



**Annual
Report
and
Financial
Statements
2019**

Tai Ceredigion

Annual Report and
Financial Statements

Year Ended 31 March 2019

CONTENTS

Introduction from the
Group Chief Executive
and the Chair of the
Board

4

Strategic Report

6

The Care Society

12

Board Members,
Executive Officers,
Advisors and Bankers

14

Report of the Board of
Management

18

Independent Auditor's
Report

26

Statement of
Comprehensive Income

29

Statement of Financial
Position

30

Statement of Changes
in Reserves

31

Statement of
Cashflows

32

Notes to the Financial
Statements

34

INTRODUCTION

from The Group Chief Executive and the Chair of the Board

We are pleased to report another positive year for Tai Ceredigion and its subsidiary The Care Society.

Our vision for Tai Ceredigion is unchanged: to be a first class bilingual landlord and employer, putting tenants first; to provide quality homes; to deliver high levels of service; and to bring benefits to the communities we serve. We are committed to the provision of quality jobs and training opportunities and to the use of local contractors.

The work undertaken by the Tai Ceredigion Monitoring Group is a key part of ensuring that Tai Ceredigion understands and meets the needs of our tenants. We are grateful for their ongoing commitment to challenge and scrutinise our performance, for their Reports to the Board throughout the year, and for their participation at our Strategy days. Their reports, together with external feedback reports and surveys, give the Board the evidence required for assurance in terms of the Performance Standards set for housing associations by the Welsh Government.

The housing management team continues to work hard to help Tai Ceredigion tenants with benefits advice in respect of Welfare Reform changes. A key priority for Tai Ceredigion is helping tenants to maintain their tenancies and remain in their homes and communities. Community and tenant events, such as Sheltered Forums, Tenant Liaison Forums, Tenants' Conference and the Big Day Out, are a chance to bring people together and make us a stronger community.

We work hard to maintain and improve our current housing stock and communal spaces. Our own Medra team plays a key part in this, as well as providing quality jobs locally.

The Board is committed to providing more new homes to meet the growing need for affordable quality housing of various tenures as well as looking to gain grant funding to develop community facilities in line with our strategic aims and objectives. In the last financial year £2.2m was invested in our new homes development programme. 2018/19 was another successful year financially, with a surplus of £1.4m.

Tai Ceredigion has been talking with Mid-Wales Housing Association and looking at the possibility of closer collaboration or possible merger. We recognise that working together will enable us to achieve better value for money, to provide more affordable homes, to improve services to residents and stakeholders, and also to increase the potential for creating additional employment in mid and west Wales. Regular updates about these discussions have been given to all stakeholders, but a final decision will not be reached until the next financial year.

We were pleased to again receive a Standard Regulatory Judgement this year confirming that, in relation to Governance and Service Delivery, we identify and manage new emerging risks and, in relation to financial management, that we meet the viability requirements and have the financial capacity to deal with scenarios appropriately. In a co-regulation environment we have built a positive relationship with our Regulation Manager and we work with the Regulation Team at the Welsh Government in an open and transparent manner.

The Board is committed to good governance, which is fundamental to the success of Tai Ceredigion. We work together as a team to provide strategic leadership and make informed decisions using the balance of skills, background, experience and knowledge each Board member brings to the Board. As Board members stand down after time served, we identify any skills gaps and recruit to fill these gaps.

The Board undertakes regular training and Board members have attended various conferences and training events throughout the year. Understanding the ever-changing external environment, the uncertain economic environment and being able to manage the changing risks facing the organisation and the sector, are key to ensuring that we have a strong business model and the long term viability of the organisation.

Over the past year, suppliers, contractors and our partnership network have helped us, either directly or indirectly, to provide housing and housing related services to our tenants and we recognise their contribution. In particular, we would thank our funders, Barclays Bank, for their continuing support and assistance.

In conclusion, we would like to take this opportunity to thank our Board members for their support, hard work and commitment throughout the year.

We would also like to thank the Executive Team and every staff member for their continued hard work.



Steve Jones
Group Chief
Executive



Karen Oliver
Chair of the Board
of Management



STRATEGIC PRIORITIES

WORKING TOGETHER

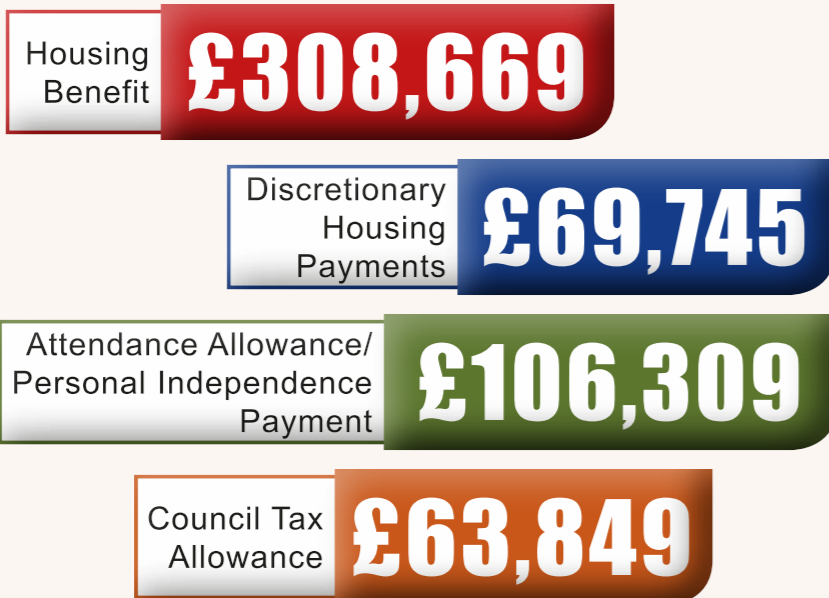
1. "To be an excellent bilingual landlord which involves its tenants and customers at all levels with emphasis on tenancy sustainment and continuous improvement"

During 2018/19 there were 74 cases of ASB and **52** were closed satisfactorily. A full report was presented to the Operational Board on 26th April 2019.

Our Rent Arrears Key Performance Indicator reached an all time low of **1.13%** on 14th October 2018.

During 2018/19, 247 applicants were rehoused, which included 28 homeless applicants receiving permanent homes and 30 homeless people rehoused into temporary or emergency accommodation. The number of mutual exchanges (18) reflects the pro-activeness of Housing Advisors in encouraging tenants to exchange due to the effect of the 'bedroom tax' occupation charge. Additionally, 41 existing tenants transferred into properties more suitable for their needs. 70% of all the lettings under the Ceredigion Housing Register were undertaken by Tai Ceredigion.

During 2018/19, our tenancy sustainment team Cynnal, together with other housing management staff accessed more than £757,544 additional income for over 300 tenants, eg:



Tai Ceredigion actively involves tenants in its service delivery and policy making. Tenants can have as much or as little involvement as they choose. Tai Ceredigion tenants attend over 60 events/meetings per annum. There is a 'menu' of different levels of involvement, with the main forum for engagement and influencing Tai Ceredigion being the Tai Ceredigion Monitoring Group.

The Table below provides members with a comparison summary of the 9 main satisfaction areas of the STAR Survey required by the Welsh Government.

| Tai Ceredigion Results | 2010 (STAR) Satisfied | 2013 (STAR) Satisfied | 2016 (STAR) Satisfied | 2019 (STAR) Satisfied |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| The service provided by your association | 73% | 82% | 87% | 87.2% |
| The overall quality of your home | 73% | 79% | 83% | 84.1% |
| Neighbourhoods as a place to live | 88% | 90% | 89% | 87.6% |
| Rent provides value for money | 82% | 83% | 86% | 84.0% |
| The association is providing the service tenants and residents expect | n/a | n/a | n/a | 84.7% |
| The way your association deals with repairs and maintenance | 70% | 78% | 82% | 84.8% |
| That your association listens to tenants and residents views and acts upon them | 66% | 65% | 63% | 66.8% |
| Tenants and residents trust the association | n/a | n/a | n/a | 79.5% |
| The way your association deals with antisocial behaviour | 44% | 54% | 56% | 60.5% |

Tai Ceredigion Community Fund

In 2018/19 Tai Ceredigion established a Community Fund to support local 'grass root' community groups/clubs. £15,000 is available to apply for, with a limit of £1,500 per application. The fund has supported a total of nine organisations this year including the purchase of play and sports equipment as well as funding towards a community fridge to reduce food waste.

During 2018/19, the Community Fund awarded **£9,053** Among the recipients were:



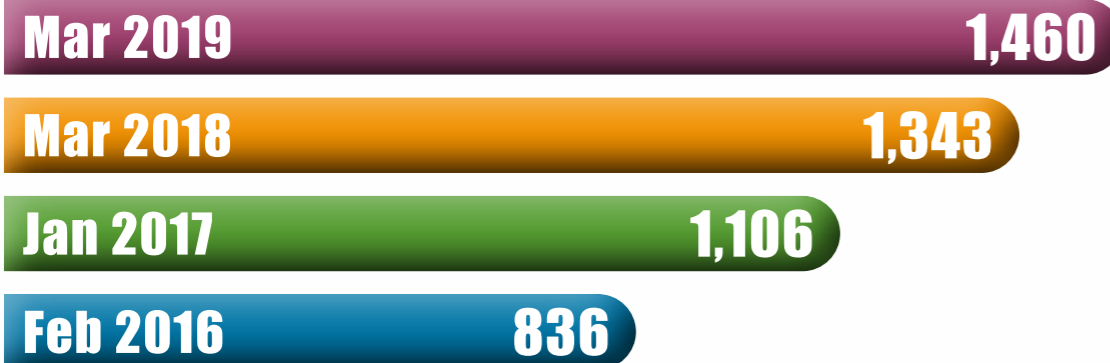
STRATEGIC PRIORITIES

SUSTAINING AND INCREASING STOCK

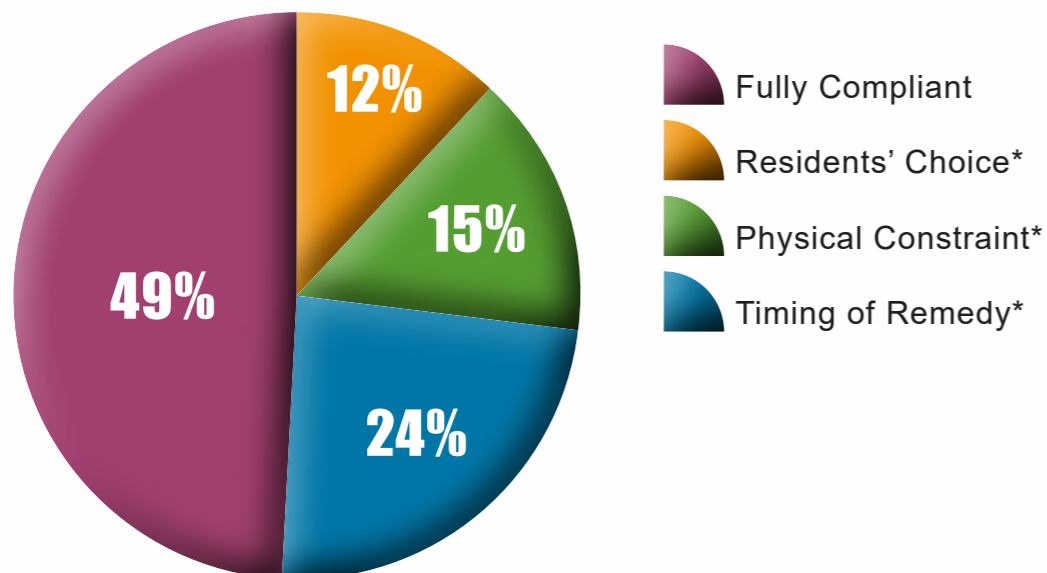
2. "To maintain existing, and increase the number of, quality homes within sustainable communities"

Passing SAP Scores March 2019

The Standard Assessment Procedure (SAP) is the methodology used by the Government to assess and compare the energy and environmental performance of homes. In order to pass, it must have a score of 65 or more.



Welsh Housing Quality Standard Compliance March 2019

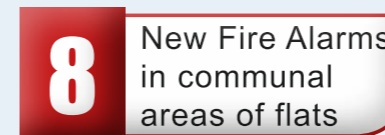


* Residents' Choice - the tenant has specifically requested that the Association does not change, improve or replace an element which is failing WHQS. It is only where there is a health and safety risk that we would insist that the component is changed.
 * Physical Constraint - a component fails due to the size of the dwelling or landscape of the adjoining land, eg a small kitchen which doesn't adhere to the space or storage requirements.
 * Timing of Remedy - a component fails to meet the standard but is programmed for replacement within the next five years.

Capital Spend

- New pitched roof installed at Afallen Deg Sheltered Housing Scheme in Bow Street.
- Successful cladding of external face of one of the blocks at Rheidol Place Sheltered Housing Scheme.
- Considerable amount of estate improvements and fencing undertaken.
- Review of playgrounds.
- Completion of the 400th Air Source Heat Pump installation.

63 new build homes were under construction during 2018/19, with the Aberystwyth Town Football Club development being the most significant. Also, 13 existing properties including one 6 roomed house were purchased with several of these being buy-back leasehold properties. Tai Ceredigion was able to maximise the amount of Social Housing Grant available with £1.2 million received towards building new homes and buying back properties.

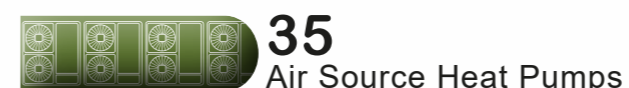


Sheltered Scheme Improvements

Communal Heating Upgrades
 Bro Teifi - Glascoed - Llys Pedr
 Maes Gogerddan - Penrodyn

New Lifts
 Afallen Deg - Glyn Padarn
 Hafan Yr Efail

Components



Since stock transfer in 2009, Tai Ceredigion has concentrated on improving the internal components of its stock, as well as introducing green energy initiatives such as air source heat pumps and external wall installation.

During 2018/19, we focused on improving the external areas of our stock, which included new fencing and work to paths and steps on estates.

STRATEGIC PRIORITIES

FINANCE FIT

3. *“To be a financially sound and viable business, that conducts its affairs with honesty, integrity and strong governance”*

2018/19 was another successful year financially, with a surplus of £1.4m, resulting in reserves of

£11m

£23.1m

drawn down from a £35m loan facility

Governance

Each year the Association reviews its compliance with the Code of Governance. Compliance is evidenced, with notes for actions needed and this is reported to the Board annually. Tai Ceredigion is largely compliant with the Code of Governance.

Board member training in 2018/19 consisted of equality and diversity training and financial management training. Board members were offered the opportunity to attend external conferences hosted by Community Housing Cymru and other external organisations and five Board members took advantage of this.

Internal Audit Assurance Statement

The annual Head of Internal Audit opinion is provided to Tai Ceredigion by Barcud Shared Services. “We are satisfied that sufficient internal audit work has been undertaken during 2018/19 to enable us to draw a reasonable conclusion on the adequacy and effectiveness of Tai Ceredigion’s governance, risk management and internal control arrangements.”



Internal Audit Assurance Reports



Tai Ceredigion is now using Sell2Wales which is an information source and procurement portal set up by the Welsh Government. This has improved our procurement processes and helped us achieve value for money throughout the year.

STRATEGIC PRIORITIES

STAFFING OUR FUTURE

4. *“To be an employer of choice that provides local employment opportunities, training and work placements”*

Corporate Training has again focused on the work of the Association. Several Health and Safety courses have been undertaken including asbestos, electrical inspection and Working at Heights. As part of the Tuag at lechyd focus within the Association, Mental Health has been on the forefront of our campaign. Stress Awareness courses were held for all staff and the Senior Management undertook the accredited I-act course - “Managing and Promoting Positive Mental Health and Wellbeing Training”.

In addition to the above, Welsh Language training has continued within the organisation with a number of employees attending on a regular basis. Each ten week course is evaluated to ascertain success rates and to evaluate the progress of each employee. Board members are also invited to attend the Welsh classes.



In March 2019, Tai Ceredigion was awarded the Gold Standard of the Corporate Health Standard. This award recognised the work that has been carried out within the Association on promoting Health, Safety and Wellbeing. The Assessors praised the group for the hard work that had been achieved within the Association and the commitment to providing staff with a good place to work.

As part of our annual health checks, HAVS (Hand Arm Vibration) testing has been carried out with four employees being sent for further testing with an Occupational Physician.

All of the above meant that over **£45,000** was spent in 2018/19 investing in staff training and development.

During 2018/19, five new apprentices, two electricians, two plumbers and a carpenter, were appointed. The four remaining are progressing well with their studies and practical work. An apprentice from last year’s appointed group has been highly commended for his NVQ work with the college and the evidence he has collated during his work with Tai Ceredigion. The external marker for Pembrokeshire College noted that it was one of the best evidence portfolios that he has seen!

THE CARE SOCIETY

INTRODUCTION FROM THE CHAIR AND EXECUTIVE DIRECTOR

Effective from the 1st April 2018, The Care Society formalised a group structure with Tai Ceredigion. Consequently, throughout 2018/19, the internal focus of The Care Society has been to work with our parent body, Tai Ceredigion, to improve financial performance and infrastructure. All with a view to ensuring that in times of austerity and further reducing grant and contract income, The Care Society can continue to deliver and develop essential services, which complement the activities of Tai Ceredigion and ensure that the group achieves agreed strategic priorities detailed in the five year business plan.

Throughout 2018/19, the continued and increasing numbers of vulnerable people and families accessing our tenancy support services, night shelter project, warden emergency accommodation service and care leaver project have evidenced the need for The Care Society services. The substantial growth in services (notably the Care Society Community Support & Befriending service and the performance of the shop mobility scheme and charity shop) together with improved processes and procedures, further efficiency savings and remodelling, is testament to the hard work and dedication of both Tai Ceredigion's and The Care Society's Board, staff and volunteers.

Our main activities and who we help are described below. The impact of our work goes far beyond the people we help directly and has a positive impact on building stronger communities, improved health and wellbeing, crime reduction, employment and training in rural Mid-Wales. However, the main focus of charity activities is on providing advice and accommodation and to provide support to help maintain tenancies.

- The Night Shelter and Resettlement Project
- Managed Emergency Accommodation Units
- The Bond Scheme
- Accommodation Officer Scheme & Estates & Lettings Services
- Young People's Supported Accommodation Project
- Countywide Tenancy Support Scheme
- Shop Mobility Scheme
- Community Support and Befriending Services

In addition, The Care Society has continued to work closely with our strategic partners most notably Ceredigion County Council and Welsh Government to design and deliver essential services that support vulnerable people within our mid-Wales communities.

We are extremely grateful to the Board and officers of Tai Ceredigion and to the continued commitment and passion of The Care Society Board, employees and volunteers, whose work so positively affects individuals and families.



Guy Evans
Executive Director



Rob Gray
Chair of Board

The Care Society Board



Anthony Hearn
Vice Chair



Catherine Shaw



Charles Symons



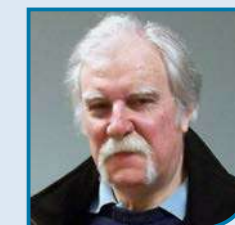
John Rees



Peter Saunders



Stephen Cripps



Tony Kitchen

ACHIEVEMENTS & PERFORMANCE

The Care Society leased or managed 50 properties and 129 individual units of accommodation for vulnerable people.

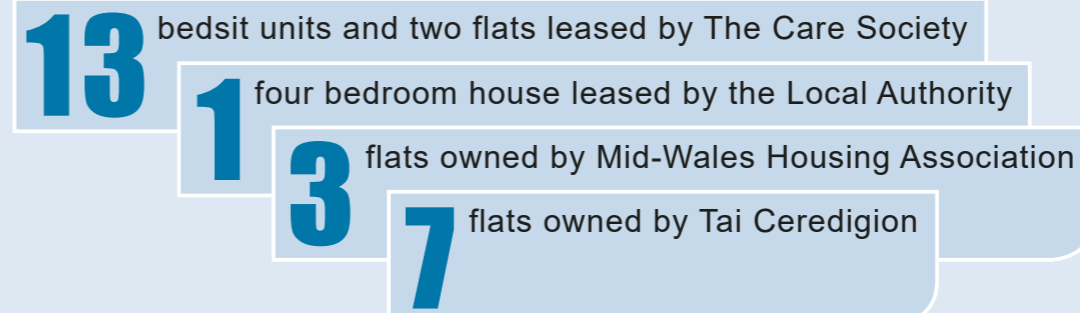
During the financial year 2018/19, 48 people accessed the night shelter on 3,047 occasions, 22 of whom were resettled into more secure forms of tenure.

At the end of the 2018/19 financial year, The Care Society administered 42 tenancies established with the provision of a Welsh Government Bond.

During the period of this report, our countywide tenancy support scheme staff supported;



The Care Society continued to provide a wardened emergency accommodation facility for people where the Local Authority had a statutory duty. Emergency accommodation was provided in;



The Community and Befriending Scheme increased to meet the shortfall in provision and provided support to 35 individuals throughout Ceredigion and North Pembrokeshire.

Shopmobility continues to provide an invaluable service in Aberystwyth, in 2018/19 there were 380 equipment hires in total; 70% scooters and 30% wheelchairs.

The charity shop has had a successful and busy year with an overall increase in sales of 16%.

BOARD MEMBERS, EXECUTIVE OFFICERS, ETC

The membership of the Tai Ceredigion Board is set out below:

Executive Officers:



Steve Jones
Group Chief Executive



Eleri Jenkins
Director of Housing and Support



Llŷr Edwards
Director of Property Services



Kate Curran
Group Director of Corporate Services & Company Secretary

Chair:

Karen Oliver

Vice Chair:

Stephen Cripps
(co-optee)

Other Members:

Dafydd Edwards
(resigned 20/07/18)

Catrin Miles
(resigned 20/07/18)

Lynford Thomas

Peter Saunders

Cadwgan Thomas

John Jenkins

Catherine Shaw

Peter Deakin

John Rees
(co-optee)

Gwyn James
(appointed 21/09/18)

Mererid Boswell
(appointed 31/01/19)

Registered Office:

4 Pont Steffan Business Park
Station Terrace
Lampeter
Ceredigion
SA48 7HH

External Auditor:

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Bankers:

Barclays Bank plc
Harford Square
Lampeter
Ceredigion
SA48 7HF

Internal Auditors:

Barcud Shared Services
Valleys to Coast Housing
Tremains Business Park
Tremains Road
Bridgend
CF31 1TZ

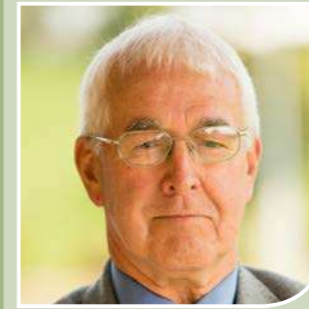
Funders:

Barclays Capital
5 The North Colonnade
Canary Wharf
London
E14 4BB



Registered under the Co-operative and Community Benefit Societies Act 2014 with charitable rules.
Registered by the Welsh Government No. L151.

COUNCIL BOARD MEMBERS



Councillor
Lynford Thomas

- » Vice Chair of the Joint Consultative Committee
- » Background in Health and Safety consultancy
- » Active member of the Aeron Valley community
- » Board member since October 2012
- » Passionate about the preservation of the Welsh way of life, the language, village schools and wherever possible, retaining young people within their locality
- » Fluent Welsh speaker



Councillor
Gwyn James

- » Member of the Audit and Performance Committee
- » Background in Agriculture and Mechanical Engineering
- » Active member of both Penbryn/Llangrannog Communities
- » Board member since Autumn 2018
- » Passionate about the preservation of the Welsh way of life, the language, economic regeneration for rural communities and wherever possible, retaining young people within their locality
- » First language Welsh speaker

TENANT BOARD MEMBERS



Catherine Shaw
Aberystwyth

- » Former modern languages student at Aberystwyth University
- » Member of the Tenant Steering Group while Tai Ceredigion was being formed
- » Former long-standing member and minute secretary of the Tai Ceredigion Monitoring Group
- » Aims to ensure that tenants are considered in every Board decision and help Tai Ceredigion to continue to develop with tenants at the heart of its business



Peter Deakin
Aberaeron

- » Experience of renting in both the private and public sector
- » Member of the Options Appraisal Panel prior to Tai Ceredigion being formed
- » Held the positions of Chair, Vice Chair and Treasurer of the Tai Ceredigion Monitoring Group
- » Board member since September 2016
- » Strong believer in social housing and in social tenants being actively engaged with future developments

INDEPENDENT BOARD MEMBERS



Karen Oliver
Chair

- » Experienced Solicitor with over fifteen years' experience in the social housing sector and former Director of Governance and Legal Services with Grŵp Gwalia
- » Previously worked for a local authority and in private practice
- » Volunteer with the Multiple Sclerosis Society Cymru
- » Board member since November 2015
- » Committed to ensuring the availability of good affordable housing within sustainable communities and understands the importance of involving and listening to tenants to help shape services
- » Active Welsh learner



Stephen Cripps
Vice Chair Co-optee

- » Former Chairman of Tai Ceredigion's Board of Management
- » Former local government Chief Officer with over 30 years' experience of working in local government in England
- » Independent member of Ceredigion County Council's Ethics and Standards Committee
- » Board co-optee since March 2016
- » Aims to assist Tai Ceredigion in the provision of decent housing which is essential for good health, supports education and employment and helps to build a strong local community
- » Active Welsh learner



Peter Saunders

- » Chair of the Joint Consultative Committee
- » Background in town planning, research and university lecturing
- » Former Director of student services at John Moores University, Liverpool
- » Active interest in social care and extra care housing
- » Aims to help Tai Ceredigion to develop services that reflect the particular needs of Mid Wales
- » Keen Welsh learner



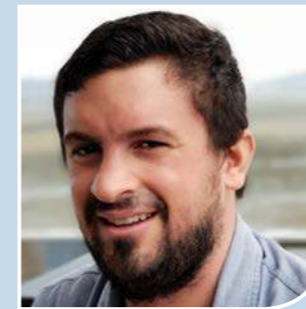
Mererid Boswell
Co-optee

- » Chartered accountant with experience of finance in the charity and public sector
- » Was a member of the Shadow Board (pre-transfer) and a previous Board Member and Chair of Audit and Performance Committee
- » Has lived in Ceredigion for 12 years and was an Aberystwyth Town Councillor
- » Treasurer of Arad Goch (a theatre company) and Chair of Camau Cyntaf i Ddysgu (a nursery provision charity)
- » Head of Business and Finance for the Books Council of Wales
- » Fluent Welsh and English speaker and a Spanish learner



Cadwgan Thomas

- » Chartered Quantity Surveyor and Head of Development at Hafod services
- » Experience in the social housing sector since 1996
- » Experience in overseeing the development of several refurbishments, new build housing schemes and care home projects
- » Board member since September 2014
- » Aims to assist Tai Ceredigion in achieving its goals in delivering new and exciting projects for the people and communities of the county
- » Fluent Welsh speaker



John Rees
Co-optee

- » Vice Chair of the Audit and Performance Committee
- » Finance Manager at Coastal Housing Group
- » Chartered Certified Accountant
- » Currently sits on the ACCA South Wales Panel and assists with Advocacy, attending CPD events representing the ACCA and planning the CPD programme for South West Wales
- » Passionate about the social housing sector and keen to use his knowledge and experience for the benefit of tenants
- » Board co-optee since June 2017



John Jenkins

- » Chair of the Audit and Performance Committee
- » Chartered Accountant with experience of working in the City of London
- » Self employed business consultant
- » School Governor and a director of a community interest company
- » Board member since February 2015
- » Believes that Tai Ceredigion is important to the people and economy of the county and the organisation should reflect the values and priorities of the local community



REPORT OF THE BOARD OF MANAGEMENT

The Board of Management present their report and the financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

Tai Ceredigion is a not-for-profit housing association. As with all Registered Social Landlords (RSLs) in Wales, it is registered with and regulated by the Welsh Government. The Association was formed for the benefit of communities in areas in which the Association owns or manages housing stock.

Tai Ceredigion is registered under the Co-operative and Community Benefit Societies Act 2014 with charitable rules. The registered office is Unit 4, Pont Steffan Business Park, Lampeter, Ceredigion, SA48 7HH.

It is a body whose primary purpose is to provide affordable rented housing to people in housing need. Tai Ceredigion was established with the help of Ceredigion County Council specifically to supply high quality affordable housing and excellent housing and community services to the people in Ceredigion and ensure that all properties are improved to meet the Welsh Housing Quality Standard.

HOUSING PROPERTIES

Details of changes to Tai Ceredigion's fixed assets are shown in notes 8 and 9 to the financial statements.

PAYMENT OF CREDITORS

Tai Ceredigion agrees terms and conditions for its business transactions with suppliers at the time of supply. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

INVESTING IN EMPLOYEES

Motivated and committed employees are essential to achieving our aim of providing high quality services to our residents and the Board embraces the need for employees to be empowered and involved at every level of the organisation.

Tai Ceredigion is committed to ensuring and promoting equality of opportunity for all in the services that it delivers and the way that those services are delivered, ensuring that differences are recognised. Tai Ceredigion is also committed to ensuring equality for all its employees and applicants for employment.

As a provider of social housing Tai Ceredigion is aware that the quality of life for many people has been undermined by discrimination and disadvantage. Tai Ceredigion is committed to responding to social diversity in today's society and strives to reflect this in its own organisational culture.

Development of employees is essential to growing the organisation. A structured approach to training and development is provided to enable employees to fulfil and develop their role within Tai Ceredigion. This involves locally delivered in-house training courses, one-off courses of a specialist nature and training associated with the implementation of business systems. Tai Ceredigion also supports people undertaking external courses and qualifications appropriate to business needs.

HEALTH AND SAFETY

The Board is aware of its responsibilities for all matters relating to health and safety. Tai Ceredigion has detailed health and safety policies, complies with its statutory duties and provides staff training and education on health and safety matters. Regular progress is monitored through meetings of the Health & Safety Forum via the Joint Consultative Committee and by the Board.

BOARD MEMBERS AND DIRECTORS

The Board members and senior executives who served during the year and to the present date are set out on page 15. The Board is made up of 12 members, split between up to 4 tenant selected members, up to 2 nominated by Ceredigion County Council and up to 4 independent Board members. In addition, to fill in any skill gaps or qualifications up to 5 co-optees can be selected. Any tenant or resident can purchase a share for £1 and become a member of Tai Ceredigion.

An assessment has been made of members' skills and experience to ensure that the Board continues to carry out its role effectively.

The directors are the Group Chief Executive and any other person who is a member of Tai Ceredigion's Executive Management team. The directors are not Board members, hold no interest in Tai Ceredigion's shares and act as executives within the authority delegated by the Board.

Tai Ceredigion has insurance policies which indemnify its Board members and directors against liability when acting for Tai Ceredigion.

REMUNERATION

Policy

The Board is responsible for agreeing the remuneration level of its directors. It agrees the appointment of directors and their remuneration, as well as the brief within which the Group Chief Executive can negotiate staff salaries.

The Board pays close attention to remuneration levels in the sector in determining the remuneration packages of the directors. Salaries are set having regard to each director's responsibilities and pay levels for comparable positions.

Pensions

The directors are members of the Dyfed Pension Fund, a defined benefit final salary pension scheme. They participate in the scheme on the same terms as all other eligible staff and Tai Ceredigion contributes to the scheme on behalf of its employees.

Service contracts

The directors are employed on the same terms as other staff, although their notice period is three months (six months for the Group Chief Executive and Group Director of Corporate Services).

TENANT INVOLVEMENT

We recognise that working in partnership with tenants is the best way of making sure that Tai Ceredigion delivers services that tenants want and value. Tai Ceredigion also believes that effective and meaningful tenant involvement is the best way of knowing whether services are being provided to the quality that customers are entitled to expect.

We actively encourage tenants' involvement in decision-making by developing and promoting varied and innovative mechanisms of involvement; tenants are actively involved in decisions that affect them.

REPORT OF THE BOARD OF MANAGEMENT

INTERNAL CONTROLS ASSURANCE

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, and not absolute, assurance against material misstatement or loss. The Board receives and considers reports from directors and management on risk management and control arrangements during the year.

The arrangements 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 include:

IDENTIFYING AND EVALUATING KEY RISKS

Tai Ceredigion has a risk management strategy, setting out the Board's attitude and responsibility towards risk in the achievement of its objectives.

CONTROL ENVIRONMENT AND INTERNAL CONTROLS

The processes to identify and manage the key risks to which Tai Ceredigion is exposed are an integral part of the internal control environment. Such processes include strategic planning, the recruitment of directors and senior staff, regular performance monitoring and the setting of standards and targets for key operational areas.

INFORMATION AND REPORTING SYSTEMS

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed, approved and monitored throughout the year by the Board. The Board regularly receives reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

MONITORING ARRANGEMENTS

Regular management reporting on control issues provides assurance to management and to the Board. It is supplemented by regular reviews by Internal Audit which provides independent assurance to the Board via its Audit and Performance Committee. The arrangements include a rigorous procedure, monitored by that committee, for ensuring that corrective action is taken in relation to any significant control issues.

INTERNAL FINANCIAL CONTROLS

The Board bears responsibility for ensuring that the organisation operates a secure control environment. The controls serve to give reasonable assurance with regard to:

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

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

Key elements in ensuring a secure environment include:

- the presence of formal policies and procedures
- clear delegation of authority
- a suitable level of experienced and suitably qualified staff
- proper performance appraisal
- the preparation and monitoring of forecasts and budgets
- suitable authorisation of major commitments which might put the group at risk
- a robust and independent internal audit service, reporting appropriately to members, with suitable follow up mechanisms in place.

The Audit and Performance Committee has reviewed the effectiveness of the system of internal control in the Association for the year ended 31 March 2019. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements, and the Board are not aware of any such weaknesses from 1 April 2018 to date.

GOING CONCERN

After making enquiries the Board has a reasonable expectation that Tai Ceredigion has adequate resources to continue in operational existence for the foreseeable future being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

STATEMENT OF BOARD OF MANAGEMENT RESPONSIBILITIES

The Board of Management is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accepted Accounting Practice. The Co-operative and Community Benefit Societies Act 2014 and Registered Social Landlord legislation require the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Tai Ceredigion and of the income and expenditure of Tai Ceredigion for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards and the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that Tai Ceredigion will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Tai Ceredigion and enable it to ensure that the financial statements comply with the relevant legislation. The Board is also responsible for maintaining an adequate system of internal control and safeguarding the assets of Tai Ceredigion and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO THE AUDITOR

At the date of making this report each of the Tai Ceredigion Board members, as set out on page 15, confirm the following:

- so far as each Board member is aware, there is no relevant information needed by the Tai Ceredigion auditor in connection with preparing their report of which the auditor is unaware, and
- each Board member has taken all the steps that he/she ought to have taken as a Board member in order to make him/herself aware of any relevant information needed by Tai Ceredigion auditor in connection with preparing their report and to establish that Tai Ceredigion auditor is aware of that information.

Approved on the 19th July 2019 and signed on its behalf by:



Karen Oliver, Chair of the Board of Management

GOVERNANCE

Tai Ceredigion uses the sector's Code of Governance as guidance, which focuses on seven principles;

Organisational Purpose

Decision Making, Risk and Control

Leadership

Board Effectiveness

Integrity

Diversity

Openness and Accountability

Good governance enables and supports an organisation's compliance with relevant legislation and regulation. It also promotes attitudes and a culture where everything works towards fulfilling the organisation's vision. The Board leads on governance, but good governance involves the whole organisation from top to bottom. Tai Ceredigion has assessed itself against the Code and is comfortable it applies the seven principles throughout the organisation.

Board Attendance 2018/19

| | |
|-----------------------------|-------|
| Karen Oliver (Chair) | 10/10 |
| Stephen Cripps (Vice Chair) | 8/10 |
| John Jenkins | 9/10 |
| Lynford Thomas (Councillor) | 5/10 |
| Peter Deakin | 10/10 |
| John Rees | 9/10 |
| Catherine Shaw | 9/10 |
| Peter Saunders | 8/10 |
| Gwyn James (Councillor) | 3/6 |
| Cadwgan Thomas | 5/10 |
| Dafydd Edwards (Councillor) | 2/2 |
| Catrin Miles (Councillor) | 0/2 |
| Mererid Boswell | 3/3 |

During 2018/19, the association received substantial internal audit assurance for its Governance structures, processes and Code of Governance compliance. Tai Ceredigion also received its annual regulatory judgement from Welsh Government in March.

The judgement stated:

Governance and Services - Standard

- Identifies and manages new and emerging risks appropriately

Financial Viability - Standard

- Meets viability requirements and has the financial capacity to deal with scenarios appropriately

Standard is the highest level achievable.

VALUE for MONEY

Value for Money is generally considered to cover three elements; economy, efficiency and effectiveness and can be summarised as:

1. Economy

doing things at the 'best price'

2. Efficiency

minimising waste and doing things the 'best way'

3. Effectiveness

doing the 'right things' by maximising the positive outcomes produced

Equity

recognising diversity and spending fairly to ensure that those in greatest need are considered

Wales has added a fourth 'E' for consideration:

Tai Ceredigion has an extensive Value for Money strategy which describes how Tai Ceredigion will strive to achieve high standards of value for money across the association by being economic, efficient and effective in the pursuit of social objectives that benefit a range of stakeholders. As organisations with social purpose, housing associations are committed to maximise value for their tenants, future tenants and the wider community.

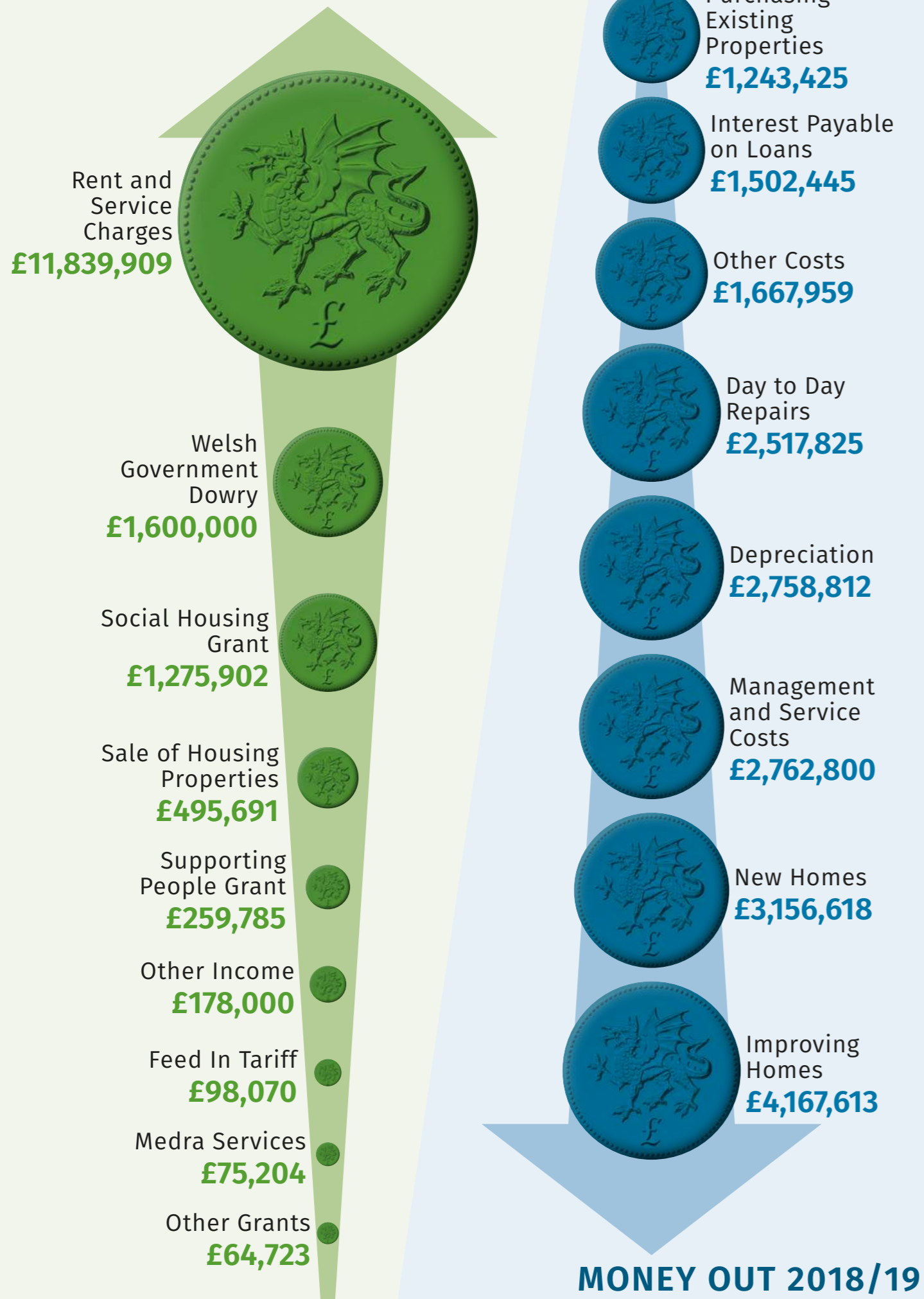
During 2018/19 Tai Ceredigion concentrated on improving its procurement processes in order to provide value for money, in particular in areas such as grass cutting where expenditure is passed on to tenants through service charges. This work will continue into 2019/20.

The sector's global accounts have identified a suite of indicators used for assessing value for money and benchmarking across the sector.

Tai Ceredigion's results compared to sector averages are below:

| Value for Money Two Year Summary | Tai Ceredigion Results | | Sector Average | |
|--|------------------------|--------|----------------|---|
| | 2019 | 2018 | 2018 | |
| For the year ended 31 March | | | | |
| Total operating cost per social housing unit | £3,058 | £2,639 | £3,186 | 😊 |
| Management costs per social housing unit | £1,053 | £947 | £1,217 | 😊 |
| Reactive costs per social housing unit | £1,103 | £951 | £1,113 | 😐 |
| Major repairs & components per social housing unit (inc depreciation & impairment) | £1,417 | £1,424 | £970 | 😊 |
| Bad debt costs per social housing unit | £19 | £5 | £32 | 😊 |
| Weighted average cost of capital | 6.92% | 7.4% | 4.6% | 😞 |
| Free cash inflow (outflow) per social housing unit | £751 | £1,284 | £383 | 😊 |
| Gross arrears/social housing turnover | 2.0% | 1.9% | 4.5% | 😊 |
| Turnover per social housing unit | £5,443 | £5,007 | £5,294 | 😐 |
| Rental void loss per social housing unit | £40 | £25 | £79 | 😊 |

MONEY IN 2018/19



FINANCIAL REVIEW

Tai Ceredigion reported a surplus of £2.1m for the year ended 31 March 2019 on a total turnover of £13m. An operating margin of 28% was achieved.

The results for the period and for 2017/18 are summarised in the table below:

| <i>Financial Highlights - Two Year Summary</i> | Tai Ceredigion Results | |
|--|------------------------|---------|
| For the year ended 31 March | 2019 | 2018 |
| Statement of Comprehensive Income | | |
| Total turnover | £'000 | £'000 |
| Income from Social Housing lettings | 13,450 | 12,330* |
| Depreciation | 12,344 | 11,595 |
| Amortisation | 2,759 | 2,491 |
| Interest payable | 244 | 218 |
| Operating surplus | 1,502 | 1,492 |
| | 3,625 | 3,426* |
| Statement of Financial Position | | |
| Tangible fixed assets, at depreciated cost | £'000 | £'000 |
| Social Housing and other grants | 60,606 | 52,328 |
| Net current assets | 17,779 | 14,881 |
| Provision for pension liability | 12,545 | 16,663 |
| Long term loans | 3,281 | 2,550 |
| Total reserves | 23,273 | 20,159 |
| | 11,020 | 9,573 |

*adjusted to include surplus of sale of housing properties

FINANCIAL RISKS

Tai Ceredigion's activities expose it to a number of financial risks.

Cashflow Risk

One of the main risks is the possibility of interest rate changes. As at 31st March 2019, Tai Ceredigion had 84% of its loan liabilities on a fixed interest rate to ensure certainty of cashflows. Another risk is the loss of income due to welfare reform or changing of the rent setting policy. Loss of the Welsh Government £1.6m gap funding is also a risk, although it is guaranteed on a rolling two year basis. There are internal controls in place such as regular stress testing of the business plan and prudence when setting budgets.

Credit Risk

Tai Ceredigion's principal assets are bank balances and cash, rent arrears and other receivables. The amount presented in the Statement of Financial Position are net of allowances for bad debts. The association fully provides for former tenant arrears except where recovery is assessed as likely. Provision against current tenant arrears is based on the aged profile of the amounts due. There is no significant concentration of credit risk, with exposure spread over a large number of counterparties and tenants.

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, Tai Ceredigion uses a mixture of long term and short term finance which includes a revolver facility.

INDEPENDENT AUDITOR'S REPORT

to the Members of Tai Ceredigion Cyf

Opinion

We have audited the financial statements of Tai Ceredigion Cyf (the parent association) and its subsidiary (the group) for the year ended 31 March 2019 which comprise the group and parent association's Statement of Comprehensive Income, the group and parent association's Statement of Financial Position, the group and parent association's Statement of Changes in Reserves, the group 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 group and parent association's affairs as at 31 March 2019 and of the group and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to Tai Ceredigion's trade, tenants, suppliers and the wider economy.

We considered the impact of Brexit on Tai Ceredigion as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with Tai Ceredigion's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for Tai Ceredigion and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has 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 Board is responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

INDEPENDENT AUDITOR'S REPORT

to the Members of Tai Ceredigion Cyf (continued)

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 21, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the group or the parent 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

Use of the audit report

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

Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT
Date 19/07/2019

GROUP AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

| | Note | Group | | Association | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| TURNOVER | 2a | 14,109 | 12,158 | 12,946 | 12,158 |
| Less: Operating costs | 2a | (10,849) | (8,901) | (9,817) | (8,901) |
| Surplus on disposal of housing properties | 3 | 496 | 169 | 496 | 169 |
| OPERATING SURPLUS | | 3,756 | 3,426 | 3,625 | 3,426 |
| Interest receivable | | 2 | 5 | 1 | 5 |
| Interest and financing costs | 7 | (1,515) | (1,492) | (1,502) | (1,492) |
| Impairment of investment property | | - | (135) | - | (135) |
| SURPLUS FOR THE YEAR | 4 | 2,243 | 1,804 | 2,124 | 1,804 |
| Actuarial gains/(losses) on pension scheme | 19 | (677) | 727 | (677) | 727 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 1,566 | 2,531 | 1,447 | 2,531 |

GROUP AND ASSOCIATION STATEMENT OF FINANCIAL POSITION

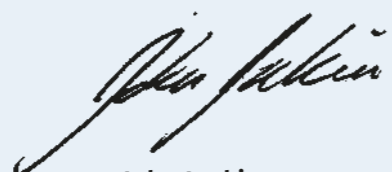
as at 31 March 2019

| | Note | Group | | Association | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| TANGIBLE FIXED ASSETS | | | | | |
| Housing properties - Gross cost less depreciation | 8 | 59,578 | 51,342 | 59,578 | 51,342 |
| Other property, plant and equipment | 9 | 1,462 | 986 | 1,028 | 986 |
| | | <u>61,040</u> | <u>52,328</u> | <u>60,606</u> | <u>52,328</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 10 | 19,482 | 23,163 | 19,283 | 23,163 |
| Inventories | 11 | 16 | 17 | 16 | 17 |
| Cash and cash equivalents | | 1,066 | 1,144 | 918 | 1,144 |
| | | <u>20,564</u> | <u>24,324</u> | <u>20,217</u> | <u>24,324</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 12 | <u>(7,814)</u> | <u>(7,661)</u> | <u>(7,672)</u> | <u>(7,661)</u> |
| NET CURRENT ASSETS | | <u>12,750</u> | <u>16,663</u> | <u>12,545</u> | <u>16,663</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | |
| | | 73,790 | 68,991 | 73,151 | 68,991 |
| Pension liability | 19 | (3,481) | (2,550) | (3,481) | (2,550) |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 13 | <u>(58,938)</u> | <u>(56,868)</u> | <u>(58,650)</u> | <u>(56,868)</u> |
| NET ASSETS | | <u>11,371</u> | <u>9,573</u> | <u>11,020</u> | <u>9,573</u> |
| CAPITAL AND RESERVES | | | | | |
| Non-equity share capital | 14 | - | - | - | - |
| Revenue Reserves | | 11,371 | 9,573 | 11,020 | 9,573 |
| | | <u>11,371</u> | <u>9,573</u> | <u>11,020</u> | <u>9,573</u> |

The financial statements on pages 29 to 55 were approved by the Board on 19th July 2019 and were signed on its behalf by:



Karen Oliver
Chair of the
Board of Management



John Jenkins
Board Member



Kate Curran
Group Director of
Corporate Services
& Company Secretary

GROUP AND ASSOCIATION STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2019

GROUP STATEMENT OF CHANGES IN RESERVES

| | Revenue reserves £'000 | Total £'000 |
|--|------------------------------|----------------|
| At 1 April 2017 | 7,044 | 7,044 |
| Surplus for the year | 1,804 | 1,804 |
| Actuarial gain in respect of pension schemes | 727 | 727 |
| | <u>9,573</u> | <u>9,573</u> |
| At 31 March 2018 | 9,573 | 9,573 |
| At 1 April 2018 | 9,573 | 9,573 |
| Transfer reserves from The Care Society | 232 | 232 |
| Surplus for the year | 2,243 | 2,243 |
| Actuarial loss in respect of pension schemes | (677) | (677) |
| | <u>11,371</u> | <u>11,371</u> |
| At 31 March 2019 | 11,371 | 11,371 |

ASSOCIATION STATEMENT OF CHANGES IN RESERVES

| | Revenue reserves £'000 | Total £'000 |
|--|------------------------------|----------------|
| At 1 April 2017 | 7,044 | 7,044 |
| Surplus for the year | 1,804 | 1,804 |
| Actuarial gain in respect of pension schemes | 727 | 727 |
| | <u>9,573</u> | <u>9,573</u> |
| At 31 March 2018 | 9,573 | 9,573 |
| At 1 April 2018 | 9,573 | 9,573 |
| Surplus for the year | 2,124 | 2,124 |
| Actuarial loss in respect of pension schemes | (677) | (677) |
| | <u>11,020</u> | <u>11,020</u> |
| At 31 March 2019 | 11,020 | 11,020 |

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|---------------|---------------|
| Net cash generated from operating activities | A | 5,932 | 6,218 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (11,045) | (7,794) |
| Proceeds from sale of property, plant and equipment | | 496 | 178 |
| Grants received | | 2,876 | 3,172 |
| Interest received | | 2 | 5 |
| Transfer from The Care Society | | 71 | - |
| Net cash flow from investing activities | | (7,600) | (4,438) |
| Cash flows from financing activities | | | |
| Finance costs paid | | (1,500) | (1,386) |
| New loans | | 3,100 | - |
| Repayment of borrowings | | (10) | (203) |
| Proceeds on issue of shares | | - | - |
| Net cash flow from financing activities | | 1,589 | (1,589) |
| Net increase in cash and cash equivalents | | (78) | 190 |
| Cash and cash equivalents at the beginning of the year | | 1,144 | 954 |
| Cash and cash equivalents at the end of the year | | 1,066 | 1,144 |
| A Net cash generated from operating activities | | | |
| Operating surplus for the year | | 3,756 | 3,426 |
| Adjustment for non cash items: | | | |
| Depreciation of fixed assets | | 2,793 | 2,491 |
| Amortisation of government grants | | (244) | (218) |
| Proceeds from sale PPE | | (496) | (174) |
| Decrease/(increase) in inventories | | - | (5) |
| Decrease/(increase) in debtors | | (352) | (82) |
| Increase/(decrease) in creditors | | 475 | 781 |
| Net cash generated by operating activities | | 5,932 | 6,218 |

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

FREE CASHFLOW FOR THE YEAR (ASSOCIATION)

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Net cash generated from operating activities | 5,824 | 6,218 |
| Interest paid | (1,489) | (1,386) |
| Interest received | 1 | 5 |
| Adjustment for reinvestment in existing properties | | |
| Component replacements | (4,168) | (3,213) |
| Purchase of other replacement fixed assets | (66) | (127) |
| Component replacement grant received | 1,609 | 1,618 |
| Free cash generated before loan repayments | 1,714 | 3,115 |
| Loans repaid (excluding revolving credit and overdrafts) | - | (203) |
| Free cash generated after loan repayments | 1,714 | 2,912 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

1. ACCOUNTING POLICIES

Tai Ceredigion Cyf is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Social Landlord. Tai Ceredigion has adopted charitable rules.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year, in accordance with FRS 102. Tai Ceredigion Cyf is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs preferred 'PBE' in FRS 102.

(a) Accounting convention

The financial statements are prepared under the historical cost convention, in accordance with the Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of Tai Ceredigion and its subsidiary, The Care Society, drawn up to 31 March each year.

(c) Turnover

Turnover represents rental and other income receivable (net of losses from voids), income from property sales, and revenue grants receivable. It also includes grants reimbursing specific expenditure on the improvement programme.

(d) Property, plant and equipment - housing properties

Housing properties are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete. Capitalisation will only incur when expenditure results in an increase to the economic performance of the asset. To increase an asset's performance, expenditure must result in one or more of the following occurring:

- » Increased rental income
- » A reduction in future maintenance costs
- » A significant extension to the life of the property

(e) Depreciation

Freehold land is not depreciated.

Housing properties

In line with the requirements of the SORP, improvements to housing properties are depreciated to write off the historical cost less the residual value on a systematic basis over their estimated useful lives. The depreciable amount is arrived at on the basis of original cost, less any residual value.

Buildings are separated into major components which have substantially different economic useful lives. Depreciation is charged so as to write down the gross book value of the component to its estimated residual value on a straight-line basis. The major components other than the residual property element are depreciated over the following lives:

1. ACCOUNTING POLICIES (CONTINUED)

(e) Depreciation (continued)

| Component | Lifecycle |
|---------------------------|-----------|
| Kitchen | 20 years |
| Bathroom | 25 years |
| Windows and doors | 30 years |
| Roof – pitched / concrete | 60 years |
| Roof – other | 20 years |
| Lift | 30 years |
| Central heating boilers | 15 years |
| Electrical rewire | 30 years |
| Insulation | 30 years |
| Structure | 100 years |

Depreciation is charged in the year of purchase, pro-rata to the month of purchase or final completion date if relating to a development contract for refurbishment or new build.

Other fixed assets

Group depreciation is calculated to write off the cost of fixed assets on a straight line basis over their estimated useful lives. No depreciation is provided on freehold land. The principal lives used for other assets are:

| | |
|--------------------------------------|----------|
| Freehold buildings | 25 years |
| IT Hardware | 5 years |
| Sheltered scheme fixtures & fittings | 5 years |
| Office furniture and equipment | 5 years |
| Motor vehicles | 4 years |
| Plant & equipment | 5 years |

Reviews for impairment of freehold buildings are carried out on an annual basis or if an indication of impairment exists, any impairment in an income generating unit (such as tenanted rented property) is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. Tai Ceredigion checks annually for any indication of impairment by reference to:

- » Trends in void rates and letting of stock
- » Advice from external valuers regarding their expectations of the value of stock.

(f) Inventories

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

(g) Taxation

VAT

All income is shown net of VAT and expenditure is shown inclusive of irrecoverable VAT. Tai Ceredigion has a 15 year VAT Shelter in place, approved by HMRC. The VAT shelter transfers the VAT cost of the works required to meet the Welsh Housing Quality Standard (WHQS) to Ceredigion County Council. The transactions are as follows:

- » Under the transfer agreement the Council transferred the properties to Tai Ceredigion together with an obligation to undertake the WHQS works at the Council's expense. The price paid for the properties was £71,524,223 (excluding VAT); this price reflects the tenanted market value of the stock which is nil and the estimated value of the works of £71,524,223 (excluding VAT).
- » The Council discharged its obligation to carry out the works under the Transfer Agreement by entering into a 15 year Development Agreement with Tai Ceredigion. This is a fixed price contract for £71,524,223 plus VAT of £10,728,633.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

1. ACCOUNTING POLICIES (CONTINUED)

(h) Taxation

VAT (continued)

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

The SORP requires social landlords to recognise such payments in advance of work as prepayments and receipts in advance to be recognised as liabilities.

(i) Corporate Tax

Tai Ceredigion group is not liable for Corporation Tax on its charitable status.

(j) Pension Costs

Dyfed Pension Fund (LGPS)

Tai Ceredigion Cyf is a contributing member of the Dyfed Pension Fund, a local government pension scheme which is a multi-employer scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the defined benefit liability) are recognised immediately in other comprehensive income.

Ceredigion County Council transferred employees to Tai Ceredigion at the time of the stock transfer. Many of these were members of Dyfed Pension Fund with the pension liabilities on transfer fully funded by the Council, with subsequent costs to be incurred by Tai Ceredigion. Under the Council's actuarial valuation therefore, Tai Ceredigion took on a £nil net liability position on transfer.

New employees have the option of joining the Social Housing Pension Scheme (SHPS) or NEST.

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

Social Housing Pension Scheme

Tai Ceredigion also participates in a defined contribution pension scheme administered by the Pensions Trust. Contributions payable for the year are charged to the Statement of Comprehensive Income.

The Care Society operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

(k) Operating Leases

Rental payments under operating leases are charged to the Statement of Comprehensive Income.

1. ACCOUNTING POLICIES (CONTINUED)

(l) Sale of Housing Properties

Whilst it is not the general intention of Tai Ceredigion Cyf to dispose of housing stock, properties can be sold for a number of reasons. Tai Ceredigion Cyf may sell vacant properties as part of its ongoing asset management strategy or where economic arguments justify sale.

The surplus or deficit on the disposal of housing properties held as fixed assets is accounted for in the Statement of Comprehensive Income.

(m) Social Housing Grant

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

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

(n) Cash and cash equivalents

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

(o) Interest Payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

(p) Financial Instruments

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

Financial assets carried at amortised cost

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

1. ACCOUNTING POLICIES (CONTINUED)

(q) Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

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

2. SIGNIFICANT MANAGEMENT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Significant management judgements

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

Capitalisation of property development costs

The group capitalises development expenditure in accordance with the accounting policy on housing properties. Judgement is exercised over the likelihood that projects will continue.

Key sources of estimation uncertainty

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions

Provision is made for certain liabilities and for rent arrears that are considered uncollectable. The provisions require management's best estimation of costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discounted rates used to establish the net present value of the obligations require management's judgement.

Defined benefit pension scheme

The group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Variations from these assumptions could significantly impact the liability.

Components of housing properties and useful lives

Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component over its useful economic life. The group considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

Impairment

The group carries out impairment reviews annually on commercial properties.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

2a TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

| Group | 2019 | | | | 2018 | | | |
|-----------------------------------|-------------------|-----------------------------|-------------------------------|---------------------------------------|-------------------|-----------------------------|-------------------------------|---------------------------------------|
| | Turnover £'000 | Operating Costs £'000 | Operating Surplus £'000 | 2019 Operating Surplus £'000 | Turnover £'000 | Operating Costs £'000 | Operating Surplus £'000 | 2018 Operating Surplus £'000 |
| Social housing lettings (Note 2b) | 12,344 | (9,732) | 2,612 | 2,612 | 11,595 | (8,861) | 2,734 | 2,734 |
| Other social housing activities | | | | | | | | |
| Garages | 203 | - | 203 | 203 | 196 | - | 195 | 195 |
| Medra services | 75 | (67) | 8 | 8 | 44 | (40) | 4 | 4 |
| Donations | 6 | - | 6 | 6 | - | - | - | - |
| Promotion of social inclusion | 1,137 | (1,002) | 135 | 135 | - | - | - | - |
| Trading activities | 79 | (48) | 31 | 31 | - | - | - | - |
| Other revenue grants | 65 | - | 65 | 65 | 81 | - | 81 | 81 |
| Other | 200 | - | 200 | 200 | 243 | - | 243 | 243 |
| | 14,109 | (10,849) | 3,260 | 3,260 | 12,158 | (8,901) | 3,257 | 3,257 |
| Association | | | | | | | | |
| Social housing lettings (Note 2b) | 12,344 | (9,732) | 2,612 | 2,612 | 11,595 | (8,861) | 2,734 | 2,734 |
| Other social housing activities | | | | | | | | |
| Garages | 203 | - | 203 | 203 | 196 | - | 195 | 195 |
| Medra services | 75 | (67) | 8 | 8 | 44 | (40) | 4 | 4 |
| Other revenue grants | 65 | - | 65 | 65 | 81 | - | 81 | 81 |
| Other | 259 | - | 259 | 259 | 243 | - | 243 | 243 |
| | 12,946 | (9,817) | 3,129 | 3,129 | 12,158 | (8,901) | 3,257 | 3,257 |

2b PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS GROUP AND ASSOCIATION

| | 2019 General needs and sheltered housing £'000 | 2019 Total £'000 | 2018 General needs and sheltered housing £'000 | 2018 Total £'000 |
|--|---|------------------------|---|------------------------|
| INCOME | | | | |
| Rent receivable | 11,186 | 11,186 | 10,479 | 10,479 |
| Service charge income | 654 | 654 | 657 | 657 |
| Grant amortisation | 244 | 244 | 218 | 218 |
| Supporting People | 260 | 260 | 241 | 241 |
| Turnover from social housing lettings | 12,344 | 12,344 | 11,595 | 11,595 |
| COST | | | | |
| Management costs | (2,385) | (2,385) | (2,152) | (2,152) |
| Service charge costs | (360) | (360) | (362) | (362) |
| Routine maintenance | (2,517) | (2,517) | (2,162) | (2,162) |
| Bad debts | (43) | (43) | (11) | (11) |
| Depreciation | (2,759) | (2,759) | (2,491) | (2,491) |
| Other costs | (1,668) | (1,668) | (1,683) | (1,683) |
| Operating costs on social housing lettings | (9,732) | (9,732) | (8,861) | (8,861) |
| Operating surplus on social housing lettings | 2,612 | 2,612 | 2,734 | 2,734 |
| Rent loss due to voids (memorandum note) | 92 | 92 | 56 | 56 |

3. SURPLUS ON DISPOSAL OF HOUSING PROPERTIES

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|--------------------------------|------------------------|------------------------|------------------------------|------------------------------|
| Proceeds of sale of properties | 503 | 172 | 503 | 172 |
| Disposal expenses | (7) | (3) | (7) | (3) |
| Surplus on disposals | 496 | 169 | 496 | 169 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

4. SURPLUS FOR THE YEAR

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|--|------------------------|------------------------|------------------------------|------------------------------|
| The surplus for the year is stated after charging/(crediting): | | | | |
| Depreciation | 2,817 | 2,491 | 2,783 | 2,491 |
| External auditor's remuneration - in their capacity as auditors | 23 | 17 | 18 | 17 |
| Surplus on disposal of fixed assets | (496) | (169) | (496) | (169) |
| Amortisation of grant | (244) | (218) | (244) | (218) |

5. TAXATION

The Charitable activities of Tai Ceredigion Cyf and Cymdeithas Gofal are exempt from taxation under Section 505 of the Income and Corporation Taxes Act 1988.

6a. EMPLOYEES

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---|------------------------|------------------------|------------------------------|------------------------------|
| Average monthly number of employees (including Executive Directors) expressed as full time equivalents | | | | |
| Administration | 14 | 15 | 10 | 15 |
| Operational services | | | | |
| - Office based | 61 | 56 | 61 | 56 |
| - Scheme managers and cleaners | 13 | 10 | 13 | 10 |
| - Community repairs team | 60 | 53 | 60 | 53 |
| - Charitable activities | 21 | 0 | 0 | 0 |
| | 169 | 134 | 144 | 134 |
| Staff costs: | | | | |
| Wages and salaries | 4,224 | 3,439 | 3,734 | 3,439 |
| Social security costs | 370 | 309 | 339 | 309 |
| Pension costs | 288 | 250 | 282 | 250 |
| Total | 4,882 | 3,998 | 4,355 | 3,998 |

6a. EMPLOYEES (CONTINUED)

Full time equivalent number of staff who received emoluments including pension contributions in excess of £50,000 were:

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---------------------|------------------------|------------------------|------------------------------|------------------------------|
| Salary band | | | | |
| £50,000 - £59,999 | 3 | 3 | 3 | 3 |
| £60,000 - £69,999 | 1 | 2 | 1 | 2 |
| £70,000 - £79,999 | - | - | - | - |
| £80,000 - £89,999 | 1 | 1 | 1 | 1 |
| £90,000 - £99,999 | 1 | 2 | 1 | 2 |
| £100,000 - £109,999 | 1 | - | 1 | - |
| £110,000 - £119,999 | - | - | - | - |
| £120,000 - £129,999 | - | 1 | - | 1 |
| £130,000 - £139,999 | 1 | - | 1 | - |

6b. KEY MANAGEMENT PERSONNEL REMUNERATION

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|--|------------------------|------------------------|------------------------------|------------------------------|
| Wages and Salaries | 698 | 549 | 602 | 549 |
| Social Security Costs | 82 | 65 | 71 | 65 |
| Other Pension Costs | 74 | 58 | 72 | 58 |
| Board Members | | | | |
| Wages and Salaries | - | - | - | - |
| Social Security Costs | - | - | - | - |
| Other Pension Costs | - | - | - | - |
| Expenses | 3 | 2 | 3 | 2 |
| | 857 | 674 | 748 | 674 |
| Remuneration of the Group Chief Executive excluding pension contributions | 116 | 114 | 116 | 114 |

The Group Chief Executive is an ordinary member of the Local Government pension scheme and no enhanced or special terms apply.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

7. INTEREST AND FINANCING COSTS

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---|------------------------|------------------------|------------------------------|------------------------------|
| Interest on loans | | | | |
| - repayable by instalments in more than 5 years | 1,447 | 1,418 | 1,435 | 1,418 |
| Pension finance costs (see note 19) | 67 | 74 | 67 | 74 |
| | <u>1,515</u> | <u>1,492</u> | <u>1,502</u> | <u>1,492</u> |

8. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (GROUP AND ASSOCIATION)

| | Housing Properties Completed £'000 | Housing Properties Under Construction £'000 | Housing Properties Held for Sale £'000 | Total £'000 |
|---------------------------|---|---|--|----------------|
| COST | | | | |
| At 1 April 2018 | 55,495 | 5,884 | 22 | 61,401 |
| Additions | 7,654 | 3,154 | - | 10,808 |
| Disposals | (27) | - | (22) | (49) |
| Transfer to held for sale | (17) | - | 17 | - |
| At 31 March 2019 | <u>63,105</u> | <u>9,038</u> | <u>17</u> | <u>72,160</u> |
| DEPRECIATION | | | | |
| At 1 April 2018 | 10,054 | - | 5 | 10,059 |
| Charge in year | 2,554 | - | 18 | 2,572 |
| Disposals | (27) | - | (22) | (49) |
| Transfer to held for sale | (2) | - | 2 | - |
| At 31 March 2019 | <u>12,579</u> | <u>-</u> | <u>3</u> | <u>12,582</u> |
| NET BOOK VALUE | | | | |
| At 31 March 2019 | <u>50,526</u> | <u>9,038</u> | <u>14</u> | <u>59,578</u> |
| At 31 March 2018 | <u>45,441</u> | <u>5,884</u> | <u>17</u> | <u>51,342</u> |

Tai Ceredigion acquired the housing stock from Ceredigion County Council at zero value on the basis that the expenditure required to bring the properties up to the Welsh Housing Quality Standard exceeded the value of the properties, based on a valuation carried out by Savills.

Additions to completed properties held for letting

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Replacement of components | 4,168 | 3,213 |
| Purchase of existing properties | 1,243 | 633 |
| Developments | 2,177 | 395 |
| Improvements | 66 | 81 |
| | <u>7,654</u> | <u>4,322</u> |
| Charged to Statement of Comprehensive Income | 2,517 | 2,162 |
| Total expenditure on completed properties | <u>10,171</u> | <u>6,484</u> |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

9. OTHER PROPERTY, PLANT AND EQUIPMENT (GROUP)

| | Land £'000 | Freehold properties £'000 | Leasehold buildings £'000 | Commercial properties improvement £'000 | Office improvement £'000 | IT equipment £'000 | Vehicles/ other £'000 | Total £'000 |
|-----------------------|---------------|---------------------------------|---------------------------------|--|--------------------------------|--------------------------|-----------------------------|----------------|
| COST | | | | | | | | |
| At 1 April 2018 | 156 | - | 407 | 300 | 52 | 1,166 | 923 | 3,004 |
| Transfer to group | 143 | 345 | - | - | 64 | 6 | 20 | 578 |
| Additions | - | - | 3 | 40 | - | 50 | 144 | 237 |
| Disposals | - | - | - | - | - | - | (163) | (163) |
| At 31 March 2019 | 299 | 345 | 410 | 340 | 116 | 1,222 | 924 | 3,656 |
| DEPRECIATION | | | | | | | | |
| At 1 April 2018 | - | - | 74 | - | 33 | 936 | 815 | 1,858 |
| Transfer to group | - | 101 | - | - | 8 | 5 | 5 | 119 |
| Charge in year | - | 14 | 18 | 7 | 6 | 90 | 110 | 245 |
| Disposals | - | - | - | - | - | - | (163) | (163) |
| At 31 March 2019 | - | 115 | 92 | 7 | 47 | 1,031 | 767 | 2,059 |
| IMPAIRMENT | | | | | | | | |
| At 1 April 2018 | - | - | - | 135 | - | - | - | 135 |
| Charge in year | - | - | - | - | - | - | - | - |
| At 31 March 2019 | - | - | - | 135 | - | - | - | 135 |
| NET BOOK VALUE | | | | | | | | |
| At 31 March 2019 | 299 | 230 | 318 | 198 | 69 | 191 | 157 | 1,462 |
| At 31 March 2018 | 156 | 243 | 333 | 165 | 19 | 206 | 108 | 986 |

9. OTHER PROPERTY, PLANT AND EQUIPMENT (ASSOCIATION)

| | Land £'000 | Leasehold buildings £'000 | Commercial properties improvement £'000 | Office improvement £'000 | IT equipment £'000 | Vehicles/ other £'000 | Total £'000 |
|-----------------------|---------------|---------------------------------|--|--------------------------------|--------------------------|-----------------------------|----------------|
| COST | | | | | | | |
| At 1 April 2018 | 156 | 407 | 300 | 52 | 1,166 | 923 | 3,004 |
| Additions | - | 3 | 40 | - | 44 | 141 | 228 |
| Disposals | - | - | - | - | - | (147) | (147) |
| At 31 March 2019 | 156 | 410 | 340 | 52 | 1,210 | 916 | 3,085 |
| DEPRECIATION | | | | | | | |
| At 1 April 2018 | - | 74 | - | 33 | 960 | 813 | 1,883 |
| Charge in year | - | 18 | 7 | 4 | 64 | 94 | 187 |
| Disposals | - | - | - | - | - | (147) | (147) |
| At 31 March 2019 | - | 92 | 7 | 37 | 1,024 | 760 | 1,923 |
| IMPAIRMENT | | | | | | | |
| At 1 April 2018 | - | - | 135 | - | - | - | 135 |
| Charge in year | - | - | - | - | - | - | - |
| At 31 March 2019 | - | - | 135 | - | - | - | 135 |
| NET BOOK VALUE | | | | | | | |
| At 31 March 2019 | 156 | 318 | 198 | 15 | 187 | 157 | 1,028 |
| At 31 March 2018 | 156 | 333 | 165 | 19 | 205 | 107 | 986 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

10. DEBTORS

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---|------------------------|------------------------|------------------------------|------------------------------|
| Gross rent and service charge arrears | 317 | 218 | 267 | 218 |
| Less: provision for bad debts | (111) | (63) | (86) | (63) |
| Net rent arrears | 206 | 155 | 181 | 155 |
| Prepayments and accrued income | 1,421 | 955 | 1,247 | 955 |
| | <u>1,627</u> | <u>1,110</u> | <u>1,428</u> | <u>1,110</u> |
| Amounts falling due after more than one year: | | | | |
| VAT Shelter agreement | 17,856 | 22,053 | 17,855 | 22,053 |
| | <u>19,482</u> | <u>23,163</u> | <u>19,283</u> | <u>23,163</u> |

11. INVENTORIES

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|--------------------|------------------------|------------------------|------------------------------|------------------------------|
| Stock of materials | 16 | 17 | 16 | 17 |

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|--|------------------------|------------------------|------------------------------|------------------------------|
| Trade creditors | 1,457 | 1,644 | 1,428 | 1,644 |
| Rent charges received in advance | 324 | 262 | 267 | 262 |
| Social Housing Grant received in advance | 4,529 | 4,796 | 4,529 | 4,796 |
| Government grants deferred income | 258 | 226 | 258 | 226 |
| Accruals and other creditor | 1,246 | 733 | 1,190 | 733 |
| | <u>7,814</u> | <u>7,661</u> | <u>7,672</u> | <u>7,661</u> |

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

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|-------------------------------------|------------------------|------------------------|------------------------------|------------------------------|
| Loan due after more than one year | 23,561 | 20,159 | 23,273 | 20,159 |
| Government grants – deferred income | 17,521 | 14,655 | 17,521 | 14,655 |
| VAT shelter agreement | 17,856 | 22,054 | 17,856 | 22,054 |
| | <u>58,938</u> | <u>56,868</u> | <u>58,650</u> | <u>56,868</u> |

Housing loans are secured by a charge on the total property stock owned by Tai Ceredigion following transfer. To fund the Welsh Housing Quality Standard works Tai Ceredigion has arranged a loan facility of £35m, to be drawn down over several years.

Debt Analysis - Housing Loans

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|--|------------------------|------------------------|------------------------------|------------------------------|
| One year or less | - | - | - | - |
| More than one and less than two years | - | - | - | - |
| More than two and less than five years | 7,526 | - | 7,526 | - |
| In more than five years | 15,747 | 20,159 | 15,747 | 20,159 |
| | <u>23,273</u> | <u>20,159</u> | <u>23,273</u> | <u>20,159</u> |

£20m is drawn down from our facility with Barclays Bank on fixed interest rates, £3.1m is drawn down on a variable rate. At 31 March 2019, Tai Ceredigion has un-drawn loan facilities of £11.9m.

Deferred Income - Government Grants

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---|------------------------|------------------------|------------------------------|------------------------------|
| At 1 April 2018 | 14,881 | 12,524 | 14,881 | 12,524 |
| Grant receivable | 1,542 | 975 | 1,542 | 975 |
| Grant receivable – WG Dowry | 1,600 | 1,600 | 1,600 | 1,600 |
| Amortisation to Statement of Comprehensive Income | (244) | (218) | (244) | (218) |
| At 31 March 2019 | <u>17,779</u> | <u>14,881</u> | <u>17,779</u> | <u>14,881</u> |
| Due within one year | <u>258</u> | <u>226</u> | <u>258</u> | <u>226</u> |
| Due after one year | <u>17,521</u> | <u>14,655</u> | <u>17,521</u> | <u>14,655</u> |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

14. NON-EQUITY SHARE CAPITAL

| | Group 2019 | Group 2018 | Association 2019 | Association 2018 |
|--|---------------|---------------|---------------------|---------------------|
| Shares at £1 each, allotted and issued | | | | |
| As at 1 April 2018 | 255 | 238 | 255 | 238 |
| Issued during the year | 7 | 17 | 7 | 17 |
| At 31 March 2019 | <u>262</u> | <u>255</u> | <u>262</u> | <u>255</u> |

15. CAPITAL COMMITMENTS

| | Group 2019 | Group 2018 | Association 2019 | Association 2018 |
|---|---------------|---------------|---------------------|---------------------|
| Capital expenditure contracted but not provided for in the financial statements | <u>3,810</u> | <u>5,986</u> | <u>3,810</u> | <u>5,986</u> |
| Capital expenditure authorised by the Board but not contracted | <u>5,130</u> | <u>4,735</u> | <u>5,130</u> | <u>4,735</u> |

The above commitments will be funded by existing bank facilities and Government grant.

16a. OTHER FINANCIAL COMMITMENTS (GROUP)

| | 2019 | | 2018 | |
|----------------------------|-----------------------------|----------------|-----------------------------|----------------|
| | Land and Buildings £'000 | Other £'000 | Land and Buildings £'000 | Other £'000 |
| Other leases which expire: | | | | |
| Within one year | 150 | 18 | - | 20 |
| Within one to five years | 259 | 13 | - | 31 |
| | <u>409</u> | <u>31</u> | <u>-</u> | <u>51</u> |

16b. OTHER FINANCIAL COMMITMENTS (ASSOCIATION)

| | 2019 | | 2018 | |
|----------------------------|-----------------------------|----------------|-----------------------------|----------------|
| | Land and Buildings £'000 | Other £'000 | Land and Buildings £'000 | Other £'000 |
| Other leases which expire: | | | | |
| Within one year | - | 18 | - | 20 |
| Within one to five years | - | 13 | - | 31 |
| | <u>-</u> | <u>31</u> | <u>-</u> | <u>51</u> |

17. HOUSING STOCK (GROUP)

| | 2019 Number | 2018 Number |
|---|----------------|----------------|
| Number of units in management | | |
| Housing accommodation for letting: | | |
| General housing | 1,937 | 1,931 |
| Sheltered housing | 313 | 312 |
| Intermediate rents | 32 | 29 |
| Total rented | <u>2,282</u> | <u>2,272</u> |
| Other units | | |
| Right-to-buy leases | 115 | 123 |
| Shared ownership | - | - |
| Garages | 682 | 682 |
| Commercial property leases | <u>-</u> | <u>-</u> |

18. FINANCIAL INSTRUMENTS

The carrying value of the Group's financial assets and liabilities are summarised by category below:

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---|------------------------|------------------------|------------------------------|------------------------------|
| Financial Assets | | | | |
| Measured at discounted amount receivable | | | | |
| Rent arrears financing transactions (see note 10) | <u>317</u> | <u>218</u> | <u>267</u> | <u>218</u> |
| Financial Liabilities | | | | |
| Measured at amortised cost | | | | |
| Loans payable (see note 13) | 23,561 | 20,159 | 23,273 | 20,159 |
| Measured at undiscounted amount payable | | | | |
| Trade and other creditors (see note 12) | <u>1,457</u> | <u>1,644</u> | <u>1,428</u> | <u>1,644</u> |
| | <u>25,018</u> | <u>21,803</u> | <u>24,701</u> | <u>21,803</u> |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

19. PENSION SCHEME

Tai Ceredigion participates in the Dyfed Pension Fund.

The following information has been received from the Fund's actuaries.

For the year commencing 1 April 2019 the employer contributions will be 15.8% of pensionable pay. The budgeted Current Service Cost for the year commencing 1 April 2019 is approximately 30.4% of pensionable salaries which is expected to result in an approximate service cost of £379,000.

Statement of Financial Position items as at 31 March

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Present value of funded benefit obligations | 14,847 | 13,175 |
| Present value of unfunded benefit obligations | - | - |
| Total present value of benefit obligations | 14,847 | 13,175 |
| Fair value of plan assets | (11,366) | (10,625) |
| Unrecognised past service cost | - | - |
| Deficit | 3,481 | 2,550 |

Components of pension cost for year to 31 March

| | | |
|---------------------------------------|-----|-----|
| Current Service Cost | 359 | 407 |
| Interest on Pension Liabilities | 67 | 74 |
| Administration Expenses | 7 | 7 |
| Past service cost (gain) | - | - |
| Effect of Curtailments or Settlements | - | - |
| Effect of asset ceiling | - | - |
| Total pension cost recognised in SOCI | 433 | 488 |

Statement of other comprehensive income

| | | |
|---|-----|-------|
| Remeasurements (liabilities & assets) | 677 | (727) |
| Effect of asset ceiling | - | - |
| Total remeasurements included in the SOCI | 677 | (727) |

19. PENSION SCHEME (CONTINUED)

Additional disclosure items

| | Assets at 31 March 2019 | | Assets at 31 March 2018 | |
|------------------|-------------------------|-------|-------------------------|-------|
| | £'000 | % | £'000 | % |
| Equities | 7,843 | 69.0% | 7,501 | 70.6% |
| Government bonds | 693 | 6.1% | - | 0.0% |
| Other bonds | 1,216 | 10.7% | 2,061 | 19.4% |
| Property | 1,546 | 13.6% | 999 | 9.4% |
| Cash/liquidity | 68 | 0.6% | 64 | 0.6% |
| Other | - | 0.0% | - | 0.0% |
| Total | 11,366 | | 10,625 | |

Change in benefit obligation during year to 31 March 2019

| | £'000 Unfunded Benefits | £'000 All Benefits | |
|---|-------------------------------|--------------------------|----------------------------------|
| Benefit obligation at beginning of year | - | 13,175 | |
| Current service cost | - | 359 | (30.4% of pensionable payroll) |
| Interest on pension liabilities | - | 354 | |
| Member contributions | - | 83 | |
| Experience (gain)/loss | - | - | |
| (Gain)/loss on assumptions | - | 897 | (6.1% of period end liabilities) |
| Curtailments | - | - | |
| Settlements | - | - | |
| Benefits/transfers paid | - | (221) | |
| Business combinations | - | - | |
| Benefit obligation at end of year | - | 14,647 | |

Change in plan assets during year to 31 March 2019

| | | |
|--|---|---------------|
| Fair value of plan assets at beginning of year | - | 10,625 |
| Expected return on plan assets | - | 287 |
| Remeasurement (assets) | - | 420 |
| Administration expenses | - | (7) |
| Business combinations | - | - |
| Settlements | - | - |
| Employer contributions | - | 179 |
| Member contributions | - | 83 |
| Benefits/transfers paid | - | (221) |
| Fair value of plan assets at end of year | - | 11,366 |

Actual Return on plan assets **707** (6.2% of period end assets)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

19. PENSION SCHEME (CONTINUED)

Summary of actuarial assumptions used

Financial assumptions (Average duration profile of liabilities at end of accounting period)

| | Beginning of period | End of period |
|---------------------------------------|---------------------|---------------|
| Rate of CPI inflation / CARE benefits | 2.1% | 2.2% |
| Rate of increase in salaries | 3.6% | 3.7%* |
| Rate of increase in pensions | 2.2% | 2.3% |
| Discount rate | 2.7% | 2.5% |

* an adjustment has been made for short term public sector pay restraint in line with the most recent actuarial valuation

Whole fund asset details

| | Value (£m) | Determined as at |
|--------------------------|------------|------------------|
| Last actuarial valuation | 1,900 | 31 March 2016 |
| Start of period | 2,535 | 31 December 2017 |
| End of period | 2,394 | 31 December 2018 |

20. RELATED PARTIES

Tai Ceredigion is managed by a Board of Management (the Board) of up to twelve people. Two of the Board members are tenants. The tenancies are provided based on the Tai Ceredigion's standard terms. During the financial year 2018/19, rent received from tenant Board members was £9,936. The Board members cannot use their position to their advantage. Four of the Board members are Councillors of Ceredigion County Council. Any transactions with the Council are made at arm's length, on normal commercial terms and the Council Board members cannot use their position to the Council's advantage. Payments made to the Ceredigion County Council during 2019/20 are summarised below:

| | |
|------------------------------------|-----------------|
| Sewage & Treatment Works | £30,000 |
| Service Level Agreements | £61,267 |
| Vehicles MOT/Servicing | £835 |
| Payroll Deduction | £5,353 |
| Council Tax/ NNDR | £24,053 |
| Planning Fees/Building Regulations | £7,369 |
| Housing Benefit Overpayment | £3,486 |
| Misc Payments | £6,150 |
| | <u>£138,513</u> |

As at 31st March 2019, Tai Ceredigion held Ceredigion County Council as a creditor in its Statement of Financial Position to the value of £13,215 for payment of Business rates, Council Tax and planning fees. It also held Ceredigion County Council as a debtor to the value of £66,116 for the 4th quarter Supporting People charge and miscellaneous recharges.

The remaining Board members are all independent members.

20. RELATED PARTIES (CONTINUED)

As of 1st April 2018, Tai Ceredigion became Cymdeithas Gofal's parent organisation. Any transactions made between Cymdeithas Gofal The Care Society and Tai Ceredigion are made at arm's length on a commercial basis. During 2018/2019 the detail of invoices and payments made to The Care Society are summarised:-

| | Invoiced | Paid | Outstanding |
|-------------------------------------|----------------|----------------|---------------|
| Quarterly Wardening as per SLA | £9,926 | £7,220 | £2,706 |
| Additional Wardening | £4,300 | £3,710 | £590 |
| Executive Director Hours as per SLA | £4,089 | £3,215 | £873 |
| | <u>£18,316</u> | <u>£14,146</u> | <u>£4,170</u> |

As at 31st March 2019, Tai Ceredigion held The Care Society as a creditor balance of £4,170. It also held The Care Society as a debtor balance of £48,530, details shown below for clarity:-

| | Invoiced | Paid | Outstanding |
|----------------------------------|---------------|----------------|----------------|
| Output VAT | £21,29 | £8,232 | £13,057 |
| IT Equipment | £6,120 | £4,897 | £1,223 |
| Van Purchase | £2,875 | £2,875 | £0.00 |
| SLA Finance, IT & HR | £58,641 | £25,349 | £33,292 |
| Additional Staff Costs | £726 | - | £726 |
| Service Charges Collected by TCS | £230 | - | £230 |
| | <u>£89,88</u> | <u>£41,354</u> | <u>£48,529</u> |

21. DEVELOPMENT AGREEMENT

Tai Ceredigion Cyf entered into a Development Agreement co-incident with the date of transfer of the housing stock from Ceredigion County Council (CCC), to carry out an agreed schedule of refurbishment works to the properties. The value of these works was £71.5m (excl. VAT). The cost to CCC of contracting for these works to be undertaken was offset against an equal increase in the purchase price of the stock paid by Tai Ceredigion. The works contracted will be carried out over an envisaged 15 year period and will be recognised as they are undertaken, in accordance with the accounting policy for major, cyclical and responsive repairs. In the event that Tai Ceredigion chooses not to complete the works specified, the development agreement may be terminated at no financial loss to Tai Ceredigion. Please refer to Notes 10 and 13 for amounts outstanding at 31 March 2019.

22. POST BALANCE SHEET EVENTS

During 2018/19 Tai Ceredigion was successful in securing substantial funding from the European Union's ERDF fund and Targeted Regeneration Investment Programme funding to provide a state of the art Social Enterprise Centre for Lampeter which will be an excellent boost for the local economy. The new building will be built on the existing Canolfan Dulais site where the land and building was purchased in 2017/18. This will mean the demolition of the commercial building on the site in 2019/20, which currently sits on the Statement of Financial Position at a net book value of £199,000.

