has a treasury operation within the Finance Department, whose primary function is to manage liquidity, funding, investment and the company's financial risk, including risk from volatility in interest rates and counterparty credit risk. The Company defines its treasury management activities as "The management of its cash flows, banking, money market and capital market transactions; the effective control of the risks associated with these activities; and the pursuit of optimum performance consistent with those risks."

The Company regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities is measured. Accordingly, the analysis and reporting of treasury management activities focus on risk implications for the Company.

The Company acknowledges that effective treasury management provides support towards the achievement of its business and service objectives. We are therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management. The treasury operation is not a profit centre and the objective is to manage risk on a cost-effective basis; speculative transactions are not permitted.

Treasury policies are reviewed and approved annually by the Board. Our treasury policy does permit the prudent use of derivative instruments to hedge interest rate risks, where appropriate and subject to the approval of the Welsh Government.

Our treasury policy also states that we will endeavor to ensure that our borrowings contain a mix of fixed and variable rate structures and our current Annual Treasury Strategy states that variable rate funding will not exceed 30% of the total debt outstanding. At 31 March 2021, 7.8% of the total drawn loan facilities of £57m are on variable rates.

The Company does not have any abnormal exposure to price, credit, liquidity, and cash flow risks arising from its trading activities. The Company does not enter into trading transactions in financial instruments, but has arranged simple interest rate hedging through fixing of rates for not less than 70% of projected loan drawdown requirements over the next five years.

Statement of Financial Position, Debt and Liquidity

The Company's financial instruments comprise cash, short term investments and borrowings. Regarding liquidity, as the improvement and the provision of housing is a long-term business; the Company's policy is to finance it primarily through medium- and long-term borrowings.

The total loan facility is £68m and is made up of:

- A £5 million variable rate revolving loan facility, funded by Lloyds Bank, which can be drawn and repaid and redrawn, as our financial requirements fluctuate, until 4 December 2023;
- A £7.5 million fixed rate long term facility, funded by the Nationwide and Principality Building Societies, which must be fully repaid by 31 March 2025;
- A £10 million fixed rate long term facility, funded by the Nationwide Building Society, which also must be fully repaid by 16 December 2028;
- A £25 million fixed rate Note Purchase Agreement, facilitated by M&G Investments, which must be fully repaid by 31 March 2045;
- A £10 million fixed rate Note Purchase Agreement, facilitated by M&G Investments, which must be fully repaid by 31 March 2052;
- A £10 million term loan facility, funded by NatWest, which must be fully repaid by 21 December 2028;
- A £0.5m Land for Housing Loan from Welsh Government which is due to be repaid in May 2021.

Statement of Board's Responsibilities

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Registered Social Landlord (RSL) legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS102). Under the RSL 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 and surplus or deficit of the Company for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent Practice (SORP) Accounting by Registered Social Housing Providers (SORP 2014), have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for maintaining an adequate system of internal control and keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Board members are aware:

- There is no relevant audit information of which the Company's auditor is unaware;
- The Board members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Annual General Meeting

The Annual General Meeting will be held on 22 September 2021.

Approved by the Board on 26 July 2021 and signed on its behalf by:

Anthony Whittaker
Chair of the Board

Independent auditor's report to the members of Valleys to Coast Housing Limited

Opinion

We have audited the financial statements of Valleys to Coast Housing ('the association') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the association's affairs as at 31 March 2021, and of the association's surplus for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and;
- Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the 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 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 association's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other information

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

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 22, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the 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 association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the association, and its sector, we identified that the principal risks of non-compliance with laws and regulations related to employment and health and safety regulations, Welsh Government legislation of the regulation of Registered Social Landlords and implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

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

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements.

Our audit procedures included but were not limited to:

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at;

www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of the audit report

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

Mazars LLP
Chartered Accountants and Statutory Auditor
90 Victoria Street

Bristol
BS1 6DP

Mazars LLP

Date: 1 September 2021

Statements

Statement of Comprehensive Income for the Year Ended 31 March 2021

	Note	2021	2020
		£'000	£'000
TURNOVER	2a	32,437	31,473
Operating Costs	2a	(27,272)	(26,571)
Surplus on Disposal of Property, Plant and Equipment	3	37	1,410
OPERATING SURPLUS	2a	5,202	6,312
Interest Receivable		4	50
Interest and Financing Costs	4	(2,973)	(3,248)
SURPLUS FOR THE YEAR ON ORDINARY ACTIVITIES	6	2,233	3,114
Taxation on Surplus for the Year	5	(11)	(4)
SURPLUS FOR THE YEAR AFTER TAX		2,222	3,110
Total Actuarial Gains	23	87	375
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,309	3,485

The Company's turnover and expenses all relate to continuing operations.

Statement of Changes In Reserves at 31 March 2021

	Revenue Reserve
	£'000
At 31 March 2020	43,763
Surplus for the Year	2,222
Total Actuarial Gains	87
At 31 March 2021	46,072

Statement of Financial Position at 31 March 2021

	Note	2021	2020
		£'000	£'000
FIXED ASSETS			
Intangible Assets	9	683	788
Housing Properties	10	132,275	125,280
Other Property Plant and Equipment	11	662	519
Investments - Homebuy Loans Receivable	12	533	566
		134,153	127,153
CURRENT ASSETS			
Inventories	13	71	74
Trade and Other Debtors	14	3,095	2,903
Cash and Cash Equivalents	22	3,613	4,821
		6,779	7,798
Creditors: amounts falling due within one year	15	(17,082)	(11,088)
NET CURRENT (LIABILITIES)/ASSETS		(10,303)	(3,290)
TOTAL ASSETS LESS CURRENT LIABILITIES		123,850	123,863
Creditors: amounts falling due after more than one year	16	(47,703)	(51,622)
"Social Housing and Other Government Grants: amounts falling due after more than one year"	17	(27,316)	(25,869)
SHPS Pension Liability	23	(2,758)	(1,049)
LGPS Pension Liability	23	-	(1,560)
NET ASSETS		46,072	43,763
CAPITAL AND RESERVES			
Non-Equity Share Capital	19	-	-
Comprehensive Income account		46,072	43,763
		46,072	43,763

Anthony Whittaker
Chair of the Board

J Smith

Joanne Smith
Board Member

Chris Munday

Christopher Munday
Company Secretary

Cash Flow Statement
for the Year Ended 31 March 2021

	Note		2021		2020
		£'000	£'000	£'000	£'000
Net cash generated from operating activities	20		14,537		10,515
Cash Flows from investing activities					
Purchase of intangible assets		(289)		(334)	
Acquisition, construction and improvement of housing properties		(13,394)		(10,321)	
Purchase of other property plant and equipment		(269)		(296)	
Proceeds from sale of housing properties		37		-	
Grants received		2,154		1,994	
Interest received		4		50	
Net Cash Flows from investing activities			(11,757)		(8,907)
Cash Flows from financing activities					
Repayment of loans	21	(5,535)		(3,710)	
New secured loans	21	4,500		1,500	
Loan arrangement and brokerage costs paid		(31)		(49)	
Interest paid		(2,921)		(3,248)	
Net Cash Flows from financing activities			(3,987)		(5,507)
Net decrease in cash and cash equivalents	22		(1,208)		(3,899)
Cash and cash equivalents at 1 April 2020	22		4,821		8,720
Cash and cash equivalents at 31 March 2021	22		3,613		4,821

Free cash flow		2021	2020
		£'000	£'000
Net cash generated from operating activities	20	14,537	10,515
Interest paid	4	(2,921)	(3,248)
Interest received		4	50
Adjustment for reinvestment in existing properties			
Component replacements		(6,986)	(4,610)
Free cash generated before loan repayments		4,634	2,707
Loans repaid (excluding refinancing)		(5,535)	(3,710)
Free cash generated after loan repayments		(901)	(1,003)

Notes to the Financial Statements for the Year Ended 31 March 2021

1 Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year. The Board is satisfied that the current accounting policies are the most appropriate for the Company.

(a) General Information and basis of accounting

The financial statements have been prepared under 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 Social Landlords General Determination (Wales) 2015. The Company is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed "PBE" in FRS 102.

The March 2018 edition of FRS 102 includes amendments arising from the Financial Reporting Council's triennial review of the standard. There is no material effect on the amounts recognised in these financial statements as a result of adopting these amendments.

The inclusion of certain items, including the sale of fixed assets, within operating surplus on the face of the Statement of Comprehensive Income has been amended following the clarification in the March 2018 edition of FRS 102. The disclosure of comparative figures has also been amended accordingly.

(b) Going Concern

The financial statements have been prepared on a going concern basis, and in accordance with applicable accounting standards. The activities of the business are profitable, and the association's financial forecasts covering the short and medium term indicate that it will generate sufficient surpluses to meet its liabilities as they fall due.

The Company also has a long-term business plan which shows that it can service these debt facilities whilst continuing to comply with all lenders' covenants.

As at March 2021, these financial statements are showing a net current liability position of £10,303k (2020: net current liabilities of £3,291k). The Board are comfortable that the business has sufficient funds in place to cover its liabilities as they fall due, and do not believe that the net current liability position changes their view of the appropriateness of the use of the going concern assumption. Work is ongoing within the business to improve efficiency, Value for Money outcomes as well as improved debt recovery which will all help improve the net current liability position during 2021-2022.

The Company's business activities, its current financial position, and factors likely to affect its future development are regularly considered by the Board.

The Company has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Company's day to day operations.

Rent arrears levels are being monitored on a weekly basis, and additional resources have been allocated to supporting our customers during this difficult time.

Void levels have also increased over the last financial year due to the difficulties in repairing homes ready for letting, and a number of our colleagues were furloughed for a number of months during the financial year. However, void work is now happening at pace, and all of our colleagues have returned from furlough. The Board and Leadership Team are confident that void levels will return to much more normal levels before the end of the 2021-2022 financial year.

It is therefore not considered that the pandemic poses a going concern risk to the business. Similarly, whilst the future full impact of Brexit is unknown, the Board does not believe that it poses a going concern risk to the business. Some price increases for raw materials are being seen within the sector and this is being monitored closely.

On this basis, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. Accordingly, the Board considers it appropriate to adopt the going concern basis for the preparation of the financial statements.

(c) Turnover

Turnover represents rental and other income receivable, grants for supported housing and other revenue grants receivable. Rental income is accounted for in full weeks. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Amortisation of social housing and other government grants is accounted for in line with the accounting policy.

(d) Sales of Properties and Fixed Asset Investments

Surpluses or deficits resulting from the sale of properties and fixed asset investments are shown in the Statement of Comprehensive Income under surpluses/(deficits) on disposal of property, plant and equipment. Revenue is recognised on the completion of sales. As noted above in (a), the surplus arising from the sale of fixed assets is now shown within operating surplus.

(e) Intangible Assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation, and any provision for impairment. Amortisation is provided on all Intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

- Computer Software Development 33.3%

(f) Housing Properties

Housing Properties are stated at cost less depreciation. Cost includes the cost of acquiring the land and buildings plus associated loan interest, fees and works required to bring them into use.

Directly attributable costs are the labour costs of Valleys to Coast arising directly from the acquisition of Housing Properties, and incremental costs that would have been avoided only if individual properties had not been acquired.

Any abortive costs incurred relating to developments that do not proceed are written off to the Statement of Comprehensive Income in the year identified as abortive.

Depreciation is charged on a straight-line basis, over the useful economic life of the asset. Freehold land is not depreciated.

Major Components of New Housing Properties and Purchased Housing Properties are depreciated over their estimated elemental life span, on a straight-line basis over the following periods:

- Heating systems - 18 years
- Boilers - 12 years
- Kitchens - 15 years
- Lifts - 20 years
- Bathrooms - 25 years
- Electrical systems and whole house rewires - 25 years
- Energy production equipment (PV solar panels and air source heat pumps) - 25 years
- External wall Insulation - 25 years
- External and retaining walls - 50 years
- External windows and doors - 30 years
- Rainwater goods - 15 years
- Roofs - 65 years

The structure of all traditionally built New Housing Properties and Purchased Housing Properties' capitalised cost is depreciated on a straight-line basis over a period of 100 years.

The structure of all non-traditionally built New Housing Properties and Purchased Housing Properties' capitalised cost is depreciated on a straight-line basis over a period of 50 years.

All other capitalised Housing Property Improvements are depreciated on a straight-line basis over a period of 50 years.

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 surplus or deficit 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 Company 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.

(g) Impairment of Housing Properties

At each reporting date an impairment assessment is carried out on all income generating units and any impairment is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an asset exceeds the higher of its net realisable value or its fair value less costs to sell.

An impairment review has taken place on all the Company's Housing Properties as at 31 March 2021 and it is felt that the properties are not impaired.

(h) Non-Housing Property, Plant & Equipment

Non-housing property, plant and equipment is stated at historical 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:

Office Improvements	Over the remaining lives of the leases
Furniture, Fixtures & Fittings	10%
Computers & Office Equipment	20%
Plant & Tools	25%
Vehicles	25%

(i) Inventories

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

(j) Social Housing and Other Government Grants

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

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

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

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

(k) Recycling of Grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is de-recognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

(l) Pension Costs

The Company participates in three pension schemes:

The Social Housing Pension Scheme (the SHPS Scheme) is a defined benefit scheme managed by the Pensions Trust. The SHPS Scheme is an industry wide multi-employer defined benefit pension scheme where the scheme assets and liabilities previously could not be separately identified for each employer.

This defined benefit pension scheme was closed to future contributions in July 2019.

The defined benefit pension liability is accounted for on a defined benefit basis. Further disclosures relating to the SHPS defined benefit pension scheme can be found in Note 23.

1. The Local Government Pension Scheme (the LGPS Fund) is a defined benefit scheme managed by Rhondda Cynon Taf County Borough Council. The LGPS Fund is a multi-employer scheme where it is possible for the Company to identify its share of the assets and liabilities of the scheme. For the LGPS Fund the amounts charged to operating surplus are the costs arising from employee services rendered during the year and the cost of plan benefit changes. 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 defined benefit liability) are recognised immediately in other comprehensive income. See Note 23 for further details.

2. The Social Housing Pension Scheme (SHPS) Defined Contribution (DC) scheme.

(m) 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.

(n) Financial Instruments and Loans

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

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

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

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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 fair 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.

Financing transactions

Loan arrangement fees are capitalised and recognised as expenditure over the terms of the loans.

(o) Operating Leases

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.

(p) Value Added Tax (VAT)

The Company is partially exempt for VAT purposes and charges VAT on some of its income and can recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Company and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

(q) Debtors

Short term debtors are measured at transaction price less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method less any impairment. Where deferral of payment terms have been agreed at below market rate and where material, the balance is shown at the present value, discounted at a market rate.

(r) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities including bank loans, are measured initially at fair value, net of transaction cost, and are measured subsequently at amortised cost using the effective interest method.

(s) Home Buy Option

Where the Company received an allowance from Welsh Government to administer the sale of property under the 'Home Buy Option' initiative and in turn has made an interest free loan to the purchaser secured by a charge on the property, the loan is accounted for under investments at cost with the associated grant included in long term liabilities on the statement of financial position.

(t) Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

2 Significant Management Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Significant management judgements

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

Impairment of social housing properties
The Company must 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.

(b) Estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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.

Provisions

Provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Defined benefit pension scheme

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on several 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. Please see note 23 for further information.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in operating expenses.

Recoverable amount of rental and other trade receivables

Management estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt. Please see note 14 for further information.

Useful Lives of Depreciable Assets

Tangible fixed assets are depreciated over their useful lives. Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets.

Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes in homes standards which may require more frequent replacement of key components.

The key judgements and estimates applied in respect of housing property are contained within these notes, in section 1(e) above, and include the useful economic life of properties and that properties have no residual value at the end of useful life.

Social housing grant and other capital grants

All government grants initially appear as creditors in the Statement of Financial Position at the fair value of the sum receivable. Grants are amortised on a straight-line basis over the life of the asset whose purchase they support which is, as above, is an estimate. The impact of this estimate is disclosed in Note 17.

2a Turnover, Operating Costs and Operating Surplus

	Turnover	Operating costs	Operating surplus	Turnover	Operating costs	Operating surplus
			2021			2020
	£'000	£'000	£'000	£'000	£'000	£'000
Income and Expenditure from lettings						
General Needs Housing Accommodation	29,625	(25,969)	3,656	29,165	(25,032)	4,133
Supported, Sheltered and Extra-Care Housing Accommodation	1,484	(776)	708	1,404	(1,101)	303
Fully Rented Housing Accommodation	31,109	(26,745)	4,364	30,569	(26,133)	4,436
Commercial Property	183	(28)	155	179	(98)	81
Garages and Garage Bases	171	(11)	160	177	(26)	151
Development costs not capitalised	-	(89)	(89)	-	(28)	(28)
Total from lettings	31,463	(26,874)	4,589	30,925	(26,285)	4,640
Leaseholders	175	(316)	(141)	175	(120)	55
Other activities	799	(82)	717	373	(166)	207
	32,437	(27,272)	5,165	31,473	(26,571)	4,902
Surplus on disposal of Property, Plant and Equipment	-	-	37	-	-	1,410
	32,437	(27,272)	5,202	31,473	(26,571)	6,312

2b Income and Expenditure from Social Housing Lettings

	General Needs Housing Accommodation	Supported, Sheltered and Extra-Care Housing Accommodation	2021 Total	2020 Total
	£'000	£'000	£'000	£'000
Income				
Rent receivable	28,421	885	29,307	28,804
Service charges receivable	409	598	1,007	910
Grant for supported housing	-	-	-	-
Tenant Recharges	37	-	37	90
Welsh Government Housing Finance Grant (HFG) revenue receipt	59	-	59	59
Amortisation of social housing and other government grants	699	-	699	706
Turnover from social housing lettings	29,625	1,484	31,109	30,569

2b Income and Expenditure From Social Housing Lettings

	General Needs Housing Accommodation	Supported, Sheltered and Extra-Care Housing Accommodation	2021 Total	2020 Total
	£'000	£'000	£'000	£'000
Costs				
Housing management	6,054	(0)	6,054	6,000
Housing services	4,599	577	5,176	4,524
Maintenance - reactive	5,019	1	5,019	6,305
Maintenance - cyclical	1,333	40	1,373	1,362
Planned maintenance and major repairs	2,998	-	2,998	1,933
Depreciation of housing properties	5,431	143	5,574	5,397
Depreciation of other fixed assets	507	15	522	414
Rent loss from bad debts	27	1	28	198
Operating costs on social housing lettings	25,969	776	26,745	26,133
Operating surplus on social housing lettings	3,656	708	4,364	4,436
Rent loss due to voids (memorandum note)	(731)	(8)	(739)	(331)

3 Sales of Housing Properties and other Fixed Assets

	2021 £'000	2020 £'000
Sales proceeds	37	1,698
Costs of sales	(0)	(288)
Surplus on disposal	37	1,410

4 Interest and Financing Costs

	2021 £'000	2020 £'000
Loans and bank overdrafts	2,921	3,170
Net interest on defined benefit liability (note 23)	52	78
	2,973	3,248

5 Tax on Surplus on Ordinary Activities

	2021 £'000	2020 £'000
Current tax		
UK Corporation Tax on surplus for the year	11	4
Adjustment in respect of prior years	-	-
Total tax on results on ordinary activities	11	4

	2021 £'000	2020 £'000
Total tax reconciliation		
Surplus on taxible activities before tax	57	21
Theoretical tax at UK corporation tax rate 19%	11	4
Income not taxable	-	-
Non-deductible expenditure	-	-
Adjustments to tax in respect of prior periods	-	-
Total tax on taxible activities	11	4

6 Surplus on Ordinary Activities

	2021 £'000	2020 £'000
Surplus on ordinary activities is stated after charging:		
Staff costs	8,627	8,815
Operating lease payments	485	565
Depreciation of housing properties (Note 10)	5,574	5,393
Depreciation of intangible assets (Note 9)	394	301
Depreciation of other property plant and equipment (Note 11)	126	112
Amortisation of government grants	(699)	(706)
Auditors' remuneration (inclusive of VAT):		
In their capacity as auditors - current year fees	36	27
Prior year overrun fees	-	23
In respect of other services - tax compliance	11	4

7 Staff Costs

	2021 £'000	2020 £'000
Staff costs including directors:		
Wages and salaries	7,121	6,779
Social security costs	695	652
Other pension costs - Employer's contributions	773	684
	8,589	8,115
In addition to the above were payments in respect of redundancy, early retirement, in lieu of notice and equal pay claims	242	282

The additional payments of £242k above are made up of £67k for discretionary final pyments, £136k for payments in lieu of notice, termination pay of £24k and redundancy payments of £15k.

Average number of persons expressed as full time equivalents employed during the year:	2021 Number	2020 Number
Management and administration	154	138
Scheme co-ordinators, community caretakers and cleaners	12	11
Housing Repair Service (operatives)	62	77
Total number of employees expressed as full time equivalents	228	226

Average number of employees during the year:		
Management and administration	163	146
Scheme co-ordinators, community caretakers and cleaners	12	14
Housing Repair Service (operatives)	64	78
Average total number of employees	239	238

8 Directors' Emoluments

	2021 £'000	2020 £'000
The remuneration paid to the directors and senior officers including the Chief Executive was:		
Emoluments (including employer's pension contributions)	530	395

The increase in remuneration above includes the impact of some exceptional payments due to a restructuring that took place in December 2020.

	2021 £'000	2020 £'000
The emoluments of directors and senior officers disclosed above (excluding pension contributions) include amounts paid to:		
The highest paid director	145	114

Board members received remuneration of totalling £50,652 (2020: £28,373) in the year.

	2021	2020
Anthony Whittaker	9,000	13,011
John Kinder	4,750	3,478
Mark Woloshak	5,000	2,319
Joanne Smith	6,042	1,855
Stuart Baldwin	4,000	1,855
Andrew Wallbridge	4,000	1,855
Jason Evans	5,000	1,000
Lisa Griffiths	4,000	1,000
Caroline Jones	4,100	1,000
Sophie Taylor	4,761	1,000

The full time equivalent number of directors and staff to whom emoluments were payable in excess of £50,000 (excluding pension contributions) fell within the bands:

	2021 Number	2020 Number
£50,001 - £60,000	9	6
£60,001 - £70,000	3	3
£70,001 - £80,000	3	-
£80,001 - £90,000	-	-
£90,001 - £100,000	-	1
£100,001 - £110,000	1	2
£110,001 - £120,000	-	2
£120,001 - £130,000	1	-
£130,001 - £140,000	-	-
£140,001 - £150,000	1	-

Expenses paid during the year to Board Members amounted to £11 (2020: £1,154).

9 Intangible Assets

	Computer Software £'000
COST	
At 1 April 2020	3,237
Additions	289
Disposals	-
At 31 March 2021	3,526
DEPRECIATION	
At 1 April 2020	2,449
Charge for the year	394
Eliminated on disposals	-
At 31 March 2021	2,843
NET BOOK VALUE	
At 31 March 2021	683
At 31 March 2020	788

10 Housing Properties

	Housing Properties held for letting	Housing Properties under construction	Housing Properties Total
	£'000	£'000	£'000
COST			
As at 1 April 2020	171,974	7,391	179,365
Additions	7,840	5,554	13,394
Transferred on Completion	8,624	(8,624)	-
Abortive Development Costs	(81)	-	(81)
Disposals	(1,247)	-	(1,247)
At 31 March 2021	187,110	4,321	191,431
DEPRECIATION			
As at 1 April 2020	(54,085)	-	(54,085)
Charge for the year	(5,574)	-	(5,574)
Eliminated on disposals	503	-	503
At 31 March 2021	(59,156)	-	(59,156)
NET BOOK VALUE			
At 31 March 2021	127,954	4,321	132,275
At 31 March 2020	117,889	7,391	125,280

Housing and other properties held for letting comprise:

	2021	2020
	£'000	£'000
Improvements to freehold land and buildings	84,046	80,894
Purchases of freehold properties and new development	43,908	36,995
	127,954	117,889

Major repairs and improvement expenditure on existing properties during the year amounted to £9,142,000 (2020 - £6,961,000). This has been accounted for as follows:

	2021	2020
	£'000	£'000
Planned maintenance and major repairs (revenue)	986	2,351
Improvements (capital)	6,986	4,610

11 Other Property Plant and Equipment

	Office Improvements £'000	Furniture, Fixtures & Fittings £'000	Computers & Office Equipment £'000	Plant & Tools £'000	Vehicles £'000	Total £'000
COST						
At 1 April 2020	572	385	1,063	71	27	2,118
Additions	208	-	62	-	-	269
Disposals	-	-	-	-	-	-
At 31 March 2021	780	385	1,125	71	27	2,387
DEPRECIATION						
At 1 April 2020	425	208	875	67	24	1,599
Charge for the year	47	21	55	1	2	126
Eliminated on disposals	-	-	-	-	-	-
At 31 March 2021	472	229	930	68	26	1,725
NET BOOK VALUE						
At 31 March 2021	308	156	195	3	1	662
At 31 March 2020	147	177	188	4	3	519

12 Investments - Homebuy Loans Receivable

	Grant Funded £'000	Non-Grant Funded £'000	Total £'000
COST			
At 1 April 2020	57	509	566
Additions	-	-	-
Disposals	(33)		(33)
At 31 March 2021	24	509	533

Homebuy Loans Recievable represent long term loans provided to individuals purchasing properties under the 'Home-Buy initiative'. Where properties funded by Social Housing Grant or disposed of, the grant is required to be either recycled to fund new Social Housing or repaid to Welsh Government.

In other investments, Vallets to Coast own a 25% share in Barcud Shared Services Limited. There is no profit share payable due to Schedule 1 and various limitations of the Members' Rules. This is a key element of the Membership and payments to Barcud are therefore not considered an "investment". There is a profit-sharing element withing the Barcud Group between Astari (Barcud's subsidiary) and Barcud.

13 Inventories

	2021 £'000	2020 £'000
Stock of materials	71	74

14 Trade and Other Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Gross rent and service charge arrears	2,339	2,082
Less: provision for bad debts	(1,293)	(1,110)
Net rent and service charge arrears	1,046	972
Other debtors	496	879
Prepayments and accrued income	1,553	1,052
	3,095	2,903

15 Creditors: Amounts Falling Due within One Year

	2021 £'000	2020 £'000
Loans (Note 18)	8,950	5,985
Trade creditors	3,147	1,906
Other taxation and social security costs	171	161
Rent and service charges received in advance	698	538
Retentions	475	410
Social Housing and Other Government Grants (note 17)	726	754
Accruals and deferred income	2,915	1,334
	17,082	11,088

16 Creditors: Amounts Falling Due After More Than One Year

	2021 £'000	2020 £'000
Loans due between 1 and 5 years	6,000	7,500
Loans due greater than 5 years	42,500	45,000
Less deferred loan arrangement fees	(886)	(935)
	47,614	51,565
Recycled Capital Grant Fund	89	57
	47,703	51,622

	2021 £'000	2020 £'000
Recycled Capital Grant Fund		
At 1 April 2020	57	52
Additions (note 17)	32	31
Disposals	-	(27)
At 31 March 2021	89	57

17 Deferred Income - Government Grants

	2021 £'000	2020 £'000
At 1 April 2020	26,623	25,410
Grant Receivable	2,154	1,994
Amortisation to Statement of Comprehensive Income	(699)	(706)
Grant Disposals	(4)	(44)
Transferred to RCGF	(32)	(31)
At 31 March 2021	28,042	26,623

Due within one year	726	754
Due after one year	27,316	25,869
	28,042	26,623

18 Debt Analysis

	2021 £'000	2020 £'000
Housing Loans – due within one year		
Bank Loans – revolving loan facility	8,950	5,985
Housing Loans – due after more than one year		
Bank Loans – long term loan facility (Repayable within five years)	6,000	7,500
Bank Loans – long term loan facility (Repayable after five years)	42,500	45,000

The loans are secured by specific charges on the Company's housing properties and a fixed charge over the entire undertaking and are repayable as follows:

- A £5 million variable rate revolving loan facility, funded by Lloyds Bank, which can be drawn and repaid and redrawn, as our financial requirements fluctuate, until 4 December 2023;
- A £7.5 million fixed rate long term facility, funded by the Nationwide and Principality Building Societies, which must be fully repaid by 31 March 2025;
- A £10 million fixed rate long term facility, funded by the Nationwide Building Society, which also must be fully repaid by 16 December 2028;
- A £25 million fixed rate Note Purchase Agreement, facilitated by M&G Investments, which must be fully repaid by 31 March 2045;
- A £10 million fixed rate Note Purchase Agreement, facilitated by M&G Investments, which must be fully repaid by 31 March 2052;
- A £10 million term loan facility, funded by NatWest, which must be fully repaid by 21 December 2028;
- An interest free loan of £0.5m, funded by Welsh Government, which is due to be repaid in May 2021.

At 31 March 2021, the Company had undrawn loan facilities of £10.5 million (2020 - £13.5 million). Commitment fees also apply at a rate of 0.475% on £0.5 million of the undrawn balance and 0.66% on the remaining £10 million balance.

19 Non-Equity Share Capital

	2021 £	2020 £
Shares of £1 each fully paid and issued:		
At 1 April 2020	48	48
Issued during the year	-	9
Cancelled during the year	-	(9)
At 31 March 2021	48	48

The shares provide members with the right to vote at general meetings. The shares carry no right to a dividend, there is no provision for the redemption of shares and there is no provision for a distribution following a winding-up.

20 Reconciliation of Operating Surplus to Cash Generated from Operating Activities

	2021 £'000	2020 £'000
Operating surplus for the year	5,202	6,312
Adjustments for non-cash items:		
Depreciation charges	6,094	5,806
Amortisation of social housing and other government grants	(699)	(619)
Release of loan transaction fees	81	77
Abortive development costs	81	17
Net gain on the sale of other fixed assets	(37)	615
Disposal of Fixed Assets	744	-
Pension costs less contributions paid and actuarial gain	217	(317)
Movement in bad debt provision	183	54
(Increase)/decrease in trade and other debtors	(375)	(799)
(Decrease)/increase in trade and other creditors	3,058	(765)
(Increase)/decrease in stock	3	(32)
Other net movements	(14)	166
Cash generated from operating activities	14,537	10,515

21 Reconciliation of Net Cash Flow to Movement in Net Debt

	2021 £'000	2020 £'000
(Decrease)/Increase in cash	(1,208)	(3,889)
Net cash outflow/(inflow) from decrease/(increase) in debt	1,035	2,210
Change in net debt resulting from cash flows	(173)	(1,689)
Movement in net debt in the year		
Net debt at 1 April 2020	(53,664)	(51,975)
Net debt at 31 March 2021	(53,837)	(53,664)

22 Analysis of Changes in Net Debt

	At 1 April 2020 £'000	Cash Flows £'000	At 31 March 2021 £'000
Cash at Bank and in hand	4,821	(1,208)	3,613
Loans - Long term loan facility	(58,485)	1,035	(57,450)
	(53,664)	(173)	(53,837)

23 Pension Obligations

Up to 31 March 2008 the Company's employees were eligible to join either the Social Housing Pension Scheme (the SHPS Scheme) or the Rhondda Cynon Taf County Borough Council Pension Fund, which is part of the Local Government Pension Scheme (the LGPS Fund).

From 1 April 2008 the Company's employees, not already members of either Pension Scheme, were only eligible to join benefit structures under the SHPS Scheme, although the SHPS defined benefit scheme was closed to new contributions from July 2019.

Therefore, Valleys to Coast only actively participates in one defined benefit scheme, which is the LPGS pension scheme. Further information on the liabilities for both the LPGS and SHPS schemes is given below.

Summary of Liability:	2021 £'000	2020 £'000
LGPS	-	1,560
SHPS	2,758	1,049
Total Liability	2,758	2,609

SHPS - General information

The company 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 completed 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 Company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme. For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

The Scheme is a defined benefit scheme in the UK. As at 31 March 2021 there were no active members of the Scheme employed by the Company (2020: 0).

SHPS Scheme - Present values of defined benefit obligation, fair value of assets and defined benefit asset liability

	2021 £'000	2020 £'000
Fair value of plan assets	6,580	5,946
Present value of defined benefit obligation	(9,338)	(6,995)
Defined benefit liability to be recognised	(2,758)	(1,049)

23 Pension Obligations (Continued)

SHPS Scheme - Reconciliation of opening and closing balances of the defined benefit obligation

	2021 £'000	2020 £'000
Opening defined benefit obligation	6,995	7,031
Current service cost	-	174
Expenses	12	12
Interest Expense	160	183
Member contributions	-	18
Actuarial (gains)/losses due to scheme experience	(167)	338
Actuarial losses/(gains) due to changes in demographic assumptions	30	(63)
Actuarial losses/(gains) due to changes in financial assumptions	2,407	(957)
Adjustment for prior year actuarial assumption change	-	695
Benefits paid out and expenses	(99)	(436)
Closing defined benefit obligation	9,338	6,995

SHPS Scheme - Reconciliation of opening and closing balances of the fair value of plan assets

	2021 £'000
Opening fair value of assets	5,946
Interest income on assets	138
Experience on plan assets gain/(loss)	427
Employee Contributions	168
Member Contributions	-
Benefits paid and expenses	(99)
Closing fair value of plan assets	6,580

SHPS Scheme - Amounts recognised in the Statement of Comprehensive Income

	2021 £'000
Operating cost	
Current service cost	-
Expenses	12
Financing Cost	
Interest on net defined liability	22
Pension expense recognised in surplus for the year	34

SHPS Scheme - Amounts recognised in Other Comprehensive Income

	2021 £'000
Experience on plan assets	427
Experience gains and losses arising on the plan liabilities - gain / (loss)	167
Effects of changes in the underlying demographic assumptions	(30)
Effects of changes in the underlying financial assumptions	(2,407)
Total amount recognised in Other Comprehensive Income - (loss)	(1,843)

SHPS Scheme - Assets

	2021 £'000	2020 £'000
Global Equity	1,048	870
Absolute Return	363	310
Distressed Opportunities	190	115
Credit Relative Value	207	163
Alternative Risk Premia	248	416
Fund of Hedge Funds	1	3
Emerging Markets Debt	266	180
Risk Sharing	239	201
Insurance-Linked Securities	158	183
Property	137	131
Infrastructure	439	442
Private Debt	157	120
Opportunistic Illiquid Credit	167	144
High Yield	197	-
Oportunistic Credit	180	-
Corporate Bond Fund	389	339
Liquid Credit	79	2
Long Lease Property	129	103
Secured Income	274	226
Liability driven Investment	1,672	1,973
Net Current Assets	40	25
Fair value of assets	6,580	5,946

23 Pension Obligations (Continued)

SHPS Scheme - Principal Financial Assumptions

The principal assumptions used for FRS 102 purposes were:

	2021 % p.a.	2020 % p.a.
Discount Rate	2.22	2.31
Inflation (RPI)	3.17	2.47
Inflation (CPI)	2.88	1.47
Salary Growth	3.88	2.47
Allowance for commutation of pension for cash at retirement (Maximum allowance)	75%	75%

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	(Years)
Male retiring in 2021	21.5
Female retiring in 2021	23.3
Male retiring in 2041	22.9
Female retiring in 2041	24.5

LGPS General Comments

LGPS asset returns

Asset returns over the accounting period have been higher than expected. This has led to a gain on assets over the accounting period and an improvement in the balance sheet position.

Financial assumptions

There has been a change to the financial assumptions over the period. The discount rate has reduced by 0.20%, the CPI inflation assumption has increased by 0.70% and the salary increase assumption has increased by 0.70%. This has resulted in a less positive balance sheet position than if the financial assumptions at the start of the period had been used. The impact of this change is recognised in Other Comprehensive Income.

Net pension asset this year and surplus restriction

The FRS 102 balance sheet is showing a net pensions asset before surplus restriction under paragraph 28 of FRS 102. Paragraph 28 states that "An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan."

We believe that the accounting surplus should be restricted and so the surplus of £2.3m has not been recognised on the Statement of Financial Position. The surplus has been partially offset by a deficit of £230k relating to unfunded scheme liabilities. Therefore the net surplus which is not being recognised in the Statement of Financial Position is £2,070k.

However, it was also not felt to be appropriate to continue to recognise the prior year pension scheme deficit, and so this has been released, resulting in an overall balance sheet liability position of £0 for the LGPS scheme.

This approach has been discussed and agreed with the external auditors and their actuaries.

LGPS Fund - Principal Financial Assumptions

The principal assumptions used by the actuary in updating the latest valuations of the LGPS Fund for FRS 102 purposes were:

	2021 % p.a.	2020 % p.a.
Discount Rate	2.10	2.30
Rate of inflation (CPI)	2.70	2.00
Pension increases	2.70	2.00
Pension accounts revaluation rate	2.70	2.00
Rate of general increase in salaries	3.95	3.25

The approximate split of assets for the LGPS Fund as a whole (based on the data supplied by the Fund Administering Authority) is shown in the table below.

	2021 Asset Split %	2020 Asset Split %
Equities	72.5	63.7
Property	6.3	8.6
Government Bonds	8.3	13.8
Corporate Bonds	12.3	13.0
Cash	0.6	0.9
	100.0	**100.0**

LGPS Fund - Mortality Assumptions

The mortality assumptions at the accounting date are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 Actuarial Valuation, and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below.

Post Retirement Mortality	**2021**	**2020**
Males		
Pensioner member aged 65 at accounting date	21.8	21.7
Active member aged 45 at accounting date	22.8	22.7

Post Retirement Mortality	**2021**	**2020**
Females		
Pensioner member aged 65 at accounting date	24.1	24.0
Active member aged 45 at accounting date	25.6	25.5

23 Pension Obligations (Continued)

LGPS Fund - Reconciliation of funded status to the Statement of Financial Position

	2021 £'000	2020 £'000
Fair value of assets	42,860	32,450
Pesented value of funded liabilities	(40,560)	(34,010)
Funded Status	2,300	(1,560)
Unrecognised asset	(2,300)	-
Net pension liability	-	(1,560)

The split of the liabilities at the last valuation between the various categories of members is as follows:

Active members	48%
Deferred Pensioners	15%
Pensioners	37%

LGPS Fund - Amounts recognised in the Statement of Comprehensive Income

	2021 £'000	2020 £'000
Operating cost		
Current service cost	520	660
Past service cost	-	170
Provision for the impact of GMP and the McCloud judgement	-	-
Financing cost		
Interest on net defined liability	30	30
Pension expense recognised in surplus for the year	550	860

LGPS Fund - Amounts recognised in other comprehensive income

	2021 £'000	2020 £'000
Asset gains/(losses) arising during the year	10,190	(1,720)
Liability (losses)/gains arising during the period	(6,190)	1,850
Total amount recognised in other comprehensive income	4,000	130

LGPS Fund - Changes to the present value of defined benefit obligations

	2021 £'000	2020 £'000
Opening defined benefit obligation	34,010	35,520
Current service cost	520	660
Interest expense on defined benefit obligation	770	840
Contributions by participants	90	110
Actuarial losses/(gains) on liabilities	6,190	(1,850)
Net benefits paid out	(1,020)	(1,440)
Past service cost	-	170
Closing defined benefit obligation	40,560	34,010

LGPS Fund - Changes to the fair value of assets

	2021 £'000	2020 £'000
Opening fair value of assets	32,450	34,330
Interest income on assets	740	810
Remeasurement gains/(losses) on assets	10,190	(1,720)
Contributions by the employer	410	360
Contributions by participants	90	110
Net benefits paid out	(1,020)	(1,440)
Closing fair value of assets	42,860	32,450

LGPS Fund - Actual return on assets

	2021 £'000	202 £'000
Interest income on assets	740	810
Remeasurement gains/(losses) on assets	10,190	(1,720)
Actual return on assets	10,930	(910)

24 Capital Commitments

	2021 £'000	2020 £'000
Capital expenditure contracted but not provided for in the financial statements	4,491	4,404
Capital expenditure authorised by the Board but not contracted	15,092	23,318

Funding

The capital commitments above will be funded by existing loan facilities as detailed in note 18, and by Social Housing Grant (SHG).

25 Other Financial Commitments

At 31 March 2020 the total future minimum lease payments under non-cancellable operating leases are as follows:

	2021 Land and buildings £'000	2021 Other £'000	2020 Land and buildings £'000	2020 Other £'000
Payments due:				
Within one year	167	92	167	318
Between one and five years	83	139	250	195
After five years	-	17	-	52
	250	248	417	565

26 Housing Stock

Number of units in management	2021 Number	2020 Number
Housing accommodation for letting:		
General housing - Social rents	5,687	5,642
General housing - Intermediate rents	46	46
General housing - Market rents	1	1
Supported, Sheltered and Extra-Care housing	199	199
Total rented	5,933	5,888
Other units:		
Home Buy	11	12
Right-to-buy leases	689	701
Garages	815	862
Commercial Property leases (less than 21 years)	29	29
Commercial Property leases (21 years or more)	21	21

27 Related Parties

Joanne Oak, CEO, sits on the Board of Bridgend College, a key local organisation. All transactions between the two organisations were at arm's length and at market rates. Valleys to Coast incurred no expenditure in relation to services provided by Bridgend College.

Sophie Taylor, a Board member, works as Head of Finance at Bron Afon Community Housing Ltd. Joanne Oak, Chief Executive, is also a Board Member of Bron Afon Community Housing Ltd. There have been no payments made to Bron Afon during the financial year.

Claire Marshall, Corporate Director of Finance, Governance, Strategy and Performance, is Chair of Newydd Housing Group. No financial transactions have taken place with Newydd during the financial year.

Darrin Davies, Corporate Director of Development and Growth, is a Board Member at Taff Housing. No financial transactions have taken place with Taff during the financial year.

Joanne Smith, a Valleys to Coast Board member, works for Coastal Housing Group Limited. There were no transactions between Valleys to Coast and Coastal Housing Group Limited in the year.

The Chair of Valleys to Coast, Anthony Whittaker, is married to the Chief Executive of Tai Tarian Ltd. No transactions took place between Valleys to Coast and Tai Tarian in the financial year.

One of the Board members who held office during the year is also a tenant. The tenancies are on normal commercial terms and the Board members cannot use their position to their advantage. None of the Board members who held office during the year are leaseholders.

One of the Board members who held office during the year is a Councillor of Bridgend County Borough Council (BCBC). Any transactions with BCBC are made at arm's length, on normal commercial terms and Council Board members cannot use their position to their advantage.

Valleys to Coast is a member of Tai Pawb, a charity which promotes equality and social justice in housing in Wales. Sarah Prescott, who left Valleys to Coast during the financial year, is a Board member of Tai Pawb. Payments of £4,590 were made to Tai Pawb in the year.

During 2019, Valleys to Coast, along with Bron Afon Community Housing Ltd, Merthyr Valleys Homes Limited and Tai Tarian Limited entered into a Members Agreement with Barcud Shared Services Limited for the provision of internal audit services.

The Members each own a 25% share in Barcud Shared Services Limited, which was incorporated on 2 August 2019. It is overseen by a Board made up of the Company's Members and is also open to new Members. Liz Murray-Downie is a Director of Barcud Shared Services Limited and their subsidiary, Astari Limited. Transactions with these entities amounted to £63,674.60 during the financial year.

28 Establishment Of The Company

The Company is a Registered Society with charitable rules under the Co-operative and Community Benefit Societies Act 2014 (Registration Number 30205R). Its activities are regulated by the Welsh Government as a Registered Social Landlord under the Housing Association Act 1985 (Registration Number L137).

29 Contingent Liabilities

We are not aware of any contingent liabilities as at the balance sheet date.

Building belief

o'r **Cymoedd i'r Arfordir**
from **Valleys to Coast**

Cymoedd i'r Arfordir
Valleys to Coast