

Cartrefi Cymunedol Gwynedd
Financial Statements
For year ended
31 March 2019





CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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CARTREFI CYMUNEDOL GWYNEDD CYF

BOARD MEMBERS AND PROFESSIONAL ADVISORS

BOARD MEMBERS

Mark Jones (Chair)
Abigail Tweed (Vice Chair)
Robert Lewis
Paula Jewson
Berwyn Parry-Jones
Linda Campbell (appointed April 2018)
Lynn Rowlands (appointed April 2018)
Cai Larsen (appointed July 2018)
Selwyn Hayward (appointed July 2018)
Huw Gareth Pritchard (appointed March 2019)
Hywel Eifion Jones (Co-optee, appointed March 2019)
Nia Wyn Jeffreys (resigned June 2018)
Alan Field (resigned July 2018)
Jill Lawrence (resigned September 2018)
Dafydd Pritchard (Co-optee, resigned November 2018)
Anne Lloyd-Jones (resigned December 2018)
Stephen Churchman (resigned December 2018)

Secretary and Registered Office

Aled Davies
Ty Coch
Llys y Dderwen, Parc Menai
Bangor, Gwynedd
LL57 4BL

Executive Officers

Ffrancon Williams - Chief Executive
Paul McGrady – Director of Resources (up to March 2019)
Ian Atkinson – Director of Assets & Infrastructure
Sarah Schofield – Director of Customers & Communities
Rhys Parry – Director of Finance (from July 2019)

External Auditors

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

Internal Auditors

Mazars
45 Church Street,
Birmingham,
B3 2RT

Bankers

Barclays Bank plc
One Snowhill,
Queensway,
Birmingham,
B3 2WN

Funders

Barclays Bank plc
One Snowhill,
Queensway,
Birmingham,
B3 2WN

Financial Advisors

JCRA
12 St James's Square
London
SW1Y 4LB

Cartrefi Cymunedol Gwynedd Cyfyngedig is a Co-operative and Community Benefit Society registered with charitable rules. Co-operative and Community Benefit Society Number:30776R. Registered Social Landlord number L152.

CARTREFI CYMUNEDOL GWYNEDD CYF
Strategic Report
for the year 1 April 2018 to 31 March 2019

The Board of Cartrefi Cymunedol Gwynedd Cyf presents this report and the audited financial statements for the year 1 April 2018 to 31 March 2019.

Throughout the report and Financial Statements 'CCG' or 'Association' has been used to refer to Cartrefi Cymunedol Gwynedd Cyf.

Per the requirements of the Financial Reporting Council, the Financial Statements have been prepared in compliance with Financial Reporting Standard (FRS) 102.

Principal Activities

CCG is a Large-Scale Voluntary Transfer Housing Association formed in April 2010 following the transfer of some 6,300 homes from Gwynedd Council. CCG is a Co-operative and Community Benefit Society registered with charitable rules. As a Registered Social Landlord (RSL), CCG is regulated by the Welsh Government.

CCG's primary purpose is to provide affordable rented homes to those in housing need.

CCG managed 6,303 properties on 31 March 2019, with most located in the Arfon area of Gwynedd, including the city of Bangor and the town of Caernarfon. Significant numbers are also located in the settlement towns of Pwllheli, Blaenau Ffestiniog, Dolgellau, Bala and Tywyn. Other properties are spread across the rest of Gwynedd in villages and rural locations. CCG has also started developing homes outside Gwynedd, and now manages properties in Denbighshire and Wrexham. Its' first homes in Conwy county will be let in 2019/20.

314 of the homes are designated as Sheltered Housing for older tenants. Wardens are employed to help ensure that such tenants can enjoy as much independence as possible.

The Welsh Housing Quality Standard (WHQS) was one of the core promises made to tenants on transfer; this was achieved in 2015. Subsequent focus has been on developing and growing the organisation, whilst continuing to improve services and the quality of homes, including striving to meet customers' expectations and delivering additional affordable housing.

CCG holds the OHSAS 18001 accreditation for Health and Safety, and the ISO 9001 and 14001 accreditations for Quality and Environment management systems.

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Objectives and strategies

The new **2019 -2022 Corporate Plan** provides CCG's strategic direction for the next three years via the **corporate vision** of:

“As a leading provider of quality homes and services, we want to make a positive difference to people and their communities.”

The plan identifies four **core corporate values** to support this vision:

- **Fair:** We act fairly and impartially, respecting the dignity and individuality of everyone
- **Open:** We are trustworthy and transparent in the way we work and make decisions
- **Ambitious:** We are a dynamic and ambitious organisation that supports innovation and creativity, and seeks opportunities to enhance all aspects of our business
- **Accountable:** We take responsibility for our decisions and actions and for finding solutions

Four **fundamental principles** form the foundation of our work, namely:

- working in Partnership
- ensuring Value for Money
- promoting the Welsh language
- empowerment Workplace Culture.

The plan also details four **key themes** to progress over the 3 years, namely:

- Our homes and services
- Growth
- Our communities
- Our business.

Financial Review

Regulatory Judgement

The Welsh Ministers have powers under Part 1 of the Housing Act 1996 to regulate Regulated Social Landlords in relation to the provision of housing and matters relating to governance and financial management. The Welsh Ministers publish a Regulatory Judgement under sections 33A and 35 of the Housing Act 1996, with this judgement published in accordance with the Regulatory Framework for Registered Social Landlords in Wales and the related performance standards.

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<https://gov.wales/housing-associations-registered-wales-regulatory-framework>

The judgement is designed to provide the Registered Social Landlord, its tenants, service users and other stakeholders with an understanding of its financial viability and how well it is performing, at a specific moment in time.

The judgement must not be relied upon by any other party for any other purpose. The Registered Social Landlord is responsible for the completeness and accuracy of information provided to the Regulator.

The Regulatory Judgement published by the Welsh Government in December 2018, gave a “Standard” status (i.e. the highest available) for both Governance and for Financial Viability, and noted:

- Governance and Services – “Identifies and manages new and emerging risks appropriately”
- Financial Viability – “Meets viability requirements and has the financial capacity to deal with scenarios appropriately”

The full Regulatory Judgement is available at in the Regulation section of:

<https://www.ccgwynedd.org/Performance>

Financial Performance

The 2018/19 financial results exceeded business plan targets and showed a surplus on ordinary activities of £6.8m. This includes the £4.1m dowry from the Welsh Government which is reinvested in CCG’s properties.

Tangible fixed assets were £147.5m at year-end, being mainly the cost of capitalised housing improvements. Net current assets were £2.6m. Cash balances were £4.2m and the liability on the local government pension scheme fund was £5.4m. Total year-end reserves were £60.9m, mainly being the housing improvements, less the long-term funding of those works and less the pension liability.

Outstanding loans were £68.7m at year end and were drawn down under an £82.0m loan facility agreement with Barclays. The balance of loans comprised:

- Six fixed rate loans from Barclays totalling **£49.0m** - repayable in October 2021 (£5m), October 2022 (£4m), April 2031 (£5m), April 2032 (£8m), April 2033 (£12m) and April 2034 (£15m)
- Six variable rate loans from Barclays totalling **£19.0m** – rolled over every 3 months
- Three variable rate loans from the Welsh Government totalling **£0.7m** - repayable before 2022/23.

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Assets

Investment in housing properties continued and the WHQS standard was maintained. £148.4m was spent in the first 8 years, with a further £9.1m invested in 2018/19. In addition, £11.2m was spent on new build schemes

Around 500 hectares of land and other assets were transferred to CCG when the association was created. This land was transferred at zero cost and so its value is not included in the Statement of Financial Position. An active strategy of disposing land surplus to requirements continues. Disposal proceeds to date are over £400k, and further disposals will generate additional capital receipts. Such receipts are used to part-fund additional affordable housing. Other land holdings are kept for future development by CCG.

Rents

CCG continued to follow the Welsh Government's policy on Social Housing Rents introduced in 2014/15. The policy determines an average rent band for the Association into which the average actual rent charged must fall. Inflationary increases are based on the Consumer Prices Index plus 1.5% but the Association can increase the rents by a further £2 per week for all or part of the stock if it is deemed necessary to fund business plan commitments. The average actual rent increase was 4.39% for 2018/19, and total rent charged was £29.1m.

Right to Buy / Acquire

Tenants who transferred from Gwynedd Council previously had the 'Preserved Right to Buy'. This option ended in January 2019 with the enactment of 'Abolition of the Right to Buy and Associated Rights (Wales) Act 2018.' 25 such sales completed in 2018/19, and a further 4 properties were sold on the open market. Sale proceeds are recognised in the Statement of Comprehensive Income.

New tenants since transfer did not have the same Right to Buy as transferred tenants. Under certain criteria they could however purchase their homes through the 'Right to Acquire' process, which was based on a grant rather than a discount. CCG has not sold any properties under the Right to Acquire. This also ended in January 2019.

Efficiency and Value for Money

Promoting Efficiency and Value for Money is fundamentally important to CCG. "Ensuring Value for Money" is one of the principles of the 2019/22 Corporate Plan which notes:

"To make sure that our services address customer needs in a cost-effective way, we will continually review how we do things, carefully balancing cost,

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quality and customer expectation. We will procure goods and services fairly and ethically, continuing to support a culture that promotes economy, efficiency and effectiveness throughout the business, with regular reviews to ensure we undertake relevant improvements. We will also make sure our activities provide the maximum social value and impact to our tenants and communities.”

This underpins CCG’s “Value for Money Strategy” which defines what we mean by Value for Money, notes areas for Development and Improvement, and explains our approach to Benchmarking, Performance Monitoring, Procurement and Culture Change in respect of Value for Money.

CCG’s overall ethos and approach to VFM is about ensuring that every pound spent delivers the maximum impact possible in terms of quality and / or quantity. Without VFM as an overarching principle, you will inevitably spend more than you need to achieve your objectives. Nobody likes to waste resources and our tenants certainly can’t afford for us to do so.

Operational Review

Since it was created in 2010, CCG has become an established social landlord committed to continually improving the organisation and the services provided to customers.

2018/19 saw further significant progress with delivering the 2015/20 Corporate Plan. The Board and Executive Leadership Team determined that it had been delivered ahead of schedule and so a new corporate plan for 2019-22 was developed. This was formally approved by the Board in April 2019.

Key achievements in 2018/19 included:

Homes

As well as maintaining Welsh Housing Quality Standard (WHQS), 44 additional properties were added to CCG’s stock in 2018/19. The tenants of CCG’s new build homes reported 100% satisfaction with the quality of their homes.

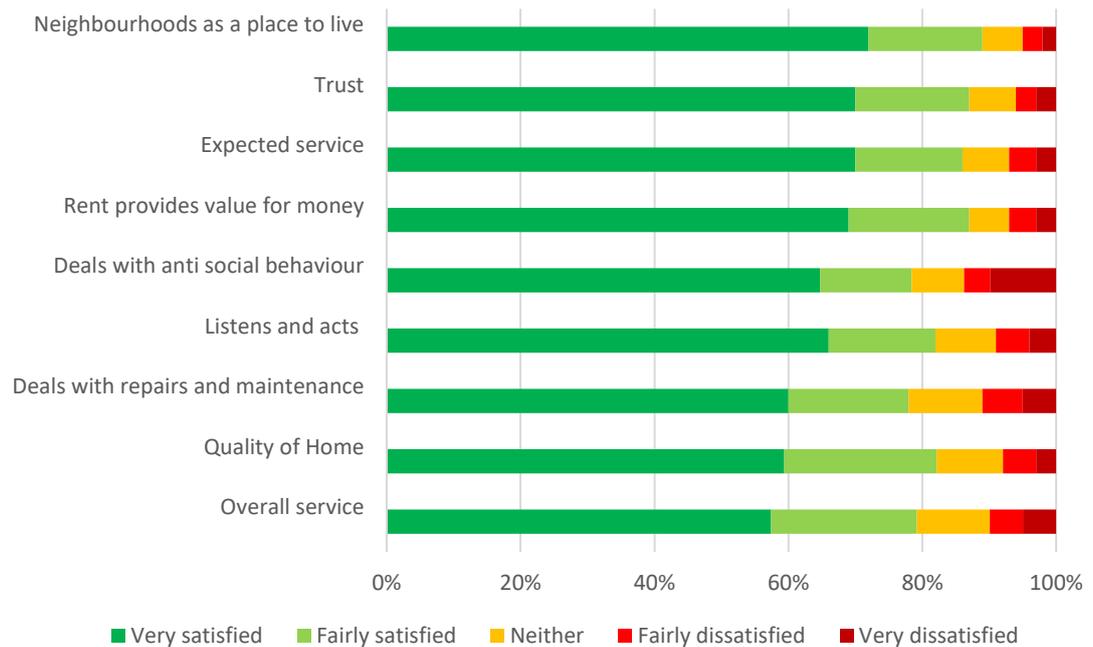
CCG has been zoned by the Welsh Government to develop homes in 5 of the 6 North Wales counties. The new Corporate Plan sets out the ambition of building 550 new homes by 2021/22, including 50 innovative homes. CCG has commenced a re-branding programme to reflect the organisation’s development and future ambitions.

Customer Satisfaction

Customer feedback is closely monitored to ensure that services continue to improve. CCG has established ambitious goals to increase customer satisfaction rates within the new Corporate Plan and has recently been awarded Customer Service Excellence status.

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Tenant satisfaction with the quality of their home, their neighbourhood and services all improved in 2018/19, as did their view on CCGs ability to listen and act. Tenants reported much higher satisfaction with how we address anti-social behaviour, and there was an increase in the proportion of our tenants who regard us as very trustworthy. Feedback from tenants against the Regulator’s customer service questions in 2018/19 is summarised in the chart below:



Repairs and Maintenance

CCG’s in-house workforce continued to deliver repairs and maintenance and part of the capital improvement programme. Tenant satisfaction with the repairs service exceeded the target throughout 2018/19. The delivery of heating servicing and maintenance was brought in-house in November 2018. The transition of this service has provided further organisational efficiencies and savings, and customer satisfaction levels with the service continue to be high.

Through its commitment to maintain the Health and Safety ISO accreditation, CCG continues to prioritise the health and safety of tenants, staff and the public.

Community Strategy

The 2018-2030 Community Strategy outlines how CCG will continue to invest in our communities. The five priority themes are Employment and Skills, Health and Wellbeing, Crime and Safety, Environment, and

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Language and Culture. Through the strategy, CCG continues to improve the contribution to community investment and to delivering social value to communities.

Universal Credit

A corporate project was established to mitigate the potential impact of Universal Credit on CCG's tenants and business income. This project, together with positive partnership working (including the establishment of the Gwynedd Welfare Reform Task and Finish group) and CCG's preparedness, meant that tenants were helped with managing the change when Universal Credit was implemented in Gwynedd in December 2018.

Housing Options

A review of the Housing Options services in Gwynedd identified the need for policy and service improvements, with a revised Gwynedd Common Housing Allocations policy being presented to Gwynedd Council Cabinet in June 2019. Arrangements have also been established with other Local Authorities in North Wales to manage the allocation process for CCG's new properties in Denbighshire, Conwy, Flintshire and Wrexham.

Affordable Homes

CCG has partnered with Local Authorities and Housing Associations in North Wales as part of the arrangements for the letting of affordable homes (Tai Teg). An Intermediate Rent Policy has also been approved, and arrangements for 'Rent to Own' and 'Shared Ownership' policies are being put in place.

Voids Strategy and Standard

A revised Void Strategy and Standard was introduced to improve the standard of homes prior to being re-let. Following an initial pilot, the standard was implemented, and by the last quarter of 2018/19, 94% of new tenants reported that they were satisfied with the general condition of the property. This compares to 67% at the start of 2017/18.

Year-end performance showed an improvement in turnaround times in comparison to 2017/18 with void properties being re-let 21.6 days quicker than the previous year. The focus for 2019/20 is to maintain the quality whilst continuing to reduce turnaround times.

Service Charges

In line with the Welsh Government's requirement to de-pool service charges from rents, a Service Charges review was undertaken, which involved consulting with all tenants. The Service Charges Policy was

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agreed and implemented, with service charges for new tenants introduced during 2018/19.

Sustainable procurement

Great strides were made in 2018/19 with embedding ethical and sustainable best practices within procurement activities. CCG was the first Housing Association to sign up to Welsh Government's Code of Practice – Ethical Employment in Supply Chains. This commitment to proactively address issues such as modern slavery and unethical business practices in the supply chain was evidenced by the publication of CCG's first Modern Slavery Statement, together with the development and implementation of a Sustainable Procurement Policy and Supplier Code of Conduct.

Gwna Wahaniaeth

To help ensure that CCG is ready for organisational growth and emerging challenges, "Gwna Wahaniaeth" (*"Make a Difference"*) has been established. This Organisational Development Programme positively influences, develops and reinforces internal culture. During 2018/19, 12 members of staff became the first cohort to attend the new Future Leaders Academy and gained valuable insight and knowledge through a variety of key-note speakers. Activities to promote the health and wellbeing of staff were also undertaken including voluntary health checks by external specialists to review factors such as blood pressure, BMI and cholesterol.

Recognition

Previous successes in obtaining industry awards for good practices and achievements continued, with CCG shortlisted for 10 awards, including being finalists in the UK Housing Awards for outstanding approach to repairs and maintenance and the Wales HR Awards for best HR initiative. A member of staff was a finalist in 24 Housing's Young Leaders award.

The first staff awards were launched in 2018/19. All staff members were able to nominate individuals and teams who had made an outstanding contribution to delivering core values and improving the organisation.

Business Transformation

The Business Transformation Project continued to focus on providing better and more modern services, transforming culture and working practices, and increasing financial viability. Recent focus has been the introduction of a new housing management system which is scheduled to go live in 2019/20.

The office rationalisation process saw the opening of new modern offices in Caernarfon and Dolgellau.

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Charitable work

CCG annually supports a charity through various fund-raising activities. The 2018/19 charity was the Wales Air Ambulance, and £1,500 was raised by staff through various activities including a bonus ball scheme, a summer exercise challenge and donations from contractors working on CCG schemes.

Refinancing

A Refinancing exercise is underway, to be concluded later in 2019. This will ensure that CCG has the necessary funding in place to support its ambitious growth and development plans over the next few years.

Budget Challenge

The annual “Budget Challenge” process involves an in-depth review of services and budgets. Efficiency savings of £1.2m were identified for re-investment in 2019/20 service delivery.

These achievements form a sound base for the further organisational growth and development detailed in the new 2019-2022 Corporate Plan.

Housing Association Regulatory Assessment

Part 2 of the Housing (Wales) Measure 2011 (the Measure), which amends Part 1 of the Housing Act 1996 gives the Welsh Ministers powers to regulate RSLs in Wales. The measure provides the Welsh Ministers with enhanced regulatory and intervention powers.

In late 2018, the Welsh Government Housing Regulation Team undertook Regulatory Assessment (RA) on behalf of the Welsh Ministers. The Regulatory Assessment is designed to provide CCG, tenants, service users and other stakeholders with an understanding of how well we are performing, at a specific moment in time, against the delivery outcomes relating to:

- Landlord services
- Governance
- Financial management

The Regulatory Assessment was undertaken in accordance with the risk-based approach to regulation set out in ‘The Regulatory Framework’ and associated guidance *‘Improving the implementation of the Regulatory Framework: a risk based approach to regulation’* and *‘Sector risks facing housing associations in Wales’*.

The Regulator utilises information and knowledge gained through ongoing regulatory engagement with CCG, together with information provided to inform regulatory opinion.

The Regulatory Assessment was published in December 2018, as part of the Regulatory Judgement detailed in page 4 above. The conclusions were

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accepted as a reasonable and fair assessment by the Board. The relationship with the Regulator remains healthy with regular contact maintained.

The Code of Governance

The Board continued to follow Community Housing Cymru's (CHC's) Code of Governance which has been developed to demonstrate a visible commitment to good governance.

A revised Code of Governance was published in the summer of 2018 and, a comprehensive 'compliance gap analysis' was undertaken. The conclusions were that CCG could demonstrate compliance with the vast majority of the Code, and an action plan was developed in order to ensure full compliance.

The Compliance Action Plan included provisions for more regular review of CCG's Risk Management Framework, and the recommendation that CCG explains Board evaluation in its Annual Report. Both are being actioned.

Board and Committee structure

A Special General Meeting was held in January 2019 to update CCG's Rules in response to the Regulation of Social Landlords Act (Wales) 2018. The Rules now provide for a Board of twelve members, comprising four tenants, two Local Authority nominees, six independents and up to three co-optees. All are Non-Executive Directors of CCG, collectively bringing a wide range of professional, commercial and local experiences. The Board and Executive Leadership Team members are detailed on page 1.

CCG undertakes annual appraisals of its Board. The 2018/19 appraisal concluded that the Board has a broad array of skills, knowledge, and experience from a range of different backgrounds / perspectives. A few skills gaps were identified, and were used to inform recruitment efforts in the year.

CCG's governance structure was revised in 2018/19, and includes the following Committees / Standing Panel to review specific business areas:

- Audit and Assurance Committee
- Customers and Assets Committee
- Appointment, Remuneration & Disciplinary Panel

This structure is also designed to support future requirements of the organisation including the delivery of the Corporate Plan.

Statement of Board responsibilities

The Co-operative and Community Benefit Societies Act requires the Board to prepare accounts for each financial year. These accounts must give a true and fair view of the Association's state of affairs, and of its surplus for that period. In preparing the accounts, the Board have to:

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- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the accounts on the going concern basis unless that is inappropriate.

The Board are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association and to enable them to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act and Housing Acts. In determining how amounts are presented within items in the Statement of Comprehensive Income and the Statement of Financial Position, the Board has had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

Although the Board is responsible for the Association's strategy and policy framework, operational management and implementation is delegated to the Executive and wider staff.

Shareholder membership

CCG had 47 shareholders at the end of 2018/19, with each member having a £1 share in CCG. Shareholders influence decision making at CCG through their right to vote at the Annual General Meeting. All tenants have the right to apply to become shareholders.

Gwynedd Council hold one non-voting share on behalf of the Local Authority / its nominees on the Board, and the remaining Board members are all shareholders. None of the senior officers hold any interest in the share capital, and the Association's Rules so preclude employees holding a share.

Internal Control

The Board has overall responsibility for establishing and maintaining the overall system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable

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assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within general management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed and is consistent with WG's RSL02/10 housing circular: 'Internal controls and reporting'.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

Identification and evaluation of key risks:

The revised Risk Management Framework was approved in December 2018 and outlines the processes involved in Risk Management, including the identification, analysis and scoring of risks, as well as how risks are monitored within the organisation. The framework refers to two levels of risk, namely strategic and operational.

To ensure a consistent approach to scoring, the impact scoring matrix used was refreshed in December 2018 to reflect the organisation's increased financial stability and operating maturity. This provides a comprehensive tool for assessing the probability of a risk occurring as well as the impact of such a risk, and is split into three areas to ensure clarity, namely cost, time and quality impacts.

This process enables the association to identify key risks and uncertainties, and the highest scoring risks identified in the year were:

- The impact of Welfare Reform on CCGs tenants and tenancies
- Changes to Welsh Government rent policy
- The impact of a No Deal Brexit on CCGs operational capability and overall stability

The identification of such risks helps enable appropriate risk monitoring, management and mitigation, and there is regular reporting to the Senior and Executive Leadership Teams.

The internal audit function, which is provided by an independent firm of accountants, follows a risk-based audit programme, and reports directly to the Audit and Assurance Committee.

Overall control procedures:

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues. Policies and

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procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems:

Financial reporting procedures include detailed budgets for the year ahead, detailed monthly management accounts, and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by the executive directors and are considered and approved by the Audit and Assurance Committee. A regular financial report is submitted to our Funders as part of the loan facility agreement. Committees regularly review relevant key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Monitoring and corrective action:

A process of regular management reporting on control issues provides assurance to senior management and to the Audit and Assurance Committee. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of services.

The internal control frameworks and the risk management processes are subject to regular review by Internal Audit who report to the Audit and Assurance Committee. This committee considers internal control and risk in every meeting.

The Audit and Assurance Committee also conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control process.

The Board confirms that there is an on-going process for identifying and managing significant risks, that this process is regularly reviewed by the Board, and was in place throughout 2018/19 and up to the date of the annual report and accounts.

Statement of compliance

This board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the Housing SORP 2014.

By Order of the Board:



Mark Jones – Chair

Date: 11 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARTREFI CYMUNEDOL GWYNEDD CYF

Opinion

We have audited the financial statements of Cartrefi Cymunedol Gwynedd Cyf ("the Association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Cooperative 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 to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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- 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 information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, 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 in relation to which Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

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

With respect to the Board's statement on internal financial controls on pages 12 to 14, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 11, the Board are 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 includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at <http://www.frc.org.uk/auditors/auditorsresponsibilities>. This description forms part of our auditor's report.

CARTREFI CYMUNEDOL GWYNEDD CYF

Use of our Report

This report is made solely to the association's members, as a body, in accordance with section 87 of the Cooperative 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.

Beever and Struthers

Beever and Struthers

Statutory Auditors

St George's House

215 – 219 Chester Road

Manchester

M15 4JE

Date: 25 September 2019

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Statement of Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	34,654	32,619
Operating Expenditure	2	(26,272)	(23,480)
Gain on Disposal of Property, Plant & Equipment		2,249	1,182
Operating Surplus		10,631	10,321
Decrease in Valuation of Investment Property		0	(59)
Interest Receivable	4	10	39
Interest and Financing Costs	4	(3,798)	(3,719)
Surplus before Tax		6,843	6,582
Taxation	21	0	0
Surplus for the Year		6,843	6,582
Actuarial (Loss)/Gain in Respect of Pension Schemes	17	(1,266)	651
Total Comprehensive Income for the Year		5,577	7,233

The association's results relate wholly to continuing activities.

The financial statements on pages 19 to 22 were approved and authorised for issue by the Board on 11 September 2019 and were signed on its behalf by:

R.M. Jones

Abigail Tweed

Aled Davies

Mark Jones – Chair

Abigail Tweed – Vice Chair

Aled Davies – Secretary

The notes on pages 23 to 45 form an integral part of these accounts.

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Statement of Changes in Reserves

For the year ended 31 March 2019

	Total Reserves
	£'000
Balance as at 1 April 2018	55,347
Surplus from Statement of Comprehensive Income	5,577
Balance as at 31 March 2019	60,924

The notes on pages 23 to 45 form an integral part of these accounts.

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Statement of Financial Position

as at 31 March 2019

	Note	31 March 2019		31 March 2018	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Fixed Assets	6, 7 & 8		147,527		133,776
Current Assets					
Stock	9	95		77	
Trade and Other Debtors	10	11,184		12,729	
Cash and Cash Equivalents	11	4,220		2,937	
Less : Creditors Due Within One Year	12	<u>(12,851)</u>		<u>(15,633)</u>	
Net Current Assets			2,648		110
Total Assets less Current Liabilities			<u>150,175</u>		<u>133,886</u>
Debtors : Due After One Year	10		53,584		58,386
Creditors : Due After One Year	13		(137,424)		(133,904)
Provision for Liabilities					
- Pension Provision	17	(5,411)		(3,021)	
- Other Provisions	14	0	(5,411)	0	(3,021)
TOTAL NET ASSETS			<u>60,924</u>		<u>55,347</u>
Reserves:					
Non-equity Share Capital	15	-		-	
Income and Expenditure Reserve		60,924		55,347	
TOTAL RESERVES			<u>60,924</u>		<u>55,347</u>

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CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Statement of Cash Flows

For the Year Ended 31 March 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Net Cash Generated from Operating Activities (see Note i)		14,212		15,615
Cash Flow from Investing Activities				
Purchase of Tangible Fixed Assets	(20,581)		(14,389)	
Proceeds from Sale of Tangible Fixed Assets	2,880		1,340	
Grants Received	8,765		2,380	
Interest Received	10		3	
		<u>(8,926)</u>		<u>(10,666)</u>
Cash Flow from Financing Activities				
Interest Paid	(3,703)		(3,718)	
New Secured Loans	3,300		3,383	
Repayment of Borrowings	(3,600)		(5,000)	
		<u>(4,003)</u>		<u>(5,355)</u>
Net Change in Cash & Cash Equivalents		<u>1,283</u>		<u>(386)</u>
Cash & Cash Equivalents at Beginning of the Year		2,937		3,323
Cash & Cash Equivalents at the End of the Year		4,220		2,937

Free Cash Flows

For the Year Ended 31 March 2019

	2019	2018
	£'000	£'000
Net Cash Generated from Operating Activities (see Note i)	14,212	15,615
Interest paid	(3,703)	(3,718)
Interest received	10	3
Adjustments for reinvestment in existing properties		
Component replacements	(10,007)	(9,295)
Purchase of other replacement fixed assets	(260)	(99)
Component replacement grant received	0	0
Free cash generated / (consumed) before loan repayments	<u>252</u>	<u>2,506</u>
Loans repaid (excluding revolving credits and overdrafts)	0	0
Free cash generated / (consumed) after loan repayments	<u>252</u>	<u>2,506</u>

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Reconciliation of Net Surpluses to Net Cash Inflow from Operating Activities
(Note i)

	Year Ended 31 March 2019		Year Ended 31 March 2018	
	£'000	£'000	£'000	£'000
Surplus for the year		6,843		6,582
Adjustments for Non-Cash Items:				
Depreciation of Tangible Fixed Assets	6,198		5,523	
Decrease / (Increase) in stock	(18)		(4)	
Decrease / (Increase) in Trade & Other Debtors	(362)		72	
Increase / (Decrease) in Trade & Other Creditors	(922)		133	
Increase / (Decrease) in Provisions	-		(287)	
Pension Costs less Contributions Payable	1,029		1,167	
Carrying Amount of Fixed Asset Disposals	674		192	
		6,599		6,796
Adjustments for Investing or Financing Activities:				
Proceeds from the Sale of Tangible Fixed Assets	(2,880)		(1,339)	
Government Grants Utilised in the Year	(138)		(103)	
Interest Payable	3,798		3,718	
Interest Received	(10)		(39)	
		770		2,237
Net Cash Generated from Operating Activities		14,212		15,615

CARTREFI CYMUNEDOL GWYNEDD CYF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

Cartrefi Cymunedol Gwynedd (CCG) is incorporated in Wales under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Welsh Government as a Registered Provider of social housing. CCG is a public benefit entity and its registered office is Ty Coch, Llys y Dderwen, Parc Menai, Bangor, Gwynedd, LL57 4BL.

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014. The financial statements comply with the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. The accounts are prepared on the historical cost basis of accounting and are presented in pounds sterling. Unless otherwise noted, amounts are rounded to the nearest £1,000.

The financial statements have been prepared in compliance with FRS102.

Going concern

A review of CCG's forecasts, projections and long-term business plan shows that there is a reasonable expectation that the Association has adequate resources to continue operating for the foreseeable future. The financial statements therefore continue to be prepared on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the statement of financial position and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- **Development expenditure.** CCG capitalises development expenditure in accordance with the accounting policy described under "Tangible Fixed Assets" page 25. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

- **Categorisation of housing properties.** CCG has undertaken a detailed review of the intended use of its housing properties – this review concluded that all housing properties are held for social benefit.

There are no key sources of estimation uncertainty that have a significant risk of causing a material adjustment in the carrying value of assets and liabilities in the next financial year.

Other key sources of estimation and assumptions:

- **Tangible fixed assets.** As detailed on the next page, tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on many factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Bad debt provision.** An estimation is made of the recoverable value of rental and other receivables. A Bad debt provision is created for any amounts that are unlikely to be recovered. The annual change in the Bad debt provision is charged to the Statement of Comprehensive Income, and the amount to provide is based on an assessment of the age profile of the debt, historical collection rates and the class of debt.
- **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 17.
- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its

CARTREFI CYMUNEDOL GWYNEDD CYF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, CCG performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to CCG as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include restructuring activities that the association is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Following the assessment of impairment, no impairment losses were identified in the reporting period.

Turnover

Turnover comprises:

- Rent and service charges receivable net of empty property voids;
- Rechargeable repairs;
- Grants from the Welsh Government;
- Fees;
- Revenue grants.

Fixed Assets and depreciation

Housing properties are depreciated in accordance with the Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords".

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Freehold housing properties are depreciated by component on a straight-line basis over the estimated useful economic lives of the component categories.

Useful economic lives for identified components are as follows:

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Component	Years
Building Structures	80 years
Roofing	60 years
Windows and Doors	30 years
Central Heating	20 years
Kitchens	15 years
Bathroom	25 years
Electrical Wiring	30 years
Walls and Other External Works	50 years
Disabled Adaptations	10 years
Solar Panels	25 years
Communal Blocks	15 years

Depreciation is charged over the expected useful life of assets related to estates and other land as follows:

Asset	Years
Fencing	40 years
Paths	30 years
Drainage	30 years
Parking Areas	30 years
Street Lighting	20 years

Depreciation is charged over the expected useful economic life of other fixed assets as follows:

Asset	Years
Offices	15 to 80 years
Garages	30 to 60 years
Shops	15 to 80 years
Vehicles and Plant	3 years
IT Equipment	5 to 10 years

Stock

Stocks of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. At each reporting date, stock is assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell, with the impairment loss being recognised immediately in the Statement of Comprehensive Income.

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Social Housing and Other Government Grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received is included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land) under the accruals model. The Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income is included as part of Turnover. The capital element of the Housing Finance Grant 2 (HFG2) is receivable over 30 years and is guaranteed and so is recognised as a Debtor due after one year.

When SHG or HFG2 in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG and HFG2 must be recycled under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the grant can be used for projects approved by the Welsh Government. However, the grant may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain cases, the grant may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has been accrued at the date of the Statement of Financial Position and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the date of the Statement of Financial Position.

Repairs and maintenance

The costs of repairs and maintenance are expensed as incurred on the basis of work done at the date of the Statement of Financial Position.

Operating leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Value Added Tax

CCG is registered for VAT. A large portion of its income including rental receipts is exempt for VAT purposes. Where VAT is not recoverable, the expenditure for these activities is shown in the accounts inclusive of VAT. CCG benefits from the VAT Shelter relief that is available to it, and so major repairs expenditure is shown exclusive of VAT.

CARTREFI CYMUNEDOL GWYNEDD CYF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Provisions

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

Pensions

CCG participates in three pension schemes:

The **Local Government Pension Scheme (LGPS)** is a defined benefits scheme managed by Gwynedd Council. Contributions are assessed in accordance with the advice of an independent qualified actuary. Certain information concerning the assets, liabilities, income and expenditure relating to the LGPS Scheme are disclosed in accordance with Section 28 of FRS102 – Employee Benefits.

The **Social Housing Pension Scheme (SHPS)** and the **People's Pension** are defined contribution schemes. Contributions are charged to the Statement of Comprehensive Income based on the actual payments made to the schemes in the form of employer contributions.

Service charges

CCG operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are levied, the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the turnover note 3. The related support costs are matched against this income in the same note.

Loan finance

CCG's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. Some fixed rate loans have a two-way break clause, i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate.

The Financial Reporting Council (FRC) issued a statement in June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non-basic". Given that CCG believes the recognition of each debt liability at cost provides a more transparent and understandable position of its financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the "basic" treatment of the debt has been retained following the FRC announcement.

Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Taxation

CCG has charitable status and is therefore not liable for Corporation Tax on its charitable activities.

Stock Transfer Obligation

When the housing stock was transferred in 2010, CCG entered into an agreement to purchase the properties from Gwynedd Council and to carry out improvement works on those properties. The outstanding commitments from this agreement net off to zero, and the Housing SORP 2014 requires the gross values of these obligations to be recognised. The Statement of Financial Position therefore shows the related assets and liabilities as debtors and creditors, split into obligations falling due within one year and due after more than one year. (See also notes 10, 12 & 13.)

Given that these assets and liabilities match, their recognition makes no difference to the net current assets / liabilities figure, nor to the Statement of Financial Position total.

CCG continues to invest in improvement works on its housing properties, and so the stock transfer obligation decreases annually.

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method,
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method,

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- (a) The best evidence of fair value is a quoted price in an active market.
- (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.
- (c) Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.



CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. TURNOVER, OPERATING COSTS AND SURPLUS

	2019			2018 Reclassified		
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
SOCIAL HOUSING LETTINGS (Note 3)	34,390	(26,144)	8,246	32,318	(23,336)	8,982
OTHER SOCIAL HOUSING ACTIVITIES						
Development costs written off	-	(32)	(32)	-	-	-
NON-SOCIAL HOUSING ACTIVITIES						
Lettings of Shops and Other Land	138	(41)	97	114	(38)	76
Letting of Garages to Non-Tenants	120	(49)	71	126	(45)	81
Leaseholders	6	(6)	-	61	(61)	-
TOTAL	34,654	(26,272)	8,382	32,619	(23,480)	9,139

The 2018 results in Notes 2 and 3 have been Reclassified to better reflect CCG's activities, e.g. Leaseholder transactions are now shown as Non- Social Housing Activities, while Supporting People activity is now included under Social Housing.



CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2019			2018 Reclassified		
	General Housing	Supported Housing	Total	General Housing	Supported Housing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
INCOME						
Rents receivable net of identifiable service charges and net of voids	27,553	1,259	28,812	26,102	1,369	27,471
Service charge income	297	16	313	195	12	207
Rents receivable	27,850	1,275	29,125	26,297	1,381	27,678
Supporting People	-	334	334	-	319	319
Revenue Grants Received	4,088	214	4,302	3,865	235	4,100
Capital Grants Applied	134	-	134	103	-	103
Miscellaneous Income	471	24	495	112	6	118
TURNOVER FROM SOCIAL HOUSING LETTINGS	32,543	1,847	34,390	30,377	1,941	32,318
OPERATING EXPENDITURE						
Service charge costs	(1,390)	(567)	(1,957)	(1,789)	(367)	(2,156)
Management	(8,358)	(438)	(8,796)	(7,935)	(713)	(8,648)
Routine maintenance	(5,319)	(204)	(5,523)	(3,756)	(248)	(4,004)
Planned maintenance	(3,372)	(33)	(3,405)	(2,827)	(28)	(2,855)
Rent losses from bad debts	(195)	(10)	(205)	(188)	(11)	(199)
Depreciation of Housing Properties	(5,674)	(363)	(6,037)	(4,959)	(388)	(5,347)
Other Expenditure	(211)	(10)	(221)	(123)	(4)	(127)
TOTAL OPERATING EXPENDITURE FROM SOCIAL HOUSING LETTINGS	(24,519)	(1,625)	(26,144)	(21,577)	(1,759)	(23,336)
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	8,024	222	8,246	8,800	182	8,982
Void Losses – Properties	410	22	432	361	25	386
Void Losses – Garages & Shops	211	0	211	203	0	203
Void Losses - Total	621	22	643	564	25	589

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

4. INTEREST PAYABLE AND INTEREST RECEIVABLE

a. Interest Payable and Similar Charges	2019	2018
	£'000	£'000
On Loans	3,587	3,603
Non-Utilisation Fees	116	116
Net Return on Pension Fund Investments	95	-
TOTAL	3,798	3,719
b. Interest Receivable and Similar Income	2019	2018
	£'000	£'000
On Investments	10	3
Net Return on Pension Fund Investments	-	36
TOTAL	10	39

5. SURPLUS FOR THE YEAR

	2019	2018
	£'000	£'000
The operating surplus for the year is stated after charging:		
Auditor's Remuneration – In their capacity as auditors	17	17
Operating Lease Payments	589	480
Depreciation of Housing Properties	6,037	5,345
Depreciation of Garages	2	2
Depreciation of Other Assets	159	175

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

6. TANGIBLE FIXED ASSETS (HOUSING)

	Housing Properties Held for Letting 2019	Assets Under Construction 2019	Work in Progress 2019	Total 2019
	£'000	£'000	£'000	£'000
Cost				
At Beginning of Year	148,332	4,994	5,033	158,359
Disposals	(649)	-	-	(649)
Transfer to Completed Works	10,027	(4,994)	(5,033)	-
Additions	654	11,185	8,508	20,347
Cost at End of Year	158,364	11,185	8,508	178,057
Depreciation and Impairment				
At Beginning of Year	25,725	-	-	25,725
Disposals	(123)	-	-	(123)
Charge for the Year	6,037	-	-	6,037
At End of Year	31,639	-	-	31,639
Net Book Value				
At End of Year	126,725	11,185	8,508	146,418
At Beginning of Year	122,607	4,994	5,033	132,634

Assets Under Construction represent new build properties under construction and Work in Progress represents improvement works in progress.

All properties other than properties built or acquired since 2015/16 are pledged as security to Barclays Bank as part of the £82m loan agreement.

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

7. OTHER TANGIBLE FIXED ASSETS

	Offices	Vehicles	Computers, Furniture and Office Equipment	Total 2019
	£'000	£'000	£'000	£'000
Cost				
At Beginning of Year	381	153	2,264	2,798
Additions	-	-	260	260
Disposals	(75)	(63)	(343)	(481)
Cost at End of Year	306	90	2,181	2,577
Depreciation				
At Beginning of Year	143	153	1,860	2,156
Charge for the Year	11	-	148	159
Disposals	(26)	(63)	(258)	(347)
At End of Year	128	90	1,750	1,968
Net Book Value				
At End of Year	178	-	431	609
At Beginning of Year	238	-	404	642

8. INVESTMENT PROPERTIES

	2019	2018
	£'000	£'000
At the start of the year	500	0
Transfer from Other Tangible Fixed Assets	0	500
TOTAL	500	500

9. STOCK

	2019	2018
	£'000	£'000
Building Maintenance Unit Materials	95	76
Staff Benefit Vouchers	0	1
TOTAL	95	77

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10. DEBTORS

	2019	2018
	£'000	£'000
Debtors Due Within One Year:		
Arrears of Rent and Service Charges	1,140	1,134
Less: Provision for Bad Debts	(689)	(723)
	451	411
Other Debtors and Prepayments	2,189	1,560
Land for Housing loan	-	250
Stock Transfer Obligation	8,544	10,508
TOTAL	11,184	12,729
Debtors Due After One Year:		
Stock Transfer Obligation	50,315	58,386
Grants Receivable	3,269	-
TOTAL	53,584	58,386

11. CASH AND CASH EQUIVALENTS

	2019	2018
	£'000	£'000
Bank Deposits		
Instant Access Deposit Accounts	4,192	2,910
Current Bank Account and Cash in Hand	28	27
TOTAL	4,220	2,937

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	1,464	2,275
Accruals and deferred income	2,369	2,436
Rent and Service Income Received in Advance	286	290
Grants Received but not Applied (Note 13a)	179	113
Miscellaneous	9	11
Stock Transfer Obligation	8,544	10,508
TOTAL	12,851	15,633

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13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£'000	£'000
Loans not repayable by instalments:		
Revolving Loans	19,000	19,000
Between 1 and 2 Years	684	-
Between 2 and 5 Years	5,000	5,984
Over 5 Years	44,000	44,000
Sub- Total	68,684	68,984
Other long-term Creditors:		
Grants Received but not Applied (Note 13a)	18,425	6,534
Stock Transfer Obligation	50,315	58,386
TOTAL	137,424	133,904

Loans are secured by specific charges on the association's housing properties and land. The loans are repayable at varying rates of interest and are due to be repaid between 2019 and 2034.

The interest rate profile of the loans at 31 March 2019 was:

	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average rate %	Weighted average term Years
Loans due after > 1 year:	68,684	19,684	49,000	5.10	11.6

The association had undrawn facilities with Barclays bank of £13.3m as at 31 March 2019.

13a. DEFERRED CAPITAL GRANT

	2019	2018
	£'000	£'000
At the start of the year	6,647	4,370
Grant recognised in year *	12,091	2,380
Released to income	(134)	(103)
At the end of the year	18,604	6,647
Creditors:		
Amount due to be released < 1 year	179	113
Amount due to be released > 1 year	18,425	6,534
	18,604	6,647

* All grants recognised during 2019 were provided by the Welsh Government in the form of Social Housing Grant and HFG2 for New Build schemes.

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14. PROVISIONS

When provisions are created, the timings of related outflows are uncertain, but are expected to happen in the next 12 months.

The Association held no provisions within the year.

15. NON-EQUITY SHARE CAPITAL

	2019	2018 Restated
Shares of £1 each, fully paid and issued at par	£	£
At 1 April	46	46
Shares Issued During the Year	2	3
Resignations During the Year	(1)	(3)
At 31 March	47	46

16. CAPITAL COMMITMENTS

	2019 £'000	2018 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	13,886	8,239
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	1,294	5,982
TOTAL	15,180	14,221
	2019 £'000	2018 £'000
<u>Anticipated financing sources:</u>		
Committed loan facilities	6,641	9,420
Welsh Government Social Housing Grant	8,539	4,801
TOTAL	15,180	14,221

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17. PENSION

CCG participates in three pension schemes:

Local Government Pension Scheme (LGPS)

Gwynedd Council pension scheme is a defined benefit scheme based on final pensionable salary. Certain CCG employees participated in the scheme prior to the stock transfer and as such, assets or liabilities attributable to these individuals were identified at the transfer date i.e. 12 April 2010. As part of the transfer agreement, liability for the proportion of the debt attributable to these employees that relates to the pre-transfer period rests with Gwynedd Council.

The gains and losses recognised by CCG therefore relate solely to the transfer period.

The most recent valuation was carried out as at 31st March 2016 and has been updated by independent actuaries to the scheme to reflect the requirements of FRS102 in order to assess the liabilities of the fund at 31st March 2019. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. CCG's contribution rate from 1st April 2018 to 31st March 2019 was 17.0% of members' pensionable pay. (17.0% in 2017/18)

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS102 purposes were:

Average Future Life Expectancy at Age 65	Males	Females
Current Pensioners	22.0 years	24.2 years
Future Pensioners	24.0 years	26.4 years
	% per annum	% per annum
	2019	2018
Pension Increase Rate	2.4%	2.3%
Salary Increase Rate	2.4%	2.3%
Expected Return on Assets	2.5%	2.7%
Discount Rate	2.5%	2.7%

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	% per annum	Market Value	% per annum	Market Value
	2019	2019	2018	2018
		£'000		£'000
Expected Return on Assets				
Equities	2.5	15,010	2.7	13,146
Bonds	2.5	0	2.7	0
Property	2.5	2,028	2.7	1,441
Cash	2.5	3,245	2.7	3,421
		20,283		18,008

The following amounts were measured in accordance with the requirements of FRS102:

	2019 £'000	2018 £'000
Fair Value of Employer Assets	20,283	18,008
Present Value of Defined Benefit Obligation	(25,694)	(21,029)
Total Scheme (Liability) / Asset	(5,411)	(3,021)

The movement in the net surplus is as follows:

	2019 £'000	2018 £'000
Contributions Paid	966	972
Current Service Costs	(1,995)	(2,046)
Past Service Costs	-	(93)
Sub-total	(1,029)	(1,167)
Interest Cost on Defined Benefit Obligation	(591)	(543)
Interest Income on Plan Assets	496	579
Actuarial Gain / (Loss)	(1,266)	651
Net Movement in Year	(2,390)	(480)

	2019 £'000	2018 £'000
Net Asset / (Liability) at Start of Year	(3,021)	(2,541)
Net Movement in Year	(2,390)	(480)
Net Asset / (Liability) at Year End	(5,411)	(3,021)

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Social Housing Pension Scheme (SHPS)

CCG also offers a Defined Contribution scheme via SHPS. The scheme had 88 active members as at 31 March 2019. Employer contributions in the year totalled £111,731. As this is a defined contribution scheme, CCG's liability is limited to the value of the contributions made.

The People's Pension

CCG operates a Defined Contribution for 7 employees that transferred to CCG via a TUPE undertaking. Employer contributions in the year totalled £1,579. As this is a defined contribution scheme, CCG's liability is limited to the value of the contributions made.

18. KEY MANAGEMENT PERSONNEL REMUNERATION

	2019	2018
	£	£
The aggregate emoluments paid to or receivable by non-executive Directors and former Directors	6,180	-
The aggregate emoluments paid to or receivable by executive Directors and former Directors	500,918	503,593
The emoluments paid to the highest paid Director excluding pension contributions	133,685	131,048
The aggregate amount of any compensation paid to Directors or former Directors during the year of account.	-	-
The aggregate amount of Directors or past Directors' pensions, excluding amounts payable under a properly funded pension scheme.	-	-
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director.	-	-

CCG's started paying non-executive Directors from 1st January 2019. Based on advice from independent consultants, the annual remuneration levels for eligible Board members was set as £9,000 for the Chair, £5,000 for the Vice-Chair and Committee Chairs, and £4,000 for all other members.

The Chief Executive is an ordinary member of the pension scheme. The Chief Executive's pension is a defined benefit scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements.

Key management personnel are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Leadership Team or its equivalent.

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19. EMPLOYEE INFORMATION

	2019		2018	
	Number	Average Number	Number	Average Number
The number of persons employed during the year expressed in full time equivalents (37 hours per week) was:				
Office staff	190	179	180	180
Manual Staff	93	83	66	61
Wardens, caretakers & cleaners	6	6	5	6
TOTAL	289	268	251	247

	2019	2018
	£'000	Reclassified £'000
Wages and Salaries	8,190	7,322
Social Security Costs	765	685
Pension Costs	1,056	1,013
LGPS Pension Movement (Note 17)	1,029	1,167
TOTAL	11,040	10,187

Number of key management personnel whose remuneration (i.e. including pension) exceeded £50,000 in the period:

	Number
£110,001 to £120,000	3
£150,000 to £160,000	1

20. OPERATING LEASES

The Association holds properties, vehicles and office equipment under non-cancellable operating leases. As at 31 March 2019, commitments of future minimum lease payments were:

	2019	2018
	£'000	£'000
Land and buildings:		
Within the next year	177	144
In the second to fifth years	648	228
In more than five years	698	256
		1,523
Others:		
Within the next year	289	295
In the second to fifth years	-	28
In more than five years	-	-
	289	323
	1,812	951

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21. TAXATION STATUS

The Association has charitable status.

22. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

Under management at end of year:	2019 Number	2018 Number
Housing accommodation	5,989	5,931
Supported housing	314	361
Sub-total	6,303	6,292
Under development at end of year	178	26
Total	6,481	6,318

23. RELATED PARTY TRANSACTIONS

The Board composition is 2 Councillors, 4 Tenants and 6 Independent members.

Each tenant member has a normal protected assured tenancy agreement and they were not able to use their position to obtain any advantage. Total rent charged to tenant Board members in 2018/19 was £9,543 (2018: £13,619). There were no arrears on their tenancies at the reporting period end (2018: nil).

The transactions that occurred between Gwynedd Council and CCG during the year to 31st March 2019 are summarised as follows:

Invoices received from Gwynedd Council for services provided under normal commercial terms: £777,915 of which £88,240 (under normal 30 days payment terms) was outstanding as at 31st March 2019.

Invoices sent under normal commercial terms to Gwynedd Council totalled £926,255 (mainly in respect of Supporting People income and contributions towards capital works) with £127,532 owing to CCG as at 31st March 2019. A further £14,574,200 was received from Gwynedd Council for Housing Benefit contributions to 31st March 2019.

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24. GRANT AND FINANCIAL ASSISTANCE

The total accumulated government grant and financial assistance received or receivable at 31 st March 2019	Social Housing Grant / HFG2	Energy Efficiency and Regeneration	Supporting People	Other
	£'000	£'000	£'000	£'000
Held as deferred capital grant	17,798	806	-	-
Recognised as income in Statement of Comprehensive Income in year	336	-	334	0
	18,134	806	334	0

25. FINANCIAL ASSETS AND LIABILITIES

CCG had the following financial instruments:	2019	2018
	£'000	£'000
Financial assets measured at historical cost		
For the year ended 31 March		
Cash at bank and in hand	4,220	2,937
Trade debtors	707	411
Other debtors	1,933	1,810
TOTAL	6,860	5,158
Financial liabilities		
For the year ended 31 March		
Loans payable (measured at amortised cost)	68,684	68,984
Trade creditors (measured at amortised cost)	1,464	2,275
Other creditors (measured at amortised cost)	2,843	2,850
TOTAL	72,991	74,109
Development agreement		
For the year ended 31 March		
Value of Gwynedd Council's obligation to carry out refurbishment works	58,859	68,894
Value of CCG's obligation to undertake refurbishment works on behalf of Gwynedd Council	(58,859)	(68,894)
TOTAL	-	-

26. GROUP UNDERTAKINGS

To help facilitate the growth of the services offered by CCG, (including services that may be outside the organisation's core charitable objectives) the wholly owned subsidiary "Medra" has been incorporated. Appropriate permissions were sought from the Welsh Government, and the new company was registered with Companies House in April 2017. The company has not yet traded and was dormant throughout 2018/19. It is anticipated that it will start to operate as a developer of properties for market sale in the second half of 2019/20.