Cartrefi Cymunedol Gwynedd

Financial Statements

For year ended

31 March 2018

CARTREFI CYMUNEDOL
GWYNEDD

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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CARTREFI CYMUNEDOL GWYNEDD CYF

BOARD MEMBERS AND PROFESSIONAL ADVISORS

BOARD MEMBERS

Mark Jones (Vice Chair to May 2017; Chair from June 2017)
Medwyn Hughes (Chair; Resigned May 2017)
Abigail Tweed (Vice Chair from June 2017)
Anne Lloyd-Jones
Stephen Churchman
Michael Sol Owen (resigned July 2017)
John Wyn Williams (resigned July 2017
Lari Parc (resigned November 2017)
Alan Field (resigned July 2018)
Paula Jewson
Dafydd Pritchard
Robert Lewis
Nia Wyn Jeffreys (appointed August 2017; resigned June 2018)
Berwyn Parry-Jones (appointed August 2017)
Jill Lawrence (appointed September 2017)
Linda Campbell (appointed April 2018)
Lynn Rowlands (appointed April 2018)
Cai Larsen (appointed July 2018)
Selwyn Hayward (appointed July 2018)

Secretary and Registered Office
Paul McGrady
Ty Coch
Llys y Dderwen, Parc Menai
Bangor, Gwynedd
LL57 4BL

Executive Officers
Ffrancon Williams - Chief Executive
Paul McGrady – Director of Resources
Ian Atkinson – Director of Assets & Infrastructure
Sarah Schofield – Director of Customers & Communities

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
Link Asset Services
65 Gresham Street,
London EC2V 7NQ

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.

Strategic Report
for the year 1 April 2017 to 31 March 2018

The Board of Cartrefi Cymunedol Gwynedd Cyf presents this report and the audited financial statements for the year 1 April 2017 to 31 March 2018.

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 6,292 properties on 31 March 2018, 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, and CCG's first properties outside Gwynedd were acquired in 2017/18, namely 47 flats in St Asaph, Denbighshire.

Within the current stock there are 361 homes designated as Sheltered Housing for older tenants. For tenants living in such properties, wardens are employed to help ensure that 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, 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 Systems Environment.

Objectives and strategies

The 2015-20 Corporate Plan details the next phase in CCG's development, together with the organisation's Vision, namely:

To be a leading provider of quality housing – meeting the needs of customers, valuing communities

The following core Values support this Vision:

- **Fair –** Make consistent and objective decisions which promote equality and respect diversity
- **Accountable –** Be effective and take responsibility for the decisions we make and the things we do
- **Open –** Be honest and transparent in everything we do
- **Innovative –** Be ambitious and open to new ideas and new ways of working
- **Approachable –** Be accessible and easy to work with at all times

The Corporate Plan sets out CCG's strategy, and focuses on:

- the priorities for the Board and staff to deliver,
- what we invest our time and resources in delivering, and
- the framework governing our decisions and monitoring our progress.

The Corporate Plan includes a set of four key themes and related goals;

- **Customers –** We will aim to meet the needs of our customers and encourage their involvement in shaping how services are designed and delivered
- **Development and Growth –** We will aim to grow as a business to ensure our long-term viability
- **Assets –** We will manage our assets to sustain their value and maximise income, ensuring they meet our customers' needs
- **Sustainable Communities –** We will promote sustainable communities by working in partnership to deliver effective services

These themes and goals are supported by 14 detailed objectives, with the plan underpinned by 6 principles designed to help guide its delivery:

- **Finance and Governance**
- **People and Technology**
- **Communication**
- **Partnership**
- **Value for Money**
- **Health, Safety, Quality and Environment (HSQE)**

Progress against the delivery of the plan is monitored through a reviewed Performance Management Framework.

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.

http://gov.wales/topics/housing-and-regeneration/services-and-support/regulation/regulatory-framework/?lang=en

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 to the Regulator.

The Regulatory Judgement published by the Welsh Government in December 2017, gave a "Standard" status (i.e. the highest available) for both Governance and for Financial Management, 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:

https://gov.wales/docs/desh/publications/171220-harj-gwynedd-en.pdf

Financial Performance

The 2017/18 financial results exceeded business plan targets and showed a surplus on ordinary activities of £6.6m. This includes the £4.1m dowry from the Welsh Government and is reinvested in CCG's properties.

Tangible fixed assets were £133.8m at year-end, being mainly the cost of capitalised improvements undertaken since 2010. Net current assets were £0.1m. Cash balances were £2.9m and the liability on the local government pension scheme fund was £3.0m. Total year-end reserves were £55.4m, mainly being the improvement works referred to above, less the long-term funding of those works and less the pension liability.

Outstanding loans were £69.0m at year end and were drawn down under an £82.0m loan facility agreement with Barclays. The balance of loans comprised:

- Seven fixed rate loans from Barclays totalling **£55.0m** - repayable in October 2018 (£6m), October 2021 (£5m), October 2022 (£4m), April 2031 (£5m), April 2032 (£8m), April 2033 (£12m) and April 2034 (£15m)
- Four variable rate loans from Barclays totalling **£13.0m** – rolled over every 3 months
- Three variable rate loans from the Welsh Government totalling **£1.0m** - repayable before 2022/23.

Assets

CCG continued to invest in maintaining the WHQS standard. £139.3m was spent in the first 7 years, with a further £9.1m invested in 2017/18. In addition, £5.2m was spent on new build / refurbishment schemes in 2017/18.

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 is being pursued. Disposal proceeds to date are over £400k, and further disposals are expected to generate a similar figure. 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 3.83% for 2017/18, and total rent charged was £27.9m.

Right to Buy / Acquire

Tenants who transferred from Gwynedd Council have the 'Preserved Right to Buy'. 8 such sales completed in 2017/18, and a further 3 properties were sold on the open market. Sale proceeds are recognised in the Statement of Comprehensive Income.

New tenants since transfer do not have the same Right to Buy as transferred tenants. Under certain criteria they may however purchase their homes through the 'Right to Acquire' process, which is based on a grant rather than a discount. To date CCG has not sold any properties under the Right to Acquire.

Both Right to Buy and Right to Acquire will end in January 2019.

Efficiency and Value for Money

Promoting Efficiency and Value for Money is a core part of how CCG operates, and one of the underlying principles of the Corporate Plan is "We will deliver value for money services and review how we do things to ensure services improve to meet customer needs."

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 quote in the publication "*A practical guide ... on how to define, deliver and demonstrate VFM*" encapsulates CCG's overall ethos and approach, namely: "**VFM is about ensuring that every pound spent delivers the maximum impact possible in terms of quality and / or quantity. Without VFM as an overarching principle, you will inevitably spend more than you need to achieve your objectives. Nobody likes throwing money away and our tenants certainly can't afford for us to do so."**

Operational Review

CCG celebrated its eighth anniversary soon after the end of the 2017/18 financial year – a year that saw further significant progress made with delivering the 2015/20 Corporate Plan. **Key achievements** included:

Homes

As well as maintaining Welsh Housing Quality Standard (WHQS), **69** properties were added to CCG's stock in 2017/18. 47 were via the purchase of a sheltered housing scheme in St Asaph, Denbighshire. There was also investment in many other sites across North Wales, with **57** properties awaiting development at the end of 2017/18. The Development Strategy's target of building or acquiring around 300 units by 2020 is being reviewed and will be increased.

Customer Satisfaction

The results of the first 12 months of the new Customer Satisfaction system with Mustard were very encouraging, with improved satisfaction levels seen across all factors. The new system provides more information on the reasons for satisfaction or dissatisfaction, and services are changed to address any dissatisfaction. Excellent feedback continues on the level of professionalism of our staff.

Repairs

The improvements in Trwsio (i.e. the Repairs and Maintenance Service) were sustained in 2017/18 with the service continuing to deliver on the promises of the change management programme. The emphasis remained on meeting tenants' needs by delivering a modern, customer focused and efficient service. Further cost savings were achieved, which meant that total efficiencies have been £860k over the last 2 years. This enabled the hourly rate to be reduced by 17%.

A £575k reduction in WHQS internal works created the capacity to diversify and secure £820k from new workstreams such as adaptations, buy backs and heating install schemes. An electrical team was in-sourced to carry out periodic inspections, and the staff released from the reduced WHQS workstreams meant a further £240k reduction (or 35%) on sub-contractor spend on core works.

A Growth Strategy for the service is being finalised. This will see a £1.2m increase in works undertaken in the coming year, including the insourcing of Cyclical Heating Servicing which will create VAT savings. All KPIs have improved to middle or upper quartiles; this includes an increase in tenant satisfaction, with 87% of tenants that received a service from Trwsio noting that they were satisfied.

Community Strategy

The Community Strategy launched in March 2018 outlines how CCG continues to invest in our communities. The five priority themes are Employment and Skills, Health and Wellbeing, Crime and Safety, Environment, and Language and Culture. Significant progress has been made with improving our contribution to community investment and measuring the social value of work in our communities. A number of apprenticeship and trainee posts commenced, and we work with partner organisations (Urdd, Prince's Trust, OPUS and Gisda) to provide more intensive support where needed.

Digital Inclusion Strategy

Digital exclusion is a particular issue for Gwynedd and CCG's tenants, and so a digital inclusion strategy was launched. This supports tenants with accessing services online and being prepared for Universal Credit.

Universal Credit

A corporate project was established to mitigate the impact of Universal Credit on CCG's tenants and business income. This includes establishing a Service Level Agreement with the Citizens Advice Bureau to provide specialist budgeting and debt support to tenants. To ensure that there is a collaborative approach on dealing with the impact of UC in Gwynedd, a Task and Finish Group has been established with CCG's main strategic partners in Gwynedd.

Housing Options

A review of the Housing Options services in Gwynedd identified the need for improvements to ensure that Gwynedd residents have access to affordable housing. The recommendations of the review have been agreed by the Gwynedd Housing Partnership and will be implemented during 2018/19.

Affordable Homes

CCG has partnered with Local Authorities and Housing Associations in North Wales as part of the arrangements for affordable homes (Tai Teg) and housing registers (SARTH). An Intermediate Rent Policy has also been approved to prepare for the development of such properties.

Voids Strategy and Standard

To improve the standard of properties let and to reduce the void property turnaround time, a revised Void Strategy and Standard has been introduced and is being piloted. The results will be analysed later in 2018 to consider mainstreaming the improved standards.

Restructure

To improve service delivery the Customers and Communities Department was restructured into three teams in 2017/18:

- Customer Services - Contact Centre, Allocations, Rent and Income
- Community Services - Supported Housing, Tenancy Support, Neighbourhood Services and Community Involvement
- Business Support - Systems and Information, Development, Policy and Procedures, Leaseholder Management

Service Charges

In line with the Welsh Government's requirement to de-pool service charges from rents, a Service Charges review has been undertaken. This included adopting a new Service Charges Policy and approving the introduction of service charges to new tenants. A service charge consultation with existing tenants was undertaken in May and June 2018.

Gwna Wahaniaeth

"Gwna Wahaniaeth" ("*Make a Difference*") was established in 2017/18. This Organisational Development Programme aspires to positively influence, modify and reinforce internal culture, to ensure that CCG is ready for organisational growth and emerging challenges. The programme focuses specifically on Talent Management, Personal Development, Vision & Values, Health & Wellbeing and Service Excellence.

Recognition

Previous successes in obtaining industry awards for good practices and achievements continued, with 21 nominations in 2017/18 in categories such as Maintenance, Procurement, Development, Environment and Value for Money. Highlights included Iwan Jones winning of Apprentice of the year at the CIH Corporate Awards, Margaret Bracegirdle being highly commended in the tenant outstanding achievement category at the UK Housing Heroes Awards, and the Maintenance team's shortlisting at the same awards.

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. This included further office rationalisation, the introduction of agile and flexible working practices and the implementation of business process re-engineering (BPR) reviews. The focus on Digital Transformation continued, with further roll-out of mobile working technology to facilitate agile working, and the preparatory work for implementing a new core business system.

Budget Challenge

The "Budget Challenge" process involved an in-depth review of services and budgets. Efficiency savings of over £1.1m were identified with most being re-invested in 2018/19 service improvements.

Funding

The loan facility agreement with Barclays was revised in the year, with peak debt (the point at which CCG needs to start repaying loans) being pushed back to 2022.

The achievements summarised above form a sound base for further growth and development. To map out future plans and aspirations, and to ensure that Corporate Goals align with the growth strategy, CCG's Corporate Plan is being revised.

Governance and Regulatory Overview

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 2017, 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 2017, as part of the Regulatory Opinion detailed in page 4 above. The conclusions were accepted as a reasonable and fair assessment by the Board, and the relationship with the Regulator remains healthy with regular contact maintained over the financial year. The Regulatory Framework is set to change in the future with RSLs being assessed on new performance standards with an emphasis on co-regulation.

Charter for Good Governance and the Code of Governance

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

Following the publication of the sector Code of Governance in February 2015 as developed by Community Housing Cymru, in partnership with the Welsh Government, a comprehensive 'compliance gap analysis' was undertaken with the Board. The conclusions were that CCG was in a position to demonstrate compliance with the majority of the Code, and an action plan was developed in order to ensure full compliance.

The Compliance Action Plan included provisions for a more formal Board 'evaluation' process and a review of the Governance Structure and supporting policies – all of which were actioned during 2017/18.

Board and Committee structure

CCG's Rules require a Board of twelve members, comprising four tenants, four Local Authority nominees, and four independents. All are Non-Executive Directors of CCG, and are from a wide background, bringing a range of professional, commercial and local experiences to CCG. The Board and Executive Leadership Team members who served during 2017/18 are detailed on page 1.

The current Governance Structure has been in place since 2015/16, and includes the following four committees with delegated powers that enable effective scrutiny of operational issues:

- Audit and Risk Assurance Committee
- Assets and Infrastructure Committee
- Customers and Communities Committee
- Resources Committee

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:

- 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.

The Board is responsible for the Association's strategy and policy framework, but delegates the day to day management and implementation to the Chief Executive and the Executive Leadership Team.

Shareholder membership

At the end of the year, CCG had 49 shareholders, 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.

The Local Authority hold one share on behalf of the Local Authority nominees on the Board, and the remaining Board members are all shareholders. None of the senior officers hold any interest in the share capital of the Association.

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 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:

<u>Identification and evaluation of key risks:</u>

The revised Risk Management Framework approved in September 2017 outlines the processes involved in Risk Management, including the identification, analysis and scoring steps, 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, an impact scoring matrix is used as part of the framework. 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:

- Welfare Reform
- Board capacity and succession
- Changes to Welsh Government rent policy

The identification of such risks helps enable appropriate risk monitoring, management and mitigation, and there is regular reporting of risk to relevant Committees and 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 Risk 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 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 Resources Committee quarterly. They are also forwarded to our Funders as part of the loan facility agreement. All 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 the Audit and Risk 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 framework and the risk management process are subject to regular review by Internal Audit who report to the Audit and Risk Assurance Committee. The Audit and Risk Assurance Committee considers internal control and risk in every meeting.

The Audit and Risk Assurance Committee 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 2017/18 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: 12 September 2018

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 2018 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 2018 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

- 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.

Opinions on other matters prescribed by the Cooperative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

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.

Use of our Report

This report is made solely to the association's members, as a body, in accordance with section 87(2) 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
Statutory Auditors
St George's House
215 – 219 Chester Road
Manchester
M15 4JE
Date: 12 September 2018

Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	32,618	31,560
Operating Expenditure	2	(23,503)	(22,467)
Gain on Disposal of Property, Plant & Equipment		1,206	1,303
Operating Surplus		**10,321**	**10,396**
Decrease in Valuation of Investment Property		(59)	0
Interest Receivable	4	39	1,499
Interest and Financing Costs	4	(3,719)	(3,751)
Surplus before Tax		**6,582**	**8,144**
Taxation	21	0	0
Surplus for the Year		**6,582**	**8,144**
Actuarial Gain/(Loss) in Respect of Pension Schemes	17	651	(2,534)
Total Comprehensive Income for the Year		**7,233**	**5,610**

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 12 September 2018 and were signed on its behalf by:

Mark Jones – Chair

Abigail Tweed – Vice Chair

Paul McGrady – Secretary

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

Statement of Changes in Reserves

For the year ended 31 March 2018

	Total Reserves
	£'000
Balance as at 1 April 2017	**48,114**
Surplus from Statement of Comprehensive Income	7,233
Balance as at 31 March 2018	**55,347**

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 2018

Statement of Financial Position

as at 31 March 2018

	Note	31 March 2018		31 March 2017 Reclassification	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Fixed Assets	6, 7 & 8		133,776		125,103
Current Assets					
Stock	9	77		72	
Trade and Other Debtors	10	12,729		13,981	
Cash and Cash Equivalents	11	2,937		3,323	
Less : Creditors Due Within One Year	12	(15,633)		(16,664)	
Net Current Assets			**110**		**712**
Total Assets less Current Liabilities			**133,886**		**125,815**
Debtors : Due After One Year	10		58,386		66,295
Creditors : Due After One Year	13		(133,904)		(141,168)
Provision for Liabilities					
- Pension Provision	17	(3,021)		(2,541)	
- Other Provisions	14	0	(3,021)	(287)	(2,828)
TOTAL NET ASSETS			**55,347**		**48,114**
Reserves:					
Non-equity Share Capital	15	-		-	
Income and Expenditure Reserve		55,347		48,114	
TOTAL RESERVES			**55,347**		**48,114**

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CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Statement of Cash Flows

For the Year Ended 31 March 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Net Cash Generated from Operating Activities (see Note i)		**15,615**		**14,758**
Cash Flow from Investing Activities				
Purchase of Tangible Fixed Assets	(14,389)		(14,601)	
Proceeds from Sale of Tangible Fixed Assets	1,340		1,535	
Grants Received	2,380		1,829	
Interest Received	3		6	
		(10,666)		(11,231)
Cash Flow from Financing Activities				
Interest Paid	(3,718)		(3,751)	
New Secured Loans	3,383		5,600	
Repayment of Borrowings	(5,000)		(4,000)	
		(5,335)		(2,151)
Net Change in Cash & Cash Equivalents		**(386)**		**1,376**
Cash & Cash Equivalents at Beginning of the Year		3,323		1,947
Cash & Cash Equivalents at the End of the Year		2,937		3,323

Free Cash Flows

For the Year Ended 31 March 2018

	2018	2017
	£'000	£'000
Net Cash Generated from Operating Activities (see Note i)	**15,615**	**14,758**
Interest paid	(3,718)	(3,751)
Interest received	3	6
Adjustments for reinvestment in existing properties		
Component replacements	(9,295)	(11,888)
Purchase of other replacement fixed assets	(99)	(105)
Component replacement grant received	0	0
Free cash generated / (consumed) before loan repayments	2,506	(980)
Loans repaid (excluding revolving credits and overdrafts)	0	0
Free cash generated / (consumed) after loan repayments	**2,506**	**(980)**

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

	Year Ended 31 March 2018		Year Ended 31 March 2017	
	£'000	£'000	£'000	£'000
Surplus for the year		**6,582**		**8,144**
Adjustments for Non-Cash Items:				
Depreciation of Tangible Fixed Assets	5,523		5,235	
Decrease / (Increase) in stock	(4)		(12)	
Decrease / (Increase) in Trade & Other Debtors	72		(954)	
Increase / (Decrease) in Trade & Other Creditors	133		919	
Increase / (Decrease) in Provisions	(287)		237	
Pension Costs less Contributions Payable	1,167		304	
Carrying Amount of Fixed Asset Disposals	192		231	
		6,796		5,960
Adjustments for Investing or Financing Activities:				
Proceeds from the Sale of Tangible Fixed Assets	(1,339)		(1,535)	
Government Grants Utilised in the Year	(103)		(63)	
Interest Payable	3,718		3,751	
Interest Received	(39)		(1,499)	
		2,237		654
Net Cash Generated from Operating Activities		**15,615**		**14,758**

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

Cartrefi Cymunedol Gwynedd 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. The association 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. The Association is a public benefit entity.

Going concern

A review of the Association'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.** The association 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.

- **Categorisation of housing properties**. The association 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**. The Association estimates 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 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, the association 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 the association 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:

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.

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 has been 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.

When SHG 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 must be recycled under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Welsh Government. However, SHG 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, SHG 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

The Association 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, with the exception of all major repairs expenditure which is shown exclusive of VAT. The Association has been able to take advantage of the VAT Shelter relief that is available to it.

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 two 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)** is a defined contribution scheme managed by the Pensions Trust. Contributions are charged to the Statement of Comprehensive Income based on the actual payments made to the scheme 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 2. The related support costs are matched against this income in the same note.

Support charges included in the rent are included in the income and expenditure from social housing lettings note 3 and matched against the relevant costs.

Loan finance

The Association's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Association has some fixed rate loans which 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 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 the Association believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Association has retained its "basic" treatment of its debt 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 the local authority and to carry out improvement works on those properties. The outstanding commitments from this agreement net off to zero, and FRS102 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 is continuing to invest in improvement works on its housing properties, and so the stock transfer obligation is decreasing as the years progress.

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.

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.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are measured at:

- Fair value with changes in fair value recognised in profit or loss if the shares are publicly traded or their value can otherwise be measured reliably,
- At cost less impairment for all other such investments

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,
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method,
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment,
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value,
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

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.

2. TURNOVER, OPERATING COSTS AND SURPLUS

	2018			2017		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
SOCIAL HOUSING LETTINGS (Note 3)	32,265	(23,319)	8,946	31,204	(22,303)	8,901
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	113	(99)	14	113	(91)	22
NON-SOCIAL HOUSING ACTIVITIES						
Lettings of Shops and Other Land	114	(39)	75	109	(32)	77
Letting of Garages to Non-Tenants	126	(46)	80	134	(41)	93
TOTAL	**32,618**	**(23,503)**	**9,115**	**31,560**	**(22,467)**	**9,093**

CARTREFI CYMUNEDOL GWYNEDD

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2018			2017		
	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	(26,112)	(1,365)	**(27,477)**	(25,038)	(1,396)	**(26,434)**
Service charge income	(146)	(261)	**(407)**	(109)	(274)	**(383)**
Rents receivable	**(26,258)**	**(1,626)**	**(27,884)**	**(25,147)**	**(1,670)**	**(26,817)**
Revenue Grants Received	(3,865)	(235)	**(4,100)**	(3,850)	(250)	**(4,100)**
Capital Grants Applied	(103)	-	**(103)**	(63)	-	**(63)**
Miscellaneous Income	(169)	(9)	**(178)**	(216)	(8)	**(224)**
TURNOVER FROM SOCIAL HOUSING LETTINGS	**(30,395)**	**(1,870)**	**(32,265)**	**(29,276)**	**(1,928)**	**(31,204)**
OPERATING EXPENDITURE						
Service charge costs	1,680	360	**2,040**	1,629	391	**2,020**
Management	8,343	738	**9,081**	7,211	724	**7,935**
Routine maintenance	3,908	249	**4,157**	4,338	258	**4,596**
Planned maintenance	2,470	25	**2,495**	2,532	25	**2,557**
Rent losses from bad debts	188	11	**199**	142	9	**151**
Depreciation of Housing Properties	4,959	388	**5,347**	4,656	388	**5,044**
TOTAL OPERATING EXPENDITURE FROM SOCIAL HOUSING LETTINGS	**21,548**	**1,771**	**23,319**	**20,508**	**1,795**	**22,303**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**(8,847)**	**(99)**	**(8,946)**	**(8,768)**	**(133)**	**(8,901)**
Void Losses – Properties	361	25	386	274	26	300
Void Losses – Garages & Shops	203	0	203	195	0	195
Void Losses - Total	564	25	**589**	469	26	**495**

4. INTEREST PAYABLE AND INTEREST RECEIVABLE

a. Interest Payable and Similar Charges

	2018	2017
	£'000	£'000
On Loans	3,603	3,636
Non-Utilisation Fees	116	115
TOTAL	**3,719**	**3,751**

b. Interest Receivable and Similar Income

	2018	2017
	£'000	£'000
On Investments	3	6
Net Return on Pension Fund Investments	36	1,493
TOTAL	**39**	**1,499**

5. SURPLUS FOR THE YEAR

	2018	2017
	£'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	480	456
Depreciation of Housing Properties	5,345	5,042
Depreciation of Garages	2	2
Depreciation of Other Assets	175	188

6. TANGIBLE FIXED ASSETS (HOUSING)

	Housing Properties Held for Letting 2018	Assets Under Construction 2018	Work in Progress 2018	Total 2018
	£'000	£'000	£'000	£'000
Cost				
At Beginning of Year	**139,295**	**2,608**	**2,326**	**144,229**
Disposals	(159)	-	-	(159)
Transfer to Completed Works	4,934	(2,608)	(2,326)	-
Additions	4,262	4,994	5,033	14,289
Cost at End of Year	**148,332**	**4,994**	**5,033**	**158,359**
Depreciation and Impairment				
At Beginning of Year	**20,402**	**-**	**-**	**20,402**
Disposals	(24)	-	-	(24)
Charge for the Year	5,347	-	-	5,347
At End of Year	**25,725**	**-**	**-**	**25,725**
Net Book Value				
At End of Year	**122,607**	**4,994**	**5,033**	**132,634**
At Beginning of Year	**118,893**	**2,608**	**2,326**	**123,827**

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.

7. OTHER TANGIBLE FIXED ASSETS

	Offices	Vehicles	Computers, Furniture and Office Equipment	Total 2018
	£'000	£'000	£'000	£'000
Cost				
At Beginning of Year	**1,025**	**153**	**2,165**	**3,343**
Additions	-	-	99	99
Disposals	(644)	-	-	(644)
Cost at End of Year	**381**	**153**	**2,264**	**2,798**
Depreciation				
At Beginning of Year	**204**	**153**	**1,710**	**2,067**
Charge for the Year	25	-	150	175
Disposals	(86)	-	-	(86)
At End of Year	**143**	**153**	**1,860**	**2,156**
Net Book Value				
At End of Year	238	-	404	**642**
At Beginning of Year	821	-	455	**1,276**

8. INVESTMENT PROPERTIES

	2018	2017
	£'000	£'000
At the start of the year	0	0
Transfer from Other Tangible Fixed Assets	500	0
TOTAL	**500**	**0**

The Unit 6 & 7 office was vacated in the year and is now held as an investment property rather than an office. The value reflects advice from a professional qualified external valuer.

9. STOCK

	2018	2017
	£'000	£'000
Building Maintenance Unit Materials	76	71
Staff Benefit Vouchers	1	1
TOTAL	**77**	**72**

10. DEBTORS

	2018 £'000	2017 £'000
Debtors Due Within One Year:		
Arrears of Rent and Service Charges	1,134	984
Less: Provision for Bad Debts	(723)	(673)
	411	**311**
Other Debtors and Prepayments	1,560	1,983
Land for Housing loan	250	-
Stock Transfer Obligation	10,508	11,687
TOTAL	**12,729**	**13,981**
Debtors Due After One Year:		
Stock Transfer Obligation	58,386	66,295
TOTAL	**58,386**	**66,295**

11. CASH AND CASH EQUIVALENTS

	2018 £'000	2017 £'000
Bank Deposits		
Instant Access Deposit Accounts	2,910	3,295
Current Bank Account and Cash in Hand	27	28
TOTAL	**2,937**	**3,323**

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 Reclassified £'000
Amounts falling due within one year:		
Trade creditors	2,275	2,727
Accruals and deferred income	2,436	1,881
Rent and Service Income Received in Advance	290	258
Grants Received but not Applied (Note 13a)	113	97
Miscellaneous	11	14
Stock Transfer Obligation	10,508	11,687
TOTAL	**15,633**	**16,664**

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

	2018	2017 Reclassified
	£'000	£'000
Loans not repayable by instalments:		
Revolving Loans	19,000	15,000
Between 1 and 2 Years	-	6,000
Between 2 and 5 Years	5,984	5,600
Over 5 Years	44,000	44,000
Sub- Total	**68,984**	**70,600**
Other long-term Creditors:		
Grants Received but not Applied (Note 13a)	6,534	4,273
Stock Transfer Obligation	58,386	66,295
TOTAL	**133,904**	**141,168**

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 2018 and 2034.

The interest rate profile of the loans at 31 March 2018 was:

	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average rate %	Weighted average term Years
Loans due after > 1 year:	68,984	13,984	55,000	5.31	9.1

The association had undrawn facilities with Barclays bank of £13.0m as at 31 March 2018.

13a. DEFERRED CAPITAL GRANT

	2018	2017
	£'000	£'000
At the start of the year	4,370	2,717
Grant received in year *	2,380	1,716
Released to income	(103)	(63)
At the end of the year	**6,647**	**4,370**
Creditors:		
Amount due to be released < 1 year	113	97
Amount due to be released > 1 year	6,534	4,273
	6,647	**4,370**

***** All grants received during 2018 were provided by the Welsh Government in the form of Social Housing Grant for New Build schemes that were in progress at year end.

14. PROVISIONS

	Capital Contracts £'000	Total £'000
As at 1 April 2017	**287**	**287**
Provisions Made in Year	0	0
Provisions Released in the Year	(287)	(287)
As at 31 March 2018	**0**	**0**

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

15. NON-EQUITY SHARE CAPITAL

	2018	2017
Shares of £1 each, fully paid and issued at par	£	£
At 1 April	**49**	**49**
Shares Issued During the Year	3	0
Resignations During the Year	(3)	0
At 31 March	**49**	**49**

16. CAPITAL COMMITMENTS

	2018 £'000	2017 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	8,239	4,503
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	5,982	3,145
TOTAL	**14,221**	**7,648**

	2018 £'000	2017 £'000
Anticipated financing sources:		
Committed loan facilities	9,420	6,780
Welsh Government Social Housing Grant	4,801	868
TOTAL	**14,221**	**7,648**

17. PENSION

The Association participates in two pension schemes:

Local Government Pension Scheme (LGPS)

Gwynedd Council pension scheme is a defined benefit scheme based on final pensionable salary. Certain employees of the Association 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 the Association 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 2018. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. The Association's contribution rate from 1st April 2017 to 31st March 2018 was 17.0% (16.4% in 2016/17) of members' pensionable pay.

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**
	2018	**2017**
Pension Increase Rate	2.3%	2.4%
Salary Increase Rate	2.3%	2.4%
Expected Return on Assets	2.7%	2.7%
Discount Rate	2.7%	2.7%

	% per annum 2018	Market Value 2018 £'000	% per annum 2017	Market Value 2017 £'000
Expected Return on Assets				
Equities	2.7	13,146	2.7	12,606
Bonds	2.7	0	2.7	0
Property	2.7	1,441	2.7	1,327
Cash	2.7	3,421	2.7	2,654
		18,008		**16,587**

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

	2018 £'000	2017 £'000
Fair Value of Employer Assets	18,008	16,587
Present Value of Defined Benefit Obligation	(21,029)	(19,128)
Total Scheme (Liability) / Asset	**(3,021)**	**(2,541)**

The movement in the net surplus is as follows:

	2018 £'000	2017 £'000
Contributions Paid	972	989
Current Service Costs	(2,046)	(1,244)
Past Service Costs	(93)	(49)
Interest Cost	(543)	(554)
Expected Return on Employer Assets	579	2,047
Actuarial Gain / (Loss)	651	(2,534)
Net Movement in Year	**(480)**	**(1,345)**

	2018 £'000	2017 £'000
Net Asset (Liability) at Start of Year	(2,541)	(1,196)
Net Movement in Year	(480)	(1,345)
Net Asset / (Liability) at Year End	**(3,021)**	**(2,541)**

Social Housing Pension Scheme (SHPS)

CCG also offers a Defined Contribution scheme via SHPS. The scheme had 53 active members as at 31 March 2018. Total employer contributions in the year totalled £61,912.

As this is a defined contribution scheme, CCG's liability is limited to the value of the contributions made.

18. KEY MANAGEMENT PERSONNEL REMUNERATION

	2018 £	2017 Restated £
The aggregate emoluments paid to or receivable by non-executive Directors and former Directors	-	-
The aggregate emoluments paid to or receivable by executive Directors and former Directors	503,593	401,217
The emoluments paid to the highest paid Director excluding pension contributions	131,048	129,023
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.	-	-

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.

19. EMPLOYEE INFORMATION

	2018		2017	
The number of persons employed during the year expressed in full time equivalents (37 hours per week) was:	31/03/18 Number	2018 Average Number	31/03/17 Number	2017 Average Number
Office staff	180	180	177	174
Manual Staff	66	61	68	69
Wardens, caretakers & cleaners	5	6	11	11
TOTAL	**251**	**247**	**256**	**254**

	2018 £'000	2017 £'000
Wages and Salaries	7,322	7,110
Social Security Costs	685	663
Pension Costs	1,013	976
TOTAL	**9,020**	**8,749**

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

	Number
£110,001 to £120,000	3
£140,000 to £150,000	1

20. OPERATING LEASES

The Association holds properties, vehicles and office equipment under non-cancellable operating leases. As at 31 March 2018 the Association had commitments of future minimum lease payments as follows:

	2018		2017
	£'000	£'000	£'000
Land and buildings:			
Within the next year	144		111
In the second to fifth years	228		87
In more than five years	256		99
		628	297
Others:			
Within the next year	295		306
In the second to fifth years	28		229
In more than five years	-		-
		323	535
		951	**832**

21. TAXATION STATUS

The Association has charitable status.

22. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

	31 March 2018	31 March 2017
Under management at end of year:		
Housing accommodation	5,931	5,856
Supported housing	361	381
Sub-total	**6,292**	**6,237**
Under development at end of year	26	27
Total	**6,318**	**6,264**

23. RELATED PARTY TRANSACTIONS

The Board comprises of 4 Councillors, 4 Tenants and 4 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 2017/18 was £13,619 (2017: £17,708). There were no arrears on their tenancies at the reporting period end (2017: nil).

The transactions that occurred between Gwynedd Council and CCG during the year to 31st March 2018 are summarised as follows:

Invoices received from Gwynedd Council for services provided under normal commercial terms: £929,892 of which £264,149 (under normal 30 days payment terms) was outstanding as at 31st March 2018.

Invoices sent under normal commercial terms to Gwynedd Council totalled £748,252 (mainly in respect of Supporting People income and contributions towards capital works) with £5,154 owing to CCG as at 31st March 2018. A further £14,204,211 was received from Gwynedd Council for Housing Benefit contributions to 31st March 2018.

24. GRANT AND FINANCIAL ASSISTANCE

The total accumulated government grant and financial assistance received or receivable at 31st March 2018	Social Housing Grant	Energy Efficiency and Regener-ation	Supporting People	Other
	£'000	**£'000**	**£'000**	**£'000**
Held as deferred capital grant	5,821	826	-	-
Recognised as income in Statement of Comprehensive Income in year	-	-	113	19
	5,821	**826**	**113**	**19**

25. FINANCIAL ASSETS AND LIABILITIES

The Association had the following financial instruments:

	2018	2017
	£'000	£'000
Financial assets measured at historical cost		
For the year ended 31 March		
Cash at bank and in hand	2,937	3,323
Trade debtors	411	311
Other debtors	1,810	1,983
TOTAL	**5,158**	**5,617**

	2018	2017
Financial liabilities		
For the year ended 31 March		
Loans payable (measured at amortised cost)	68,984	70,600
Trade creditors (measured at amortised cost)	2,275	2,727
Other creditors (measured at amortised cost)	2,850	2,250
TOTAL	**74,109**	**75,577**

	2018	2017
Development agreement		
For the year ended 31 March		
Value of Gwynedd Council's obligation to carry out refurbishment works	68,894	77,982
Value of CCG's obligation to undertake refurbishment works on behalf of Gwynedd Council	(68,894)	(77,982)
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 during 2017/18. It will start operating once its exact scope of activities has been determined.