



**YEAR ENDED 31 MARCH 2023**

# Annual Report and Financial Statement



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# Administrative Details

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## Board Members

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**Independent Board Members:** Chris Bolton (Chair)  
Rachel Honey – Jones (Deputy Chair) – Resigned 24.03.23  
Carol James – Reappointed 15.09.22  
Jonathan Tumelty  
Gemma Watkins  
Adebola Edwards  
Phillip Webster – Resigned 04.08.22  
Gwyndaf Tobias

**Executive Officers:** Michelle Reid (Chief Executive)  
Lorraine Oates (Deputy Chief Executive) (Acting Chief Executive from 15.08.22)  
Stacy Thomas (Director of Homes and Places) (Acting Deputy Chief Executive from 15.08.22)  
Anthony Hearn (Director of Housing and Communities)  
Marisa Cass (Assistant Director of Finance) (Acting Director of Finance from 15.08.22)

## Democratic Body

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**Tenant Members:** Tracey Powell  
Marlene Burns  
Gaynor Bradley – Resigned 07.12.22  
Nigel Phillips-Gunter  
Mark Williams  
Bernadette Batson – Resigned 24.11.22  
Joan Marshall  
Julie Haynes  
Scott Thomas  
Fran Bevan – Temporary appointment 19.01.23  
Susan Williams – Elected 15.09.22  
Justyna Zmuda – Temporary appointment 28.02.23

**Employee Members:** Marcus Powell (Chair)  
Julie McCarthy (Deputy Chair)  
Natalie Warner  
Stephen Puddy – Resigned 20.07.22  
Nicholas Lyons  
Shaun Chappell – Resigned 09.11.22  
Leah Wilson  
Sarah Williams  
Taryn Williams – Elected 15.09.22

# Administrative Details (cont.)

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**Employee Members (cont.)** Johanna Crumb – Appointed 22.11.22  
Matthew Martin – Co-opted 22.11.22

**Council Members:** Jeremy Davies – Resigned 12.04.22  
Suzanne Lewis-Abbott  
Claire Jones – Appointed 15.09.22

**Registered Office:** Ty Brychan  
22 Lansbury Road  
Gellideg  
Merthyr Tydfil  
CF48 1HA

**Independent Auditor:** Bevan Buckland LLP  
Ground Floor, Cardigan House  
Castle Court  
Swansea Enterprise Park  
Swansea  
SA7 9LA

**Internal Auditors:** Barcud Shared Services Ltd  
2 Alexandra Gate  
Ffordd Pengam  
Cardiff  
CF24 2SA

**Solicitors:** Trowers and Hamlins LLP  
Sceptre Court  
40 Tower Hill  
London  
EC3N 4DX

**Bankers:** National Westminster Bank Plc  
Heads of the Valleys Branch  
122 High Street  
Merthyr Tydfil  
CF47 8BN

# Administrative Details (cont.)

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**Funders:**

The Royal Bank of Scotland plc  
Global Banking and Markets  
Housing Finance  
9th Floor 250 Bishopsgate  
London  
EC2M 4AA

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

Merthyr Valleys Homes Limited is a registered society under the Co-operative and Community Benefit Societies Act 2014. Registration number 30532 R. Registered with the Welsh Government as a Registered Social Landlord. Registration number L150



# Strategic Report

## Year ended 31 March 2023

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**The Board present their Strategic Report on the affairs of Merthyr Valleys Homes Limited (MVH), together with the Financial Statements and Auditor's Report, for the year ended 31 March 2023.**

### Legal Status

MVH is established and registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Social Landlord, registered with the Welsh Government. MVH has adopted charitable rules. MVH is a not-for-profit mutual organisation administered by a voluntary Board of Management.

### Principal activities and objectives

MVH owns, manages and maintains 4,068 rented homes, including 210 units of sheltered accommodation, located within the County Borough of Merthyr Tydfil. MVH also owns or manages 572 garages, 36 retail units, a block of 12 co-operative housing flats which are leased to Taf Fechan Housing Co-operative Ltd and 244 leasehold properties.

Our 3 year business plan 'Gyda'n Gilydd' has been developed by and with our members. For us, Gyda'n Gilydd will bring:

- Pride in the resilient communities we live in
- Pride in the organisation that we own and work for
- Greater opportunities for us to deliver homes and services people want and need
- Financial strength to allow us to achieve our shared ambitions

Our key objectives are centred around four key themes:

- Communities - creating places where people can live well, feel safe, respected and valued whatever their circumstances

may be.

- Organisation - being proud and passionate about the organisation we own and work for.
- Responsibility - playing our part to deliver homes and services people want and need.
- Financial Strength - achieving our priorities through strong finances.

We will be reviewing our business plan during 2023/24.

### Financial Performance

The 2022/23 Financial Statements have been prepared under FRS102, the Financial Reporting Standard applicable in the United Kingdom and Ireland ('FRS102'), the Housing Statement of Recommended Practice - Housing SORP 2018, Statement of Recommended Practice for Registered Social Housing Providers ('SORP 2018') and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

### Statement of Comprehensive Income

The financial result for the year ended 31 March 2023 was an operating surplus of £0.252m, a decrease of £0.549m from the prior year. Consequently, our operating margin fell from 4% to 1.1%, with increased turnover of £0.763m to £22.524m and an increase in operating expenditure of £1.366m. The overall result was a loss for the year of £0.45m after interest.

This is unsurprising due to the increase in inflation, disproportionately affecting energy

# Strategic Report

## Year ended 31 March 2023

costs and building materials coupled with an increase in repair costs on damp, mould and condensation which will continue into 2023/24 and beyond plus a Board decision to restructure our Housing and Communities Directorate. Rental income is the largest income stream, representing almost 90% of turnover and the increase in rental income reflects the agreed 3.1% guideline rent increase issued by the Welsh Government.

### Bad Debts and Void Loss

Bad debts and void loss as a percentage of gross rent receivable increased to 2.6% by the end of 2022/23 compared to 2.4% in the previous year. The financial effects of Covid 19 are still being felt and new challenges around fuel and food poverty are increasing.

We have continued to invest in empty properties during the year. Losses from empty properties fell by £16,000 in 2022/23 compared to 2021/22.

### Rent Arrears

The cumulative rent arrears, adjusted for the receipt of Housing Benefit, increased by £116,000, from £794,000 at 1st April 2022 to £910,000 at 31 March 2023. Current arrears increased by £63,000, from £730,000 at 1st April 2022 to £793,000 at 31 March 2023. Former tenant arrears increased by £53,000 from £64,000 at 1st April 2022 to £117,000 at 31 March 2023. The bad debt provision provides for 100% of this debt as soon as it arises.

We have continued to support tenants with tackling financial hardship. We applied our Direct Debit Discount during December, relaxing the qualifying criteria to reflect the many changes of circumstances affecting people's continuity of payment. During 2022/23, the total support provided by

the Resilience Fund was £99,839. This has allowed the team to support 78 families, 81 adults and 59 children. Many of our tenants have informed us that the cost-of-living increase is the main cause of their financial hardship, with some also struggling to budget with fluctuating incomes, known as in work poverty. In addition to the Resilience Fund the following financial support has been accessed for tenants by our team:

- Helped tenants claim over £1m in additional welfare benefits, with over £157k of backdated claims.
- Sourced £62k from external sources and charities to help with debts, food, flooring and essential household items.
- Helped tenants save a combined £4,700 on their annual Welsh Water bills and helped set up affordable payment plans with 20 customers for council tax.

### Fixed Assets

The net book value of our housing stock was £75.856m at 31 March 2023. We invested £12.697m in capital improvements, development and acquisitions during the year and this was offset by £4.634m of depreciation charges. A combination of internal cash balances and grant income from the Welsh Government has been used to fund the capital programme, development and acquisitions.

Total grant income received in 2022/23 comprised Dowry Gap Funding of £2.9m, £4.019m of Welsh Government grant funding (including Social Housing Grant and Transitional Accommodation Capital Programme funding) and £0.612m of Disabled Facilities Grant funding for adaptations to our properties.

The re-financing exercise undertaken in 2021 altered our loan covenants and the proportion of our properties used as security

# Strategic Report

## Year ended 31 March 2023

against our loans. 40% of our properties are used as security against our loans compared to 100% before we re-financed.

An independent valuation of our investment properties is conducted every three years. The last valuation was conducted by Savills at 31 March 2021. Our investment properties were valued at £0.693m at 31 March 2023. This is a key estimate (see Note 3 to the Financial Statements).

### Loans

Our loan balance at 31 March 2023 was £29.347m, all of which was at fixed interest rates. We have recognised the NatWest loan of £16m within Creditors at a value of £19.261m which will be written down over 20 years using an effective interest rate, in accordance with FRS102. This is based on a management judgement which concluded that the NatWest loan was substantially modified (refer to Note 3). Interest payable on our loans was £0.961m in 2022/23.

The balance of our loan provided by Merthyr Tydfil CBC in 2014/15 to fund the renovations of Taf Fechan House and to create a new Housing Co-operative was £0.347m at 31 March 2023.

### Pension Fund Asset

The pension fund is based on the Actuary's valuation as at 31 March 2023. The Statement of Financial Position shows an increase in the value of the pension fund asset of £1.723m to £6.304m. This value reflects the realisable value of the Pension Fund as at 31st March 2023. This adjustment has also had a significant effect on the Statement of Comprehensive Income. The employer's pension contribution rate was 11% in 2022/23 and will increase to 11.1% for the next three years.

### Net Assets

The overall net assets position at 31 March 2023 is £26.559m, compared to £23.240m at 31 March 2022. This is due to the increase in the value of housing properties as a result of the investment programme in existing and new homes and an increase in the value of the Pension Fund.

### MVH: Future developments

Our ongoing development programme will continue in 2023/24 with a number of schemes due to be completed in the year. We will also see the completion of the reconfiguration of our office space to help our staff and tenants work together safely. We have been trialling a 4 day working week during 2022/23 and Board have approved an extension of this into 2023/24.

### Value for Money (VFM) Statement

MVH publishes an annual Value for Money Statement. The Democratic Body leads on delivering our Value for Money Strategy (Yfory Cryf) and agreed our 7 Golden Rules for Value for Money which ensures that we measure our impact on activities valued by our tenants.

The Democratic Body has approved the 2022/23 VFM Statement on behalf of the Members, concluding that MVH has provided Value for Money during 2022/23.



# Strategic Report

## Year ended 31 March 2023

### Key Performance Indicators (KPIs) 2022/23

Merthyr Valleys Homes reported the following Key Performance Indicators for 2022/23.

KPI	22/23 Target	22/23 Actual	21/22 Actual
Current Tenant Arrears	2.92%	3.84%	3.69%
Empty Home Rent Loss Percentage	1.25%	1.22%	1.81%
Percentage of Emergency Repairs completed within target time (i.e 24 hours)	100%	99.97%	99.99%
Percentage of Urgent Repairs completed within target time (i.e 5 working days)	97%	91.6%	99.74%
Percentage of Routine Repairs completed within target time (i.e 28 working days)	90%	93.13%	90.93%
Landlord Gas Safety Record Compliance	100%	99.87%	98.8%

#### Rent arrears

This KPI is still above target and shows an overall increase at the year end. The world economic climate, fluctuating incomes and unstable budgets continue to test our tenants' ability to meet their financial commitments. Our Welfare Benefit and Money Advisors continue to support individuals to maximise their incomes and try to reduce their debt, nevertheless this is becoming increasingly difficult. With relentless increases in food and fuel, our advisors are witnessing our tenants struggling with their day-to-day essential expenditure, making it more difficult to provide basic budgeting advice. We

supported 78 families, 81 adults and 59 children, with our Resilience Fund during the year.

#### Empty Home Rent Loss Percentage

In the prior year, rent lost was 1.81% but this included both homes and garages. From 2022/23, we have split these indicators into two separate indicators and our performance on empty homes has remained in target for the year. Quarter 4 proved very challenging with a disproportionate tenancy turnover rate, however overall tenancy turnover in 2022/23 was in line with previous years. The number of empty homes at year end was 67 which is above the target of 30. Our target is very ambitious given the commitments made on property standards including removal of asbestos and represents the ideal number of properties under-going work at any one time.

#### Percentage of Emergency Repairs completed within target time

We achieved performance of 99.97% for the year which was slightly below the target set.

#### Percentage of Urgent Repairs completed within target time

The annual performance was 91.6% which fell below the target set. This is largely due to the strategic decision to class all damp, mould and condensation repairs as urgent repairs. We will be able to report separately on these repairs in 2023/24 which will allow for better analysis of performance. We anticipate our performance on traditional urgent repairs will return to the levels seen in previous years.

#### Percentage of Routine Repairs completed within target time

The annual performance was 93.13%, which showed an improvement on the previous year's performance and exceeded our target.

# Strategic Report

## Year ended 31 March 2023

### Percentage of properties with a valid landlord gas safety record

Performance on Gas Safety Compliance is 99.87% which equates to 9 properties without a valid gas safety certificate as at 31st March 2023.

### Housing Sector Value for Money Indicators

Ten financial Value for Money indicators have been identified from the Global Accounts which can be viewed at an all Wales level and allows individual organisations to compare themselves to other housing associations. These are published annually by Community Housing Cymru <https://chcymru.org.uk/our-work/publications/global-accounts>. Our year on year performance against these indicators is as follows:

Our costs have increased year on year due to the increase in inflation, disproportionately affecting energy costs and building materials coupled with an increase in repair costs on damp, mould and condensation. Asbestos removal continues to have a significant impact and similarly energy efficiency works have increased this cost per unit however the latter has benefitted from grant funding which is not included in this calculation.

Total rent per social housing unit has increased compared to the prior year but continues to be below the sector average because we are working to a living rent and earnings in Merthyr Tydfil are some of the lowest in Wales.

Our weighted average cost of capital percentage has reduced significantly following the renegotiation of our loans during 2021/22 with more favourable rates.

VFM indicator	2022/23 Actual	2021/22 Actual
Operating costs for lettings per social housing unit	£4,236	£4,002
Management costs per social housing unit	£1,275	£1,112
Reactive repair costs per social housing unit	£1,853	£1,853
Major repairs and component costs per social housing unit	£3,121	£2,319
Total rent per social housing unit	£5,354	£5,180
Bad debts per social housing unit	£41	£25
Gross Arrears/Social Housing turnover	4.99%	4.5%
Rental void loss per social housing unit	£82	£87
Weighted average cost of capital	3.37%	7.20%
Free cash flow (before draw down or repayment of loans) per social housing unit	-£71	-£371

# Strategic Report

## Year ended 31 March 2023

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**Free cash** – this identifies whether a business is generating sufficient cash to pay for its day to day management and maintenance expenditure, interest payments and component replacements (such as kitchens and bathrooms). Our free cash flow before loan repayments for 2022/23 is -£290,000 which equates to -£71 per social housing unit.

### Risk Management

MVH faces a wide range of business risks. We manage and mitigate these risks using our Risk Management Policy and Strategy which is the framework for managing strategic risks that could affect the delivery of our Corporate Objectives as set out in Gyda'n Gilydd. The Board has overall responsibility for risk management and receives a bi-annual report on risk. The Board has delegated the task of monitoring risk to the Audit Committee.

We have taken a mutual approach to review the current Risk Management Policy and Strategy by involving the Board, Audit Committee Members and the Executive Leadership Team in a series of co-production workshops facilitated by Barcud Shared Services, our Internal Auditors. This will be finalised during 2023/24.

Risks are owned by members of the Executive and Strategic Leadership Team and the Strategic Risk Register is updated whenever they change. Operational Risks are now formally managed by the Operational Leadership Team on a quarterly basis. The Audit Committee monitors how well strategic risks are managed at each of their meetings.

The Welsh Government's Sector-Wide Risks have been considered and included, where appropriate. Where a strategic risk is worsening, action will be taken to either put

further controls and mitigations in place, or to seek further assurance on where the identified controls are working effectively. Our internal auditors perform an annual review of our risk management processes.

Our top 3 risks, which have a high residual risk score, are:-

1. Rent collection.
2. Compliance with health and safety
3. Cyber security

### Treasury Management

MVH operates a Treasury Management Policy which underpins the annual Treasury Management Strategy and is based around four key principles:-

- Compliance with statute, regulation & best practice.
- Security of financial assets.
- Liquidity.
- Effectiveness & Efficiency in the use of financial resources and achieving value for money.

The Treasury Management Strategy is reviewed and updated annually by our external advisors – Link Asset Services. This is approved annually by the Board. The Board receives a quarterly report on treasury management performance.

### Financial risk management

MVH's activities expose it to a number of financial risks i.e. liquidity, cash flow and credit risk:

#### *Liquidity risk*

MVH uses a combination of long term and short term debt finance to maintain liquidity, ensuring that sufficient funds are available for ongoing operations and future developments.

MVH holds cash, short term investments

# Strategic Report

## Year ended 31 March 2023

and has access to grants and a £34m loan facility, £5m of which is a Revolving Credit Facility.

MVH has three main sources of capital funding:-

1. £25m loan facility from NatWest, all of which is drawn on fixed rates until 31 August 2041.
2. £9m loan facility from Principality Building Society, £4m of which is drawn. This comprises two £2m loans on fixed rates until 31 March 2025 and 31 March 2030 respectively. Two forward fixes have been put in place for both loans upon maturity until 31 March 2036. The facility also comprises a £5m Revolving Credit Facility which is available for 7 years to 27 August 2028. This facility is not yet drawn.
3. £2.9m Dowry Gap Funding from the Welsh Government which is received on an annual basis and there is an expectation that it will continue to be received until 2036/37 although this is dependent on our commitment to the decarbonisation agenda.

In 2014 we took out a 25 year loan from Merthyr Tydfil County Borough Council for £510,000 at an all-in interest rate of 2.92%. The outstanding balance on this loan is £346,800 at 31 March 2023. This loan will be repaid via a long term lease agreement with Taf Fechan Housing Co-operative. We received a £650,000 interest-free Welsh Government Land for Housing loan in 2021/22 to purchase land for a new development scheme. This loan was fully repaid in 2022/23.

### Cash flow risk

Two forward fixed rate agreements have been put in place to hedge against adverse movements in interest rates. These will be executed with Principality on 31 March 2025

and 31 March 2030 when the current fixed rate agreements expire. The loans drawn at 31 March 2023 of £29m are all at fixed interest rates.

Our Treasury Management Policy and Strategy sets out parameters for the ratio of fixed to variable rate borrowing of a minimum of 60% at fixed rates to give us certainty over our costs. At 31 March 2023 the ratio of fixed to variable rate borrowing was 100% of total loans outstanding which are subject to interest payments.

### Credit risk

MVH's principal financial assets are bank balances and cash, rent arrears and other receivables and investments.

Our credit risk is primarily attributable to rent arrears. The amounts presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on our investments is limited because the counterparties are banks with credit ratings that fall in line with our Treasury Management Policy.

### Covenant Compliance

Loan covenant compliance at 31 March 2023 is set out in the table below. We complied with all loan covenants in 2022/23.

Covenant	NatWest	Principality	Actual to 31 Mar 2023
Asset cover	Minimum 115%	Minimum 113%	150% NatWest 321% PBS
Gearing	Not to exceed 50%	Not to exceed 55%	26%
Interest cover	Not less than 110%	Not less than 110%	233%

# Strategic Report

## Year ended 31 March 2023

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### Key Accounting Policies

The key accounting policies are set out in Note 2 of the Financial Statements on pages 30-38.

### Going Concern

Our assessment of going concern has been based on events or conditions that could cast significant doubt on our ability to continue in operational existence.

Our net assets position at 31 March 2023 is strong at £26.559m, with liquidity of £12.396m in cash balances. Our fixed interest loan agreements of £29m are in place until 2036 and 2041. In addition to this we have a £5m revolving credit facility which is available for 7 years. We have met our loan covenant conditions during the year. The annual Dowry Gap funding of £2.9m is expected to continue; we can clearly demonstrate our commitment to decarbonising all our homes.

The Existing Use Value of our housing stock has been used to value our properties used as security and is in excess of the valuations needed to meet our loan covenants. We have around 40% of our properties on charge, with the remaining 60% available for use as security for future borrowing requirements. Our tenants are our main customer base. Our bad debt provision was sufficient during the year and void loss during the year was in line with budget.

Based on our assessment, the Board has a reasonable expectation that MVH has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### Reserves Strategy

Any cash reserves at year end will be retained and carried forward into the following year.

Chris Bolton  
Chair - Board

Date: 14 September 2023





# Board Report

## Year ended 31 March 2023

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**The Board are pleased to present their report and audited financial statements for Merthyr Valleys Homes Limited (MVH) for the year ended 31 March 2023.**

### Principal Activities

Merthyr Valleys Homes (MVH) is registered under the Co-operative and Community Benefit Societies Act 2014 and is a not-for-profit mutual organisation administered by a voluntary Board. MVH operates in the Merthyr Tydfil County Borough Council local authority area. MVH's principal activities are the management and improvement of social housing.

### Performance for the Year

The Board reports a loss after interest of £0.45m. During the year MVH spent £24.328m on reactive, void and cyclical repairs and the capital programme. This was financed from rental income; income from the sale of assets, Dowry Gap Funding and other grant income.

Net Assets at 31 March 2023 were £26.559m. As at 31 March 2023, the Pension Fund restricted reserve was in surplus by £6.304m.

### Governance

The Board is responsible for managing the affairs of MVH. Board Members and Senior Officers are listed on page 3 under Administrative Details. The Board Members have held office during 2022/23 unless otherwise stated.

On 1 May 2016, our legal structure changed and MVH became Wales' first tenant and employee mutual housing association, allowing tenants and employees to become members. The mutual has two tiers of governance:

- A Democratic Body made up of 21 member representatives:
  - a) Tenant representatives elected by

tenant members;

- b) Employee representatives elected by employee members;
  - c) Representation from Merthyr Tydfil County Borough Council;
  - d) Representation from local community organisations – these would be co-opted positions as and when required;
  - e) The Rules also allow for the Democratic Body to appoint an independent Chair if required.
- A Board of 8 Non Executive Directors with the relevant skills and experience who have been appointed by the Democratic Body to run the mutual on their behalf.

Each of the two parts of the governance structure has key areas of responsibility set out in the Rules and Governance Framework.

The Board has a legal responsibility for the overall control of the affairs of the mutual. The Democratic Body is responsible for representing members and the wider interests of the community through agreeing a strategic framework for the Board to operate within and by holding the Non-Executive Directors to account. MVH also has an Audit Committee, a Policy Committee and a Governance Committee, with membership drawn from the Board and Democratic Body.

The Executive Leadership Team have no legal status as directors, although they act as executives within the authority delegated by the Board. MVH has insurance policies indemnifying its Board Members and Executive Leadership Team against liability when acting on behalf of the mutual.

# Board Report

## Year ended 31 March 2023

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### Democratic Body

The Democratic Body forms part of MVH's governance structure along with the Board and is the elected body which represents members and the wider community in MVH's decision making process.

The Democratic Body met 8 times during 2022/23. The Democratic Body responsibilities include:

- Appointing and removing the Chair of the Board of Directors and other Non-Executive Directors
- To work with and support the Board of Directors and Chief Executive in developing the mutual's Business Plan
- To approve the mutual's corporate plan, policy framework and programme of internal audit
- To monitor the performance of the mutual and the Board of Directors against the corporate strategy

During 2022/23 the Democratic Body:

- Helped to co-design the Climate Change Strategy, Homes & Places Strategy and Development Strategy
- Received reports on the achievement of the strategic objective to not evict into homelessness
- Played a significant role in the governance and regulation of MVH including scoring the business against regulatory standards within the Self Evaluation document used as part of Welsh Government assessment of business performance.
- Continued to receive updates and influence the Brighter Futures project which has seen a number of successes that have made a difference to people's lives.
- Monitored complaints received by MVH, set out the information they wish to receive and played a role on the complaints appeals panel providing an independent judgement where necessary.
- Monitored delivery of the Membership

Strategy and placed a strong emphasis on ensuring that membership is inclusive to all.

- Assessed how MVH provides Value for Money across all of its services and took part in a budget setting process alongside Board Members to ensure that the Gyda'n Gilydd objectives could be achieved.
- Recruited 1 new Board Member and 2 Co-optee Board Members who attended their first Board meeting as observers in March 2023 prior to their appointment in April 2023. An existing Board Member was also reappointed for a further 3 year term of office.
- Had representatives on Audit Committee, Governance Committee and Policy Committee ensuring MVH is financially strong, manages risks appropriately and that policies undertake a mutual approach.
- Set out the requirements for our 2022 Annual Members Meeting and Democratic Body elections for both Tenant and Employee Members.
- Reviewed their composition in line with our Rules and concluded that the membership of Democratic Body was fit for purpose.
- Undertook a vote on projects that would benefit from the Welsh Procurement Alliance funding that was achieved in 2022/23.
- Took part in two joint strategic away days with Board and the MVH Executive Team to ensure that the strategic objectives are being met and also to make amendments as necessary to enable MVH to support its Tenants and Employees during the cost of living crisis.
- Provided their views on the rent setting proposal to continue to apply our Living Rents Policy in line with the Welsh Government rent settlement for 2023/24 ahead of the Board decision.
- Played a role in the communications in relation to the Renting Homes Wales Act which changed our tenancy agreements to occupation contracts in Quarter 4 of 2022/23.

# Board Report

## Year ended 31 March 2023

- Appointed Bevan Buckland LLP as our External Audit Service.
- Reviewed their Terms of Reference and Code of Conduct.
- Undertook a skills analysis and appointed 2 temporary tenant representatives and 1 employee co-optee until September 2023, as part of their succession planning exercise. They also welcomed Councillor Claire Jones as the MTCBC appointment to Democratic Body.
- Undertook the Member's Charity exercise and approved the award of £2,500 to 4 charities based on member votes.
- Were involved in budget setting for 2023/24 through our Star Chamber process.
- Scrutinised and assessed the organisation's Regulatory Self Evaluation for 2022-23.
- Approved the Internal Audit Plan for

2022/23 and monitored progress.

A full list of the functions of the Democratic Body are detailed within the MVH rules available at [www.mvhomes.org.uk](http://www.mvhomes.org.uk)

### MVH Membership

Members are separated into two constituencies: tenants and employees. Members have access to information, a voice in the mutual and an opportunity to play a representative role in its governance. Membership of the Mutual is optional for both tenants and employees.

Members	No.	%
Tenants	1181	88.3%
Employees	157	11.7%
<b>TOTAL</b>	<b>1338</b>	<b>100.0%</b>

# Board Report

## Year ended 31 March 2023

### Grants and Charitable Donations

MVH made the following grants and donations to community groups in 2022/23:-

	Grants approved by Grants and Sponsorship Panel	Members Charity donations
	£	£
Merthyr Cynon Foodbank	-	7,500
Taff Bargoed Foodbank	-	5,000
Cwm Taf Morgannwg Mind	-	2,500
Cancer Aid Merthyr Tydfil	-	2,500
Wear It Pink Breast Cancer	-	500
Crown Factor Community Group	3,000	-
Friends of Tabernacle	3,000	-
415 Squadron RAF Cadets	2,500	-
Troedyrhiw Bowls Club	2,620	-
Wado Kai Karate Union	2,430	-
Heolgerrig Red Lion FC	1,279	-
Ynysfach Older Persons Wellbeing Group	1,227	-
Twyn Community Hub	1,171	-
New Gurnos Residents Group	1,159	-
Merthyr Tydfil District Naturalist Society	1,114	-
Brynau Sports Ltd	1,073	-
St Tydfils Girls and Guys	1,000	-
Greenwood Golden Oldies	1,000	-
Ponsticill Community Group	850	-
Merthyr Tydfil Ass Football League	670	-
Hope Church	651	2,500
Merthyr Tydfil Swimming Club	650	-
Heads 4 Arts	500	-
Aberfan Community Centre	-	300
Dowlais Male Voice Choir	-	300
<b>TOTALS</b>	<b>25,894</b>	<b>21,100</b>

MVH also made a donation of £10,000 to the Merthyr Valleys Homes People Fund charity.

### Colleagues

The number of colleagues employed at

31 March 2023 was 231. The ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on the contribution of all our colleagues. We recognise and value diversity

# Board Report

## Year ended 31 March 2023

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and we are committed to strengthening community cohesion and to providing equal opportunities in employment by adhering to our Equal Opportunities Policy.

### Statement of Internal Control

In accordance with the Welsh Government Circular RSL 02/10 Internal Controls and Reporting, the Board acknowledges its responsibilities for the systems of internal control and reviewing their effectiveness. The Board also acknowledges its responsibility for the wider aspects of risk. The Audit Committee reviews the effectiveness of MVH's internal controls on an on-going basis and ensures that all necessary actions are taken to remedy any significant failings or weaknesses which may be identified.

The mutual's systems are designed to provide reasonable but not absolute assurance regarding:-

- The safeguarding of assets.
- The maintenance of proper accounting records.
- The reliability of financial information.
- The management of risks which could adversely affect the mutual's ability to achieve its corporate objectives (Gyda'n Gilydd).

The following mechanisms constitute the key elements of the framework designed and implemented by management to provide effective internal control:-

- Standing Orders and Financial Regulations which sets out the Scheme of Delegation.
- Contract Standing Orders setting out the framework for the procurement of goods and services.
- Clearly defined corporate and divisional management responsibilities and reporting structures.
- Suitably experienced and qualified staff members.

- Formal policies and procedures adopted by the Board and Democratic Body and understood by staff.
- Comprehensive systems of financial reporting including annual budgets and quarterly management accounts reported to the Board, detailing actual performance against budget.
- Regular monitoring of loan covenants.
- A Risk Management Framework that is regularly reviewed and evaluated by the Board and Audit Committee.
- A range of anti-fraud policies, including anti-bribery and anti money-laundering which are understood by staff. A Fraud Register is maintained and reviewed by the Audit Committee at each meeting.
- Board authorisation of major contracts which could pose a risk to the organisation.
- A robust internal audit service which reports to Audit Committee regularly.
- A thirty year financial business plan that is updated and approved annually and is also used for medium term financial planning.
- A Procurement Strategy setting out how MVH will conduct procurement activities.
- Annual Declarations of Interest returns from all Board members, Democratic Body representatives and staff.
- A Gifts and Hospitality Register which is reviewed by the Audit Committee at each meeting.
- A Schedule 1 Register is maintained and all entries are reported to the Board by the Company Secretary.

The Audit Committee has reviewed the effectiveness of MVH's internal controls during the year. No weaknesses were found that resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Auditor's Report and the Board are not aware of any such weaknesses from 1 April 2023 to date.



# Board Report

## Year ended 31 March 2023

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### Statement of Board Members' Responsibilities

The Board is responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. The Co-operative and Community Benefit Societies Act 2014 and Housing Association legislation requires the Board to prepare financial statements for each financial year. Under that legislation the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) – FRS102, the Financial Reporting Standard applicable in the United Kingdom and Ireland.

Under Housing Association legislation the Board must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of MVH and of the surplus or deficit of MVH for that period. In preparing these Financial Statements the Board is required to:

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

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain MVH's transactions and disclose with reasonable accuracy at any time the financial position of MVH and ensure that the

financial statements comply with Housing Association legislation. Board Members are also responsible for safeguarding the assets of MVH and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### Disclosure of information to the Auditor

Each of the Board Members, as at the date of this report, have confirmed that:

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

### Annual Members Meeting

The Annual Members Meeting will be held on 14th September 2023. At this meeting, MVH's 2022/23 Financial Statements will be presented for adoption.

### Auditor

A resolution for the reappointment of Bevan Buckland LLP will be proposed at the Annual Members Meeting.

By order of the Board

Chris Bolton  
Chair – Board

Date: 14 September 2023



# Independent Auditor's report to the members of Merthyr Valleys Homes Limited registered under the Co-Operative and Community Benefit Societies Act 2014

## Opinion

We have audited the financial statements of Merthyr Valley Homes Limited (the 'association') and its subsidiary for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statements of Changes in Reserves, the Statement of Financial Position, the Cash Flow Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31st March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance 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.

## 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

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

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

## Other Matters

The financial statements of the Association for the year ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 15 September 2022.

# Independent Auditor's report to the members of Merthyr Valleys Homes Limited registered under the Co-Operative and Community Benefit Societies Act 2014 (continued)

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## Other information

The Board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014

require us to report to you if, in our opinion:

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

## Responsibilities of the Board

As explained more fully in the Statement of Responsibilities of the Board (set out on page 19), 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 determine 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 are 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 intend 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

# Independent Auditor's report to the members of Merthyr Valleys Homes Limited registered under the Co-Operative and Community Benefit Societies Act 2014 (continued)

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

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

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

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

## **Identifying and assessing potential risks related to irregularities**

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

- enquiring of management, including obtaining and reviewing supporting

documentation, concerning the association's policies and procedures relating to:

- identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas;
  - Purchasing in relation to the development and maintenance programmes, including any sales to connected individuals at below market value;
  - The recognition of development and maintenance expenditure in the correct period;
  - The rationale of any major fund flows during the period;
  - The potential of rent fraud arising as a result of collusion between the asset and housing teams.
- obtaining an understanding of the legal and regulatory frameworks that the association operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the association.

# Independent Auditor's report to the members of Merthyr Valleys Homes Limited registered under the Co-Operative and Community Benefit Societies Act 2014 (continued)

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## Audit response to risks identified

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

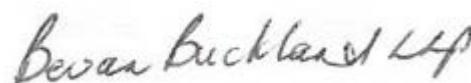
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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](http://www.frc.org.uk/auditorsresponsibilities). This description

forms part of our Report of the Auditors.

## Use of our 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. 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.



Bevan Buckland LLP  
Ground Floor, Cardigan House  
Castle Court  
Swansea Enterprise Park  
Swansea  
SA7 9LA

Date: 20/09/2023



# Independent Auditor's report to the members of Merthyr Valleys Homes Limited registered under the Co-Operative and Community Benefit Societies Act 2014 (continued)

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In addition to our audit on the financial statements for the year ended 31st March 2023, we have reviewed the Board's statement of Merthyr Valley Homes compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

The objective of our review is to enable us to conclude on whether the Board has provided the disclosures required by the Circular and whether the statement is consistent with the information of which we are aware from our audit work on the financial statements.

We are not required to form an opinion on the effectiveness of the association's corporate governance procedures or its internal financial control.

## Opinion

With respect to the Board's statement on internal financial control on page 18, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.



Bevan Buckland LLP  
Ground Floor, Cardigan House  
Castle Court  
Swansea Enterprise Park  
Swansea  
SA7 9LA

# Statement of Comprehensive Income

## Year Ended 31 March 2023

	Notes	2023 £'000	2022 £'000
<b>Turnover</b>	4	22,524	21,761
Operating expenditure	4	(22,187)	(20,821)
(Loss)/Surplus on disposal of property, plant and on equipment	5	<u>(85)</u>	<u>(139)</u>
<b>Operating Surplus</b>	6	252	801
Breakage costs: Loss on loan modification	8	-	(3,801)
Interest receivable	7	259	63
Interest and financing costs	8	(961)	(1,760)
Change in fair value of investment properties	15	<u>-</u>	<u>-</u>
<b>(Loss)/Surplus before tax</b>		(450)	(4,697)
Taxation	2(n)	-	-
<b>(Loss)/Surplus for the year</b>		<u>(450)</u>	<u>(4,697)</u>
<b>Other Comprehensive Income</b>			
Actuarial gain/(loss) in respect of pension schemes	31	3,769	5,938
<b>Total comprehensive income for the year</b>		<u><b>3,319</b></u>	<u><b>1,241</b></u>

### Continuing Operations

All transactions during the period are derived from continuing activities.

# Statement of Financial Position At 31 March 2023

	Notes	2023 £'000	2022 £'000
<b>Fixed Assets</b>			
Intangible assets	11	361	462
Property, Plant and Equipment			
– Housing properties	12	75,856	67,952
– Other property plant and equipment	14	4,719	4,869
Investment properties	15	693	693
		<u>81,629</u>	<u>73,975</u>
<b>Current Assets</b>			
Inventories	16	16	15
Debtors			
– Amounts falling due within one year	17	1,919	2,790
– Amounts falling due after one year	18	23,875	34,618
Cash and cash equivalents	27	12,396	4,293
		<u>38,206</u>	<u>41,716</u>
Creditors: amounts falling due within one year	19	(4,428)	(4,432)
Dowry funding and other government grants: amounts falling due within one year	22	(2,344)	(2,163)
Net current assets excluding pension asset		31,434	35,121
Pension (liability) / asset	31	6,304	4,581
Net current assets including pension asset		<u>37,738</u>	<u>39,702</u>
<b>Total assets less current liabilities</b>		<b>119,367</b>	<b>113,677</b>
Creditors: amounts falling due after more than one year	20	(32,779)	(24,823)
Dowry funding and other government grants: amounts falling due after more than one year	22	(36,196)	(31,023)
Provisions for liabilities	29	(23,833)	(34,591)
<b>Net Assets</b>		<b><u>26,559</u></b>	<b><u>23,240</u></b>
<b>Capital and Reserves</b>			
Share capital	23	-	-
Revenue reserves		20,255	18,659
Restricted reserves	24	6,304	4,581
		<u>26,559</u>	<u>23,240</u>

The Financial Statements on pages 25 to 63 were approved and authorised for issue by the Board of Management on 14 September 2023 and were signed on its behalf by:



Chris Bolton  
(Chair – Board)



Gemma Watkins  
(Deputy Chair – Board)



Allison Soroko  
(Company Secretary)

# Statement of Changes in Reserves

## Year ended 31 March 2023

	Notes	Revenue reserves £'000	Restricted reserves £'000	Total £'000
At 1 April 2021		21,174	825	21,999
(Loss)/Surplus for the year		(4,697)	-	(4,697)
Other comprehensive income -				
Actuarial gain in respect of pension schemes	31	-	5,938	5,938
Total comprehensive income		16,477	6,763	23,240
Transfer between reserves	24	2,182	(2,182)	-
<b>At 31 March 2022</b>		<b>18,659</b>	<b>4,581</b>	<b>23,240</b>

	Notes	Revenue reserves £'000	Restricted reserves £'000	Total £'000
At 1 April 2022		18,659	4,581	23,240
(Loss)/Surplus for the year		(450)	-	(450)
Other comprehensive income -				
Actuarial gain in respect of pension schemes	31	-	3,769	3,769
Total comprehensive income		18,209	8,350	26,559
Transfer between reserves	24	2,046	(2,046)	-
<b>At 31 March 2023</b>		<b>20,255</b>	<b>6,304</b>	<b>26,559</b>

### Revenue Reserve

The Revenue reserve represents cumulative surpluses and deficits of the Association.

### Restricted Reserves

The Restricted reserve relates to the Pension Fund.

# Statement of Cash Flows

## Year ended 31 March 2023

	Note	2023 £'000	2022 £'000
<b>Net cash generated from operating activities</b>	27	5,989	4,575
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(12,930)	(8,253)
Purchase of other fixed assets		(79)	(186)
Proceeds from sale of property, plant and equipment		92	40
Grants received		7,531	4,431
Interest received		124	37
<b>Net cash flows from investing activities</b>		<u>(5,262)</u>	<u>(3,931)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(942)	(2,134)
Interest element of finance lease rental payments		(2)	(5)
New loans		9,000	16,650
Repayment of borrowings		(670)	(20,020)
Capital element of finance lease rental payments		(27)	(70)
Revenue loan arrangement		17	29
<b>Net cash flows from financing activities</b>		<u>7,376</u>	<u>(5,550)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		8,103	(4,906)
<b>Cash and cash equivalents at beginning of year</b>		4,293	9,199
<b>Cash and cash equivalents at end of year</b>		<u><b>12,396</b></u>	<u><b>4,293</b></u>

### Free cash flow for the year end 31 March 2023

	2023 £'000	2022 £'000
<b>Net cash generated from operating activities</b>	5,989	4,575
Interest paid	(925)	(2,105)
Interest received	124	37
Adjustments for reinvestment in existing properties:		
Component replacements	(12,930)	(8,253)
Purchase of other replacement fixed assets	(79)	(186)
Component replacement grant received	7,531	4,431
Free cash generated / (consumed) before loan repayments	<u>(290)</u>	<u>(1,501)</u>
Loans repaid (excluding revolving credit and overdrafts)	<u>(670)</u>	<u>(4,020)</u>
<b>Free cash generated / (consumed) after loan repayments</b>	<u><b>(960)</b></u>	<u><b>(5,522)</b></u>



# Statement of Cash Flows cont.

## Year ended 31 March 2023

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### Analysis of changes in net debt

	Cash at bank and in hand £'000	Loans due in less than 12 months £'000	Loans due in over 12 months £'000	Changes in net debt £'000
At 31 March 2022	4,293	-	(20,367)	(16,074)
Net cash flows	8,103	-	(8,980)	(877)
<b>At 31 March 2023</b>	<b>12,396</b>	<b>-</b>	<b>(29,347)</b>	<b>(16,951)</b>

# Notes to the Financial Statements

## Year ended 31 March 2023

### 1) a) General information

The financial statements of Merthyr Valleys Homes Limited (MVH) for the year ended 31st March 2023 comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and the related notes. The financial statements are presented in sterling (£).

### b) Company information

MVH is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Social Landlord, registered with the Welsh Government. MVH has adopted charitable rules. MVH is incorporated in the United Kingdom. Its registered office is Ty Brychan, 22 Lansbury Road, Gellideg, Merthyr Tydfil, CF48 1HA.

MVH owns, manages and maintains 4,068 rented homes, including 210 units of sheltered accommodation, located within the County Borough of Merthyr Tydfil. MVH also owns or manages 572 garages, 36 retail units, a block of 12 co-operative housing flats which are leased to Taf Fechan Housing Co-operative Ltd and 244 leasehold properties.

### 2) Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with

Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for Registered Social Housing Providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. Merthyr Valleys Homes Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

#### b) Intangible assets

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

Component	Projected Economic Life (years)
Computer software	5-8

#### c) Property, plant and equipment – housing properties

Following the stock transfer on 30 March 2009 the properties were valued at £nil. Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Directly attributable costs can include the labour costs of Merthyr Valleys Homes in-house Homes and

# Notes to the Financial Statements

## Year ended 31 March 2023

Places Teams, materials and overhead costs. Financing costs are not capitalised.

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

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

Traditionally built properties are depreciated over 100 years. Non-traditionally built properties are depreciated over 50 years.

### Major components

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

Component	Projected Economic Life (years)
Roofs	50
Doors and windows	30
Kitchens	15
Bathrooms	25
Heating Systems	15
Rewires	25
Building Structure (walls, retaining walls, paths etc)	50
Wetrooms	15

Structure (traditional build)	100
Structure (non traditional build)	50
Internal Wall Insulation	15
Asbestos	15-50
Other	10-15

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

### Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income. To increase an asset's performance, expenditure must result in one or more of the following:-

- Increased rental income.
- A reduction in future maintenance costs.
- A significant extension to the useful life of the property.
- Health and safety benefits to tenants from removal of contaminated substances
- Change in potential use of a space (e.g attic spaces as additional room)

### 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 MVH is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income

# Notes to the Financial Statements

## Year ended 31 March 2023

along with the corresponding income from the leaseholder or tenant.

### Timing of depreciation on housing properties

The commencement of depreciation charged to the Statement of Comprehensive Income in respect of an asset is in the month of recognition of the completed asset.

### **d) Non-housing property, plant and equipment**

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

Component	Projected Economic Life (years)
Office Premises	100
Office Improvements	10-15
Furniture, fixtures and fittings	10-15
Telephone System	8
Office Equipment	5-10
Computer Implementation Hardware	5-8
Computer Hardware – Other	3
Scheme Equipment and Furniture	10-25
Motor Vehicles	Lease/5

The re-life of an asset will only occur in exceptional circumstances where the asset's useful economic life is known in advance to be reduced.

### Timing of depreciation on non-housing property, plant and equipment

The commencement of depreciation charged to the Statement of Comprehensive Income in respect of an asset is in the month following the acquisition of that asset.

### **e) Investment properties**

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation, or both, are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment.

Investment properties are measured at fair value annually with any change recognised as a surplus or deficit in the Statement of Comprehensive Income.

# Notes to the Financial Statements

## Year ended 31 March 2023

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### **f) Impairment of social housing properties**

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

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

Merthyr Valleys Homes check annually for any indication of impairment by reference to:-

- A contamination or other similar issue that was not identified as part of the planning of a development which results in a material increase in development costs.
- A change in government policy, regulation or legislation which has a material detrimental impact on the development programme or scheme.
- A change in demand for a property that is considered irreversible.
- A material reduction in the market value

of properties in those circumstances where assets are intended or expected to be sold.

- Obsolescence of a property, or part of a property.
- Significant changes with an adverse effect on the social landlord have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply. This surplus or deficit will be shown in the Statement of Comprehensive Income.

### **g) Social Housing Grant and other Government grants**

Where grants are received from government agencies such as the Welsh Government, local authorities, devolved government agencies, health authorities and the European Commission and meet the definition of government grants, they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received. Dowry gap funding is received from the Welsh Government and it is not repayable.

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

# Notes to the Financial Statements

## Year ended 31 March 2023

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already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

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

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

### **h) Donation or acquisition of land or other asset at below market value**

Where a donation of land and/or other assets is received or MVH acquires land and/or other assets at below their market value from a third party that does not meet the definition of a government source; the transaction is recognised as an asset in the Statement of Financial Position at fair value, taking account of any restrictions on the use of the asset. Income equivalent to the difference between any amounts paid or payable for the asset and the fair value of the asset is recognised as a surplus or deficit in the Statement of Comprehensive Income as a donation when future performance-related conditions are met.

### **i) Agreements to improve existing properties**

MVH has a 15 year VAT Shelter in place, approved by HMRC. The VAT Shelter transfers the VAT cost of the works required to meet the Welsh Housing Quality Standard (WHQS) to Merthyr Tydfil County Borough Council. The transactions are as follows:

- Under the transfer agreement the Council transferred the properties to MVH together with an obligation to undertake the WHQS works at the Council's expense. The price paid for the properties was £133,023,642; this price reflects the Tenanted Market Value of the stock which is nil and the estimated value of the works of £133,023,642.
- The Council discharged its obligation to carry out the works under the Transfer Agreement by entering into a 15 year Development Agreement with Merthyr Valleys Homes. This is a fixed price contract for £133,023,642 plus VAT of £19,953,546.

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

The commercial effect of these transactions is that MVH has both an asset (the Council's obligation to have the refurbishment work carried out) and a legally binding obligation to a third party (under the Development Agreement) and these assets and liabilities are recognised in the financial statements.



# Notes to the Financial Statements

## Year ended 31 March 2023

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### j) Inventories

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

### k) Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in surplus or deficit in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve. A description of each restricted reserve is included in Note 24.

### l) Leased assets

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

#### Finance leased assets

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

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

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

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Each lease payment is apportioned between the finance charge

and the reduction of the outstanding lease liability. The finance charge is recognised on a basis that reflects a constant periodic rate of interest on the finance lease liability.

#### Operating leased assets

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

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

### m) Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. For new loans, these costs are allocated to the Statement of Comprehensive Income over the term of the loan. Where loans are redeemed, the full cost of any redemption penalty is recognised in the Statement of Comprehensive Income in the year redemption takes place.

### n) Taxation

#### **(a) VAT**

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

#### **(b) Corporation Tax**

MVH is treated as charitable for taxation purposes. This was confirmed by HM

# Notes to the Financial Statements

## Year ended 31 March 2023

Revenue and Customs (HMRC) on 3 September 2008.

Consequently, the surpluses derived from primary charitable activities are exempt from taxation.

### **o) Pensions**

#### Local Government Pension Scheme

MVH participates in the Rhondda Cynon Taf County Borough Council (RCTCBC) Local Government Pension Scheme. The Fund is administered by Rhondda Cynon Taf County Borough Council. Many of the staff who transferred to Merthyr Valleys Homes at the time of transfer were members of the fund and any pension liabilities on transfer were fully funded by the Council, with subsequent costs to be incurred by the mutual. A Pension Bond is in place for the sum of £2,059,000 (the Bond amount).

All existing employees have the option of joining the pension scheme however all new employees are automatically enrolled. It is a defined benefit scheme and since 2014 the scheme provides benefits based on career average pensionable pay.

The Local Government Pension Scheme is a multi-employer scheme where it is possible for individual employers, as admitted bodies, to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The

net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

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

When a scheme has surplus the asset to be recognised is calculated at the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is the higher of the economic benefit that could be achieved from a refund of surplus on exiting the Fund, and the economic benefit from payment of future service contributions to the Fund below future expected Current Service Costs.

The asset ceiling has been calculated as the difference between the net present value of (employer) future service costs over the future working lifetime and net present value of (employer) future contributions over the future working lifetime.

### **p) Revenue**

Turnover includes rent and service

# Notes to the Financial Statements

## Year ended 31 March 2023

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charges receivable (net of rent and service charge losses from voids and the Direct Debit discount) and is recognised from the point when properties become available for letting. Revenue grants from local authorities and the Welsh Government are receivable when the condition for receipt of agreed grant funding have been met. Disposal proceeds of current assets 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.

### q) Leaseholder sinking fund

Where leaseholders pay in advance for identified future planned or major works, any unutilised contributions are recognised as a liability in the Statement of Financial Position.

### r) Financial instruments

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

#### Financial Assets

Financial assets comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at transaction value plus directly attributable transaction costs.

Provision is made against rent arrears of current and former tenants as well as other debts, to the extent that they are considered potentially irrecoverable.

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

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 transaction value and adjusted for any directly attributable transaction cost, with interest-related charges recognised as an expense in Financing Costs in the Statement of Comprehensive Income. Where a non-current debt instrument has a non basic element, this is measured at fair value annually, with any change recognised in the Statement of Comprehensive Income.

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

### s) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

# Notes to the Financial Statements

## Year ended 31 March 2023

### t) Going concern

The Board assess the appropriateness of the going concern basis not less than twelve months from the date of approval of the accounts. These accounts have been prepared on the going concern basis. The Board's assessment of going concern is on page 13. The activities of the Mutual are profitable and the financial forecasts in the short to medium term indicate that sufficient surpluses will be generated to meet liabilities as they fall due. The 30 year business plan shows that the Mutual can service its debt facilities and comply with lender's covenants.

### 3. Significant Management Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying value 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### Significant management judgements

The following are management judgements in applying the accounting

policies of MVH that have the most significant effect on the amounts recognised in the financial statements.

#### Impairment of social housing properties

MVH have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

#### Substantial modification of loan

MVH have made a management judgement as to whether the terms of the renegotiated loan facility were substantially modified. We concluded that the NatWest loan of £16m was substantially modified as the rates and margins were significantly different to the original loan agreement with effect from 31 August 2021. The NatWest breakage costs of £3.801m were recognised under FRS102 in 2021/2022. These are being amortised using an effective interest rate over the life of the loan. We concluded that the Principality loan of £4m was not substantially modified as the same fixed rates were in place until maturity, with only a small reduction in the margin.

#### **Estimation uncertainty**

MVH make 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

# Notes to the Financial Statements

## Year ended 31 March 2023

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to determine the fair value of assets. Investment properties are measured at fair value, using market values prepared by a firm of property valuation experts on a triennial basis. Each year the Board review the market conditions and assess whether the fair value is materially changed. The fair value of investment properties is set out in Note 15. The next valuation is due to be undertaken at 31 March 2024.

### Provisions

Using information available at the year end date, management estimate the level of provision required to account for potentially uncollectible debts. Provision is also made for office accommodation, restructuring, WHQS works and other liabilities for which there is uncertainty over both the timing and exact quantification of amounts due. These provisions require management's best estimate of the costs that will be incurred based on contractual requirements.

### Defined benefit pension scheme

MVH has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate of corporate bonds. Management estimates these factors in determining the net pension asset in the Statement of Financial Position. The assumptions reflect historical experience and current trends. A firm of actuaries are engaged to provide MVH with expert advice about the assumptions to be applied. When a scheme has surplus the asset to be recognised is calculated at the lower of the surplus in the defined benefit plan and

the asset ceiling. The asset ceiling is the higher of the economic benefit that could be achieved from a refund of surplus on exiting the Fund, and the economic benefit from payment of future service contributions to the Fund below future expected Current Service Costs. The asset ceiling has been calculated as the difference between the net present value of (employer) future service costs over the future working lifetime and net present value of (employer) future contributions over the future working lifetime.

# Notes to the Financial Statements

## Year ended 31 March 2023

### 4) Turnover, Operating Costs and Operating Surplus

#### Particulars of turnover, cost of sales, operating costs and operating surplus

##### Note A

	2023 Turnover £'000	2023 Operating Costs £'000	2023 Operating Surplus £'000	2022 Turnover £'000	2022 Operating Costs £'000	2022 Operating Surplus £'000
Social Housing lettings (Note B)	21,782	22,028	(246)	20,947	20,597	350
Other social housing activities						
Supporting People	130	159	(29)	149	224	(75)
Other grant income	243	-	243	217	-	217
Other income	369	-	369	448	-	448
Total	<u>22,524</u>	<u>22,187</u>	<u>337</u>	<u>21,761</u>	<u>20,821</u>	<u>940</u>



# Notes to the Financial Statements

## Year ended 31 March 2023

### Particulars of income and expenditure from social housing lettings

Note B	General Needs £'000	Sheltered Housing £'000	2023 £'000	2022 £'000
<b>Income</b>				
Rents receivable	18,476	901	19,377	18,705
Service charges income	57	170	227	182
Amortised government grants	2,178	-	2,178	2,060
<b>Turnover from social housing lettings</b>	<b>20,711</b>	<b>1,071</b>	<b>21,782</b>	<b>20,947</b>
<b>Expenditure</b>				
Service charge costs	1	180	181	122
Management	4,377	808	5,185	4,496
Tenant support	234	-	234	121
Routine maintenance	7,537	-	7,537	7,495
Major repairs expenditure	4,094	-	4,094	3,952
Bad debts from rent	103	-	103	72
Bad debts from other income	62	-	62	30
Depreciation of housing properties	4,632	-	4,632	4,309
<b>Operational costs</b>	<b>21,040</b>	<b>988</b>	<b>22,028</b>	<b>20,597</b>
<b>Operating surplus social housing lettings</b>	<b>(329)</b>	<b>83</b>	<b>(246)</b>	<b>350</b>
Void losses	317	17	334	350

Within Other social housing activities turnover in Note A is income received from the following:

	2023 £'000	2022 £'000
Grants from SPRG	130	149
Salary Grants	98	122
Other grant income	145	95
Shop rents	163	183
Leaseholders	131	95
Other income	75	169

# Notes to the Financial Statements

## Year ended 31 March 2023

### 5) (Deficit)/Surplus on Disposals of Property, Plant and Equipment

	2023 £'000	2022 £'000
Sales proceeds	92	40
Less costs of sale	-	-
Surplus on sale of housing properties	92	40
Loss on the disposal of other fixed assets	(177)	(179)
Deficit on disposal	(85)	(139)

Sales proceeds include the sale of a garage site, 3 parcels of land and 4 freehold reversions (2022: 3 parcels of land and 6 freehold reversions).

### 6) Operating Surplus

Operating surplus for the year is after charging:

	2023 £'000	2022 £'000
Amortisation – intangible assets	142	143
Depreciation – housing properties	4,634	4,322
Impairment – housing properties	-	-
Depreciation – other fixed assets	207	240
Auditor's remuneration in respect of audit services	27	19
Operating lease rentals (other)	2	2
Rent losses from voids	334	350
Bad debt costs	165	102

### 7) Interest Receivable

	2023 £'000	2022 £'000
Bank interest receivable	108	21
HFG2 interest receivable	16	16
Pension finance income	135	26
<b>Total</b>	<b>259</b>	<b>63</b>

### 8) Interest and Financing Costs

	2023 £'000	2022 £'000
Bank loans and overdrafts	942	1,303
Financing costs	17	452
Finance lease charges	2	5
<b>Total</b>	<b>961</b>	<b>1,760</b>

# Notes to the Financial Statements

## Year ended 31 March 2023

	2023 £'000	2022 £'000
Loan breakage costs	-	3,801
<b>Total</b>	<b>-</b>	<b>3,801</b>

During 2021-2022 MVH renegotiated its loan facility. This resulted in the previous £40m syndicate loan facility ending and new facilities were negotiated separately with both NatWest and Principality Building Society. In accordance with FRS102, we accounted for £3.801m of breakage costs relating to the NatWest loan which was substantially modified in the renegotiation. These costs had no impact on our cash position.

### 9) Directors' Emoluments

The key management personnel are the executive officers listed on page 3. For part of 2022/23, Acting Up arrangements were put in place within the executive officers team due to a long term absence.

	2023 £'000	2022 £'000
Wages and salaries	468	379
Social security costs	61	47
Other pension costs	51	42
<b>Total Staff Costs</b>	<b>580</b>	<b>468</b>

Emoluments of the highest paid Director, excluding pension contributions	134	129
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The highest paid Director (Chief Executive) is an ordinary member of the Merthyr Valleys Homes defined benefit pension scheme with no enhanced or special terms applied to their membership. MVH makes no contribution to any individual pension arrangement in respect of the highest paid Director other than LGPS contributions.

No remuneration was paid to the Members of the Board during the year (2022: £Nil).

The Democratic Body approved a remuneration allowance of £6,000 for the Chair of the Board in 2022/23 however this was declined by the Chair and instead will be invested in projects.

# Notes to the Financial Statements

## Year ended 31 March 2023

The full time equivalent number of key personnel including the highest paid Director whose remuneration payable in the period fell within the following bands:

	2023 No.	2022 No.
£1-£60,000	-	-
£60,001 - £70,000	1	-
£70,001 - £100,000	-	-
£100,001 - £110,000	1	2
£110,001 - £120,000	1	-
£120,001 - £130,000	-	1
£130,001 - £140,000	1	-
£140,001 - £150,000	1	1

### 10) Staff Costs

	2023 £'000	2022 £'000
Staff costs during the year:		
Wages and salaries	7,180	6,510
Social security costs	1,207	971
Other pension costs	2,940	2,895
<b>Total staff costs</b>	<b>11,327</b>	<b>10,376</b>

### The average monthly number of staff – full time equivalent

	2023 No:	2022 No:
This comprises:		
Central Support Services, encompassing:		
Finance, HR, Corporate Services and Administration	46	49
Homes and Property Services	116	118
Housing	60	57
<b>Total</b>	<b>222</b>	<b>224</b>
Staff employed at year end - full time equivalent	<b>224</b>	<b>228</b>

The calculations are based on a 37 hour working week.

The actual number of staff employed at 31 March was 231.

# Notes to the Financial Statements

## Year ended 31 March 2023

### 11) Intangible Assets

Cost	Computer software £'000
At 1 April 2022	1,578
Additions during the year	42
Disposals during the year	(327)
At 31 March 2023	1,293
<b>Amortisation</b>	
At 1 April 2022	1,116
Charge for the year	142
Disposals during the year	(326)
At 31 March 2023	932
<b>Net book value</b>	
<b>At 31 March 2023</b>	<b>361</b>
At 1 April 2022	462

The cost includes £595,218 (2022: £880,912) of externally purchased computer software and £697,218 (2022: £697,218) of computer software developed in-house.

# Notes to the Financial Statements

## Year ended 31 March 2023

### 12) Tangible Fixed Assets – Housing and Other Properties

	Housing properties held for letting	Housing properties in the course of construction	2023 Total	2022 Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2022	99,212	2,165	101,377	92,371
Transferred on completion	1,816	(1,816)	-	-
Additions during the year	9,049	3,648	12,697	9,379
Disposals during the year	(542)	-	(542)	(373)
At 31 March 2023	109,535	3,997	113,532	101,377
<b>Depreciation</b>				
At 1 April 2022	33,425	-	33,425	29,298
Charge for the year	4,634	-	4,634	4,322
Disposals during the year	(383)	-	(383)	(195)
Impairments during the year	-	-	-	-
At 31 March 2023	37,676	-	37,676	33,425
<b>Net book value</b>				
<b>At 31 March 2023</b>	<b>71,859</b>	<b>3,997</b>	<b>75,856</b>	<b>67,952</b>
At 1 April 2022	65,787	2,165	67,952	63,073

Costs capitalised during the year related to components. Total expenditure on properties during the year was £24.328m (2022: £20.826m). Of this £12.697m was capitalised and £11.631m was expensed through the Statement of Comprehensive Income.



# Notes to the Financial Statements

## Year ended 31 March 2023

### 13) Housing Stock

	2022	Reclassified	Additions	Disposals	2023
	No	No	No	No	No
General Needs	3,834	-	24	-	3,858
Sheltered	210	-	-	-	210
Garages	382	-	-	(22)	360
Retail Premises	31	-	-	-	31
Co-operative Housing	12	-	-	-	12
Leasehold Houses*	157	-	-	(4)	153
Leasehold Flats	98	-	-	(7)	91
Leasehold Garages*	213	-	-	(1)	212
Leasehold Retail Premises*	5	-	-	-	5
<b>Total</b>	<b>4,942</b>	<b>-</b>	<b>24</b>	<b>(34)</b>	<b>4,932</b>

\* Relates to ground rent only.

The additions include 12 newly built properties at Lansbury Road, 7 leasehold flats bought back and 5 stand alone properties. The disposals include 18 garages sold at Beech Grove and 4 garages demolished as part of the Lansbury Road site, 4 leasehold house freehold reversions, 7 leasehold flats bought back and 1 leasehold garage plot.

# Notes to the Financial Statements

## Year ended 31 March 2023

### 14) Tangible Fixed Assets - Other

	Office Furniture £'000	Office Equipment £'000	Scheme Equipment £'000	Motor vehicles £'000	Office premises £'000	Total £'000
<b>Cost</b>						
At 1 April 2022	240	651	304	282	4,496	5,973
Additions during the year	27	36	12	-	-	75
Disposals during the year	(41)	(5)	-	(161)	-	(207)
At 31 March 2023	226	682	316	121	4,496	5,841
<b>Depreciation</b>						
At 1 April 2022	106	485	106	235	172	1,104
Charge for the year	31	81	24	25	45	206
Disposals during the year	(22)	(5)	-	(161)	-	(188)
At 31 March 2023	115	561	130	99	217	1,122
<b>Net Book Value</b>						
<b>At 31 March 2023</b>	<b>111</b>	<b>121</b>	<b>186</b>	<b>22</b>	<b>4,279</b>	<b>4,719</b>
At 1 April 2022	134	166	198	47	4,324	4,869

Office equipment includes finance leases with a cost of £16,000 (2022: £15,000), accumulated depreciation of £13,000 (2022: £7,000) and a net book value of £3,000 (2022: £8,000). Motor vehicles includes finance leases with a cost of £89,000 (2022: £250,000), accumulated depreciation of £78,000 (2022: £222,000) and a net book value of £11,000 (2022: £28,000).

# Notes to the Financial Statements

## Year ended 31 March 2023

### 15) Investment Properties

	2023 £'000	2022 £'000
At 1 April 2022	693	693
Changes on revaluation of investment properties	-	-
<b>At 31 March 2023</b>	<b>693</b>	<b>693</b>

Had the investment properties been measured at historical cost, the carrying value would be £Nil (2022: £Nil).

The fair value of the investment properties was undertaken by Savills, a global real estate services provider who specialise in loan valuations for security and accounts for Housing Associations and Local Authorities and hold a professional qualification with the Royal Institute of Chartered Surveyors (RICS). The method of determining fair value was by reference to market value for comparable property. Other factors taken into account include the tenure of the property, tenancy details, the condition of the building, the environmental risks associated with the property and the floor areas of the properties. The valuation is obtained triennially. A valuation of the investment properties was undertaken at 31 March 2021. The Board has reviewed the market conditions and concluded that the value has not materially changed as at 31 March 2023.

### 16) Inventories

Analysis of stock held:	2023 £'000	2022 £'000
Materials and consumables	16	15

### 17) Debtors: Amounts Falling Due Within One Year

	2023 £'000	2022 £'000
Rent arrears	1,088	933
Less: Provision for bad debts	(329)	(269)
	759	664
Sales Debtors	416	442
Less: Provision for bad debts	(197)	(286)
	219	156
VAT	102	125
Other Debtors	839	1,845
<b>Total</b>	<b>1,919</b>	<b>2,790</b>

# Notes to the Financial Statements

## Year ended 31 March 2023

### 18) Debtors: Amounts falling due after one year

	2023	2022
	£'000	£'000
<b>WHQS Works</b>		
At beginning of year	34,284	43,109
Released during the year	(10,724)	(8,825)
<b>At the end of the year</b>	<b>23,560</b>	<b>34,284</b>
<b>HFG2</b>	<b>£'000</b>	<b>£'000</b>
At beginning of year	240	243
Recognised during the year	-	-
Released during the year	(4)	(3)
<b>At the end of the year</b>	<b>236</b>	<b>240</b>
<b>Environmental Warranty</b>	<b>£'000</b>	<b>£'000</b>
At beginning of year	94	110
Recognised during the year	-	-
Released during the year	(16)	(16)
<b>At the end of the year</b>	<b>79</b>	<b>94</b>
	<b>23,875</b>	<b>34,618</b>

See Note 29 - Provisions for Liabilities for information on WHQS works.

As part of the Transfer Agreement with MTCBC, MVH was required to pay the Council an amount equivalent to the costs which MTCBC incurs in securing environmental insurance in relation to MVH's properties until 2029. A new Environmental Warranty policy to 29 March 2029 is in place which is being recognised over the life of the policy.

# Notes to the Financial Statements

## Year ended 31 March 2023

### 19) Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Bank loans and overdrafts	94	76
Obligations under finance leases	4	27
Accruals	1,670	1,012
Deferred income	100	108
Rents received in advance	244	245
Salary and other employee costs	-	458
Other taxation and social security	276	269
Capital expenditure on housing properties	2,003	2,236
Other capital creditors	37	1
<b>Total</b>	<b>4,428</b>	<b>4,432</b>

See Note 20 for details of security provided.

### 20) Creditors: amounts falling due after more than one year

	2023 £'000	2022 £'000
Bank loans	32,027	23,388
Other loans	347	1,017
Obligations under finance leases	9	11
Taf Fechan sinking fund	36	32
Leaseholder sinking fund	360	375
	<b>32,779</b>	<b>24,823</b>

#### Borrowings

	2023 £'000	2022 £'000
<b>Bank loans</b>		
On demand or within one year	94	76
between one and two years	-	-
between two and five years	-	650
After five years	29,367	20,367
	<b>29,461</b>	<b>21,093</b>

# Notes to the Financial Statements

## Year ended 31 March 2023

We renegotiated our loan facility during 2021-2022 resulting in the repayment of a £4m variable rate loan and the extension of £20m of fixed rate loans (£16m with NatWest; £4m with Principality). During the year, we have drawn down a £9m tranche of funding on fixed rates of interest with NatWest which was agreed during 2021-2022. As at 31st March 2023, 40% of our properties are used as security against our loans instead of 100% previously. We have recognised the NatWest loan of £16m within Creditors at a value of £19.261m at 31 March 2023 which is being written down over 20 years using an effective interest rate, in accordance with FRS102. This is based on a management judgement which concluded that the NatWest loan was substantially modified. In addition a new £5m Revolving Credit Facility with Principality was put in place which has not been drawn.

During 2014/15 MVH received a 25 year loan of £510,000 on a PWLB interest rate of 2.92% from MTCBC to fund the refurbishment of Taf Fechan House as part of MTCBC's Vibrant and Viable Places project. The balance outstanding on this loan at 31 March 2023 is £346,800 (2022: £367,200).

We received a £650,000 Welsh Government Land for Housing loan in 2021/22 to purchase land for a new development scheme. This loan was fully repaid in 2022/23.

A Surety Bond facility of £250,000 is in place with Barclays Bank in relation to s104 drainage agreements with Dwr Cymru. This is secured by a charge over a credit balance. £49,000 of the facility has been utilised at 31 March 2023 which is held in Cash and cash equivalents (2022: £24,000).

### Finance Leases

	2023 £'000	2022 £'000
<b>Finance Leases</b>		
On demand or within one year	4	27
between one and two years	4	11
between two and five years	5	-
After five years	-	-
	<u>13</u>	<u>38</u>

FRS102 has resulted in the reclassification of a number of motor vehicle and office equipment leases from operating leases to finance leases.



# Notes to the Financial Statements

## Year ended 31 March 2023

### Taf Fechan sinking fund

The members of Taf Fechan Housing Co-operative pay in advance for future planned or major works. Any unutilised contributions are recognised as a liability in the Statement of Financial Position. This liability will reduce in line with completed planned or major works on the property.

### Leaseholder sinking fund

Under SORP 2018, where leaseholders pay in advance for identified future planned or major works, any unutilised contributions are recognised as a liability in the Statement of Financial Position. This liability will reduce annually in line with completed planned or major works on leasehold properties.

## 21) Financial Instruments

	2023 £'000	2022 £'000
<b>Finance assets</b>		
Measured at amortised cost:		
Rent arrears (see note 17)	1,088	933
Sales debtors (see note 17)	416	442
Environmental Warranty (see note 18)	78	94
	<b>1,582</b>	<b>1,469</b>
<b>Financial liabilities</b>		
Measured at amortised cost:		
Loans payable (see note 20)	32,374	24,405
Bank loans and overdrafts (see note 19)	94	76
Capital creditors (see note 19)	2,040	2,237
Leaseholder sinking fund (see note 20)	360	375
Taf Fechan sinking fund (see note 20)	36	32
	<b>34,904</b>	<b>27,125</b>

MVH's income, expense, gains and losses in respect of financial instruments are summarised below:

	2023 £'000	2022 £'000
<b>Interest income and expense</b>		
Total interest expense for financial instruments at amortised cost	959	1,755

# Notes to the Financial Statements

## Year ended 31 March 2023

### 22) Dowry funding and other government grants

	Housing properties held for letting £'000	Housing properties in the course of construction £'000	2023 Total £'000	2022 Total £'000
<b>Dowry funding and other grants</b>				
At 1 April 2022	(48,474)	(1,240)	(49,714)	(45,283)
Transferred on Completion	(1,135)	1,135	-	-
Additions during the year	(5,165)	(2,366)	(7,531)	(4,431)
Disposals during the year	237	-	237	(189)
Recycled grant during the year	(237)	-	(237)	189
At 31 March 2023	(54,774)	(2,471)	(57,245)	(49,714)
<b>Amortisation of Grants</b>				
At 1 April 2022	16,528	-	16,528	14,467
Charge for the year	2,344	-	2,344	2,163
Disposals during the year	(167)	-	(167)	(102)
Impairments during the year	-	-	-	-
At 31 March 2023	18,705	-	18,705	16,528
<b>Net Book Value</b>				
<b>At 31 March 2023</b>	<b>(36,069)</b>	<b>(2,471)</b>	<b>(38,540)</b>	<b>(33,186)</b>
At 1 April 2022	(31,946)	(1,240)	(33,186)	(30,816)
<b>Amounts falling due:</b>				
Within one year or less	2,344	-	2,344	2,163
In more than one year	33,725	2,471	36,196	31,023
<b>Total grant creditor</b>	<b>36,069</b>	<b>2,471</b>	<b>38,540</b>	<b>33,186</b>

Cumulative total capital grants received are £57.245m. This relates to £44.17m of dowry funding, £4.79m of energy efficiency grants, £5.03m of social housing grant and £3.255m of other grants.

Dowry funding relates to the dowry grant received from the Welsh Government. In addition to the £2.9m received, £0.237m relating to the disposal of components was re-used during the year.

# Notes to the Financial Statements

## Year ended 31 March 2023

### 23) Share Capital

	2023 No	2022 No
Shares at beginning of year	1,305	1,338
Issued during the year	55	69
Cancelled during the year	(37)	(102)
At the end of the year	<u>1,323</u>	<u>1,305</u>

Members have the right to vote at Members Meetings but membership does not carry the right to dividend payments or distribution on winding up.

### 24) Restricted Reserves

	2023 £'000	2022 £'000
<b>Pension Reserve</b>		
At beginning of year	4,581	825
Actuarial movement	13,541	5,938
Transfer (to) the Income & Expenditure Account	(2,046)	(2,182)
FRS102 Pension Asset Restriction	(9,772)	-
<b>At the end of the year</b>	<u>6,304</u>	<u>4,581</u>

This reserve matches the value of the Pension Fund Asset recognised.

# Notes to the Financial Statements

## Year ended 31 March 2023

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### 25) Operating Leases

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

	2023 £'000	2022 £'000
Operating Leases costs due:		
Within one year	-	2
Between two and five years	-	-
In more than five years	-	-
	<u>-</u>	<u>2</u>

### 26) Financial Commitments

Financial commitments are as follows:	2023 Total £'000	2022 Total £'000
Contracted for but not provided for		
within one year	4,827	3,219
between one and five years	1,861	-
after five years	-	-
Approved by the directors but not contracted for	-	83

# Notes to the Financial Statements

## Year ended 31 March 2023

### 27) Notes to the Statement of Cash flows

	2023 £'000	2022 £'000
<b>Net cash generated from operating activities</b>		
Operating (Loss)/Surplus for the year	(450)	(4,697)
Adjustment for non cash items:		
Amortisation of intangible assets	142	143
Depreciation of property, plant and equipment	4,841	4,562
Amortisation of government grants	(2,344)	(2,163)
Amortisation of breakage costs	(378)	-
Breakage Costs	-	3,801
Working capital movements:		
(Increase) / decrease in inventories	(1)	(-)
Decrease / (increase) in debtors < 1 year	871	(771)
Decrease / (increase) in debtors > 1 year	10,743	8,844
Increase / (decrease) in creditors < 1 year	199	(343)
(Decrease)/ increase in creditors >1 year	(11)	6
(Decrease) / increase in provisions	(10,758)	(8,954)
Pensions costs less contributions payable	2,181	2,208
Carrying amount of property, plant and equipment disposals	344	282
Impairment loss on property, plant and equipment disposals	-	-
Adjustment for investing and financing items:		
Proceeds from disposal of property, plant and equipment	(92)	(40)
Interest receivable	(259)	(63)
Interest and financing costs	961	1,760
Change in fair value of Investments	-	-
<b>Net cash generated from operating activities</b>	<b>5,989</b>	<b>4,575</b>
<b>Cash and cash equivalents</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	12,396	4,293
Cash equivalents included in current asset investments	-	-
<b>Cash and cash equivalents</b>	<b>12,396</b>	<b>4,293</b>

# Notes to the Financial Statements

## Year ended 31 March 2023

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### 28) Related Parties

As at 31 March 2023 we had 6 independent Board Members and 2 vacancies, none of which are our tenants or related parties.

The Democratic Body includes 11 tenant members of which there were 2 vacancies at the year end. Tenancies provided to Democratic Body members are based on the MVH standard terms and members cannot use their position to their advantage. As at 31 March 2023 there were no cumulative rent arrears for the tenant members (2022: £nil) and cumulative receipts paid during appointment totalled £44,403 (2022: £44,436).

The Democratic Body includes 8 employee members and 1 co-opted member of which all were in post at the year end. As at 31 March 2023 cumulative salary payments for the employee members totalled £323,050 (2022: £286,612).

The Democratic Body includes 2 Council Representatives which were in post at the year end. Any transactions with the Council are at arm's length, on normal commercial terms and Council Representatives cannot use their position to their advantage. During the year MVH made payments totalling £5.668m (2022: £5.399m) to MTCBC primarily in relation to the payroll and Service Level Agreements; the remainder being in relation to business rates and other costs. Included in debtors is £157,164 of which £94,280 relates to the environmental warranty, £32,614 for unreceived Supporting People Grant, £24,658 for commercial rental, and £5,612 for other income. Included in creditors is £456,137 relating to payroll costs, £12,702 for Service Level Agreements and £8,793 relating to other costs; all due to MTCBC. Also included in creditors is the outstanding loan balance of £346,800 with MTCBC to fund the refurbishment of Taf Fechan House (2022: £367,200).

MVH became members of Barcud Shared Services Limited from 1 September 2019 under a Members Agreement in which the members agree to work together to share an internal audit service. This was extended to include a procurement service in 2022-23. During the year, we made payments of £124,411 (2022: £76,215) to Barcud Shared Services Limited for the provision of internal audit and procurement services. As at 31 March 2023 £576 was owed to Barcud Shared Services (2022: £nil).

# Notes to the Financial Statements

## Year ended 31 March 2023

### 29) Provisions for liabilities

	Other	WHQS	2023
	£'000	Works £'000	£'000
At beginning of year	307	34,284	34,591
Provided for during the year	132	-	132
Used during the year	(166)	-	(166)
Released during the year	-	(10,724)	(10,724)
<b>At the end of the year</b>	<b>273</b>	<b>23,560</b>	<b>23,833</b>

Provisions includes amounts in respect of WHQS works, restructuring and other liabilities for which there is uncertainty over both the timing and exact quantification of amounts due. Management have made provisions based on their best estimates of the future liability.

In respect of WHQS works, under the transfer agreement the Council transferred the properties to MVH together with an obligation to undertake the WHQS works at the Council's expense. The price paid for the properties was £133,023,642; this price reflects the Tenanted Market Value of the stock which is nil and the estimated value of the works of £133,023,642. At 31 March 2023 £23.56m (2022: £34.284m) is shown in Debtors: amounts falling due after one year and in provisions for liabilities.

### 30) Events after the Reporting Date

There are no events after the reporting date.



# Notes to the Financial Statements

## Year ended 31 March 2023

### 31) Pension Costs

Merthyr Valleys Homes' employees are eligible to join the RCTCBC Pension Fund, which is a local government pension scheme (LGPS). MVH was admitted to the scheme on 30 March 2009. This disclosure relates to the period between 1 April 2022 and 31 March 2023.

The LGPS is a funded defined benefit scheme, with assets held in a separate trustee administered fund. Contributions in the year totalled £1,365,917 of which employers' contributions totalled £905,200 and employees totalled £460,717. The employee and employer contributions outstanding at 31 March 2023 included within Creditors due within one year was £103,313.

In accordance with the requirements of FRS102 the pension fund is valued by a qualified independent actuary in order to ascertain the value of the scheme and the previous year has been restated accordingly.

#### Contributions for the year ended 31 March 2024

Regular employer contributions to the fund for the year ended 31 March 2024 are estimated to be £786,000.

#### Assumptions

The latest actuarial valuation of the fund liabilities took place as at 31 March 2023. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principle assumptions used were:

Financial assumptions for valuing the funded LGPS Liabilities		
Assumption	31 March 2023 (% p.a.)	31 March 2022 (% p.a.)
Discount rate	4.70%	2.70%
CPI inflation	2.70%	2.90%
Increase to pensions in payment	2.70%	2.90%
Pension accounts revaluation rate	2.70%	2.90%
Salary increases	3.95%	4.15%

# Notes to the Financial Statements

## Year ended 31 March 2023

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### Mortality assumption at 31 March 2023 and 31 March 2022

<b>Males</b>	<b>31 March 2023</b>	<b>31 March 2022</b>
Member aged 65 at accounting date	21.6	21.6
Member aged 45 at accounting date	22.9	22.6
<b>Females</b>	<b>31 March 2023</b>	<b>31 March 2022</b>
Member aged 65 at accounting date	24.2	23.9
Member aged 45 at accounting date	25.7	25.4

### Asset allocation

<b>Asset class</b>	<b>Value at 31 March 2023</b>	<b>Value at 31 March 2022</b>
Equities	68.1%	67.4%
Property	7.8%	7.3%
Government bonds	10.5%	12.0%
Corporate bonds	12.4%	12.9%
Cash	0.7%	0.4%
Other	0.5%	0.0%

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

Active members	54.0%
Deferred pensioners	13.0%
Pensioners	33.0%

# Notes to the Financial Statements

## Year ended 31 March 2023

### Amounts recognised in other comprehensive income

	31 March 2023 £M's	31 March 2022 £M's
Assets gains / (losses) arising during the period	(6.312)	0.000
Actuarial (gains) / losses due to changes in financial assumptions	23.172	0.000
Actuarial (gains) / losses due to changes in demographic assumptions	0.100	0.000
Actuarial (gains) / losses due to liability experience	(3.419)	0.000
Liability gains / (losses) arising during the period	0.000	5.938
FRS102 recognisable surplus restriction	(9.772)	0.000
<b>Total amount recognised in other comprehensive income</b>	<b>3.769</b>	<b>5.938</b>

### Reconciliation of funded status to Financial Position

	31 March 2023 £M's	31 March 2022 £M's
Fair value of assets	54.640	58.645
Present value of present defined benefit obligation	38.564	54.064
<b>Pension asset</b>	<b>16.076</b>	<b>4.581</b>
FRS102 recognisable surplus restriction	(9.772)	0.000
<b>Net pension asset</b>	<b>6.304</b>	<b>4.581</b>

### Changes to fair value of assets

	31 March 2023 £M's	31 March 2022 £M's
<b>Opening fair value of assets</b>	<b>58.645</b>	<b>56.414</b>
Interest income on assets	1.593	1.194
Remeasurement gains / (losses) in assets	(6.312)	0.167
Contributions by the employer	0.905	0.858
Contributions by participants	0.461	0.426
Net benefits paid out	(0.652)	(0.414)
Net increase in assets from disposals / acquisitions	0.000	0.000
Settlements	0.000	0.000
<b>Closing fair value of assets</b>	<b>54.640</b>	<b>58.645</b>

# Notes to the Financial Statements

## Year ended 31 March 2023

### Changes to present value of the defined benefit obligation

	31 March 2023 £M's	31 March 2022 £M's
<b>Opening present value of liabilities</b>	<b>54.064</b>	<b>55.589</b>
Adjustment for past service cost	0.000	0.000
<b>Revised opening present value of liabilities</b>	<b>54.064</b>	<b>55.589</b>
Current service costs	2.930	3.070
Interest expense	1.458	1.168
Contributions by participants	0.461	0.426
Actuarial (gains) / losses due to changes in financial assumptions	(23.172)	n/a
Actuarial (gains) / losses due to changes in demographic assumptions	(0.100)	n/a
Actuarial (gains) / losses due to liability experience	3.419	(5.938)
Net benefits paid out	(0.652)	(0.414)
Past service costs	0.156	0.163
Curtailments	0.000	0.000
Net increase in liabilities from disposals/acquisitions	0.000	0.000
Settlements	0.000	0.000
<b>Closing defined benefit obligation</b>	<b>38.564</b>	<b>54.064</b>

### Actual return on assets

	31 March 2023 £M's	31 March 2022 £M's
Interest income on assets	1.593	1.194
Gain / (losses) on assets	(6.312)	0.167
<b>Actual return on assets</b>	<b>(4.719)</b>	<b>1.361</b>

