



Annual Report and Financial Statements 2018

Tai Ceredigion

Annual Report and Financial Statements

Year Ended 31 March 2018

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INTRODUCTION

from The Chief Executive and the Chair of the Board

Tai Ceredigion is committed to a vision; to be a first class bilingual landlord and employer that puts tenants first, provides quality homes and benefits communities and the local economy.

Tenants are at the heart of the Association and the work and challenge provided by Tai Ceredigion's Tenant Monitoring Group is a key part of ensuring that the Association understands and meets the needs of its tenants. We are grateful for their commitment and for their scrutiny and reports presented to the Board throughout the year.

The Housing Management Team continues to work hard to ensure that tenants are fully aware of ongoing Welfare Reform changes; helping them to maintain their tenancies and remain in their homes and communities is a key priority for Tai Ceredigion.

In a challenging and ever changing economic environment, we work hard to maintain our housing stock and services whilst building and looking for future opportunities in line with our strategic aims and objectives. Our own Medra team plays a key part in this as well as providing quality jobs locally.

The Board is committed to ensuring a housing development programme to meet the growing need for affordable quality housing of mixed tenures, whilst continuing to invest in existing homes. In the last year, Tai Ceredigion has invested £4 million in existing homes and new developments.



After a period of some 12 months of discussion and due diligence work, the Board agreed that The Care Society (a small local charity) should become a Tai Ceredigion subsidiary company. The work of The Care Society supports very vulnerable people. We remain two separate organisations in a group structure but together it will be possible to better meet the housing needs of people at different times in their lives. During 2017/18, The Boards of Tai Ceredigion and Mid-Wales Housing Association have recognised the potential benefits of exploring greater collaboration, and formal work will take place in the next financial year.

We were pleased to receive a Standard Regulatory Judgement again this year. This confirms that, in relation to Governance and Service Delivery, we identify and manage new emerging risks and, in relation to financial management, we meet the viability requirements and have the financial capacity to deal with scenarios appropriately. We are pleased to welcome our Regulation Manager to Board meetings and to work in a co regulation environment.

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.

During the year, Board members have attended various sector conferences and training events, including a number of focused risk workshops. Understanding the risks facing the organisation and the sector and managing them is key to ensuring that we have a strong business model and to 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 hard work and commitment throughout year; not forgetting, in particular, the contribution made by Derek Lassetter, Chair of Tai Ceredigion, who sadly died suddenly in September 2017.

We would also like to thank every staff member for their continued hard work.



Steve Jones
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”

Communicated with tenants using Social Media - utilising Facebook, Twitter and Instagram to engage with a new audience for tenant participation and the community in general

Continued to develop its TÿFi App and encourage registration with over 220 tenants actively using the system to manage their tenancy and report repairs

Hosted the summer Fun Day for TC tenants and their young families providing activities for children, advice surgeries, transport and lunch

Tai Ceredigion’s Monitoring Group (TCMG) continues to meet monthly with senior teams scrutinising and challenging decisions on behalf of all tenants and has been involved in estate inspections, phone surveys and void inspections prior to re-letting

Hosted 6 sheltered forum meetings for all sheltered housing tenants across the county

Lottery funding received for Actif Woods Wales, taking sheltered housing tenants out to different woodland to take part in bush craft activities

Provided a fully bilingual response service for all social media

Re-launched the Website – updating and upgrading to reflect the fresh approach of the organisation

Hosted a Tenant Conference ‘Being Safe in your community’ with stalls and drop in sessions for tenants

Consultation events held for tenants for upgrades on estates and in sheltered schemes

Organised the annual Garden Competition for all Tai Ceredigion Tenants

Supporting our tenants to sustain their tenancy has resulted in:

208
applicants rehoused, including:

15
homeless people rehoused into temporary/emergency accommodation

32
homeless applicants given permanent homes

19
mutual exchanges were completed to support our tenants facing financial pressure due to the ‘bedroom tax’

23
tenants transferred into homes more suitable to their needs

448
tenants were supported by our Cynnal team who accessed more than £600,000 in additional income for example; housing benefit, discretionary housing payments and PIP Payments

STRATEGIC PRIORITIES

SUSTAINING AND INCREASING STOCK

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

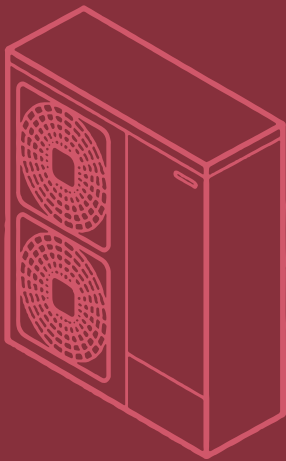
23

New gas combi boilers installed



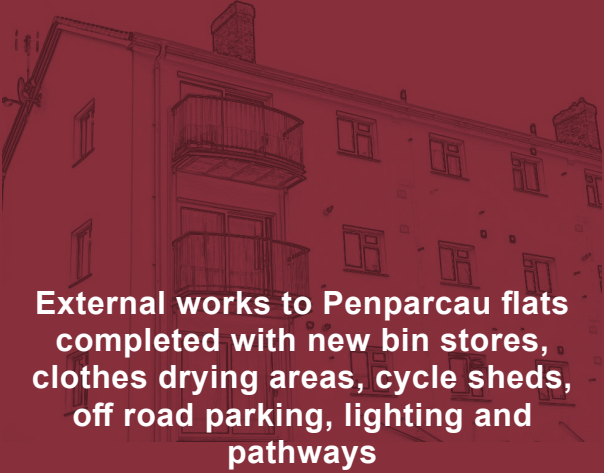
85

Air source heat pumps installed in properties not on mains gas



18½

Average days to re-let in 2017-18



External works to Penparcau flats completed with new bin stores, clothes drying areas, cycle sheds, off road parking, lighting and pathways

Aberystwyth Town FC Development

Work underway on the major new development of 33 flats with marketing and promotion in hand to support current tenants to downsize

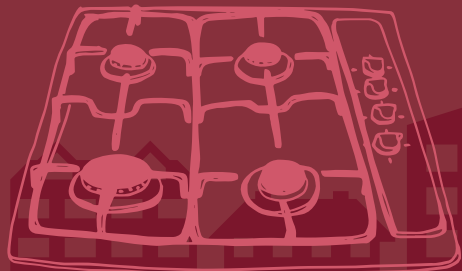
Tai Ceredigion continues to host the Rural Housing Enabler post for Ceredigion and surrounding areas, assessing specific housing need for individuals in the area

14

New houses at Cenarth, plus exploring another 2 rent-to-own / shared ownership

46

Kitchens upgraded



38

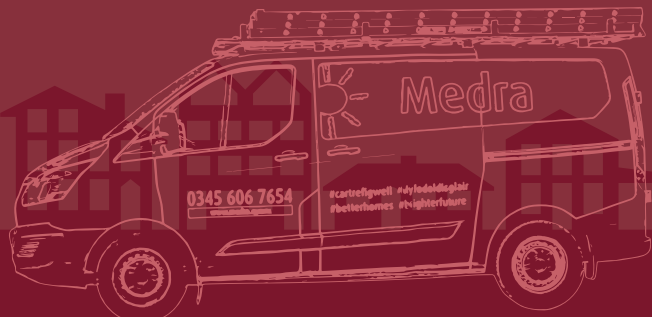
Bathrooms upgraded



14

New houses at Brongest, Lampeter

The maintenance workforce known as Medra is the first ‘in house’ team in Wales to carry out new build projects involving the construction of 2 bungalows



STRATEGIC PRIORITIES

FINANCE FIT

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



CYBER ESSENTIALS PLUS

Cyber Essentials Plus - Tai Ceredigion was certified by Cyber Essentials Plus (a Government supported and industry backed scheme) which aims to verify that organizations have the appropriate ICT security protocols in place to stave off a cyber-attack. Tai Ceredigion joins the small number of housing associations to receive this level of certification. The cyber security standard identifies the security controls that an organisation must have in place within their IT systems in order to have confidence that they are addressing cyber security effectively and mitigating risk from Internet-based threats.

	2016	2017	2018	
Rental void loss per property	£69	£49	£25	(average for 2017 across the sector was £79)
Bad debt loss per property	£15	£12	£5	(average for 2017 across the sector was £28)

1.18%

All-time low in the association's rent arrears - December 2017

Governance

- 8 Board members attended conferences hosted by Community Housing Cymru and other external organisations to keep up to date with the national picture and network with other Board members.
- Risk management strategy in place and reviewed quarterly.
- Asset and Liabilities register in place and reviewed quarterly.

STRATEGIC PRIORITIES

STAFFING OUR FUTURE

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



Tai Ceredigion’s workforce formerly known as the DLO was re-branded to Medra, with vans and uniforms changing accordingly.

Event Sponsorship – Tai Ceredigion has again sponsored the woodwork competition held at the county’s Young Farmers Club rally. This is an important opportunity to promote Tai Ceredigion as an employer and a provider of apprenticeships and job opportunities locally.

Training for all staff on Equality and Diversity, Stress Awareness and Health and Safety updates for Medra.

There is a continuing commitment towards growing Tai Ceredigion through apprenticeships, both trades and office based, inspiring young people to join the team.

Tai Ceredigion continues to invest in its staff supporting them through professional qualifications in Housing Management, HR and Accountancy.



Staff have supported community events throughout the county.



REPORT OF THE BOARD OF MANAGEMENT

The membership of the Board is set out below:

Executive Officers:



Steve Jones
Chief Executive



Eleri Jenkins
Director of Housing and Support



Llŷr Edwards
Director of Property Services



Kate Curran
Director of Corporate Services
& Company Secretary

Chair:

Karen Oliver
Derek Lassetter
(until 25/09/17)

Vice Chair:

Stephen Cripps
Lorrae Jones-Southgate
(until 04/05/17)

Other Members:

Dafydd Edwards
Catrin Miles
Lynford Thomas
Peter Saunders
Cadwgan Thomas
John Jenkins
Catherine Shaw
Peter Deakin
John Rees
(co-optee appointed 09/06/17)
Chris Mackenzie-Grieve
(co-optee resigned 23/05/17)

See page 14 for more information.

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



REPORT OF THE BOARD OF MANAGEMENT

INDEPENDENT BOARD MEMBERS



Karen Oliver
(Chair)

Karen is a solicitor and has over fifteen years' experience of working in the Social Housing Sector. She was Director of Governance and Legal Services with Grwp Gwalia until 2014 and previously worked for a Local Authority and in private practice. She is self-employed now and offers governance, policy and project support to Housing Associations, Charities and third sector organisations. She is committed to ensuring the availability of good affordable housing with sustainable communities and understands the importance of involving and listening to tenants to help shape services. Karen is a volunteer with the Multiple Sclerosis Society as a Trustee and also supports the Society at a local level.



Cadwgan Thomas

Cadwgan was born and raised in Aberystwyth but moved to Cardiff over 20 years ago to pursue a career in Construction. He is a Chartered Quantity Surveyor and is currently employed as the Head of Development at Hafod Resources Ltd. Cadwgan has worked in the Social Housing Sector since 1996 and has overseen the development of several refurbishments, new builds and care home projects in South East Wales.



Stephen Cripps
(Vice Chair, Co-optee)

Stephen is a retired Local Government Chief Officer with a great deal of housing management experience. With over 30 years working in England, Stephen's experience included responsibility for Housing, Technical Services, Environmental Services, ICT and Leisure. He was also involved in a number of partnerships, working with the public, voluntary and private sectors. He wants to see Tai Ceredigion continue to develop and grow so that the benefits it brings to the County, local people and to the local economy continue to increase and so that it is well placed to meet the needs of the future as well as those of today. Continuing to develop partnership working will be a key part of achieving that aim.



John Jenkins

John is a Chartered Accountant with a wide range of experience and an indepth knowledge of Finance having worked in the City of London for many years. He is currently working as a self-employed business consultant. Originally from Pembrokeshire he has lived in Llanfarian, near Aberystwyth, for more than 15 years and is a Director of a Community Interest Company.



Peter Saunders

Peter, who is now retired, lives in Aberystwyth and is learning Welsh. He originally trained in Cardiff as a Town Planner, but soon moved into research and then lecturing. He taught at John Moores University in Liverpool for a number of years developing an interest in public policy, particularly housing and health. For the last 12 years of his career Peter was Director of Student Services and responsible for introducing significant changes to the administration and delivery of all student support. Latterly, Peter has developed an active interest in social care and 'extra-care' housing.



John Rees
(Co-optee)

John is a qualified Chartered Certified Accountant with ten years' experience. He is currently the Finance Manager for Coastal Housing Group. Prior to this, he has undertaken a variety of roles in both industry and private practice. John currently sits on the Association of Chartered Certified Accountants South West Wales Panel, which is the voice of its members in the local area. He is very passionate about the social housing sector and is keen to help Tai Ceredigion deliver its focus to provide support to the local communities of Ceredigion.

REPORT OF THE BOARD OF MANAGEMENT

COUNCIL BOARD MEMBERS



Councillor
Dafydd Edwards

Dafydd lives in Bethania with his wife Llinos. He became a Ceredigion County Councillor in 2008, serving the Llansantffraid ward. He is actively involved as a Board member of various groups supporting communities, local theatre, and the arts. His background is civil engineering and he currently works in the field providing civil engineering, quantity surveying and management consultancy services – all skills and experience that are very valuable in his role on the Board of Tai Ceredigion.



Councillor
Catrin Miles

Catrin has represented Teifi ward, Cardigan on the Town Council and on Ceredigion County Council since May 2008. With a background in community development and social enterprise, she serves on many local boards and committees, the governing body of both Ysgol Uwchradd Aberteifi and Ysgol Gynradd Gymunedol Aberteifi (vice-chair), Ceredigion Locality of the Community Health Council. Trustee of Small World Theatre, active committee member of Cardigan’s Annual Cultural Festival - GWYL FAWR ABERTEIFI, and founder editorial board-member of “Y DWRGI” Cardigan’s Welsh-language community newspaper. Current projects include co-ordinating Cardigan’s Town Centre Partnership and provision of a new Play Area South of the Teifi.



Councillor
Lynford Thomas

Lynford is a native of the Swansea Valley but has lived in Ceredigion since 1969 when he moved to Felinfach with his family to work in the Milk Marketing Board factory as an electrical engineer - a move from coal to milk. On closure of the milk factory in 1988 and by now a Registered Safety practitioner, he set up his own Health and Safety Advisory Service from his home in Ystrad Aeron offering a consultancy service for various clients throughout the UK, until his retirement in 2010. An active member of the Aeron Valley community, Lynford has held various offices within local organisations ever since moving to the area.

TENANT BOARD MEMBERS



Catherine Shaw
Aberystwyth

Catherine Shaw came to Aberystwyth as a student in the University in 1996. She planned to follow an academic career in Modern Languages, but had to give this up after becoming disabled. A Council tenant for several years she became involved in tenant representation when the idea of setting up Tai Ceredigion was first brought before tenants. She served on the Tenant Steering Group which became the Tenant Monitoring Group, starting during the period Tai Ceredigion was being set up (2008/09) until July 2010 and then again 2013 to 2015 when she was co-opted onto the Board. Catherine hopes to bring the tenants’ voice to the Board, to ensure that tenants are considered in every decision and to help Tai Ceredigion develop with tenants at the heart of its business.



Peter Deakin
Aberaeron

Peter has lived in Aberaeron since 1988, renting flats in both the private sector and the social sector. Prior to the transfer from the Council, he was a member of the Housing Advisory Panel and took part in the Housing Options Appraisal Panel. From there, he became the first Chair of the Monitoring Group, staying with the group until he was appointed to the Board. He is a strong believer in social housing and in social tenants being actively engaged with future developments.



REPORT OF THE BOARD OF MANAGEMENT

The Board of Management present their report and the financial statements for the year ended 31 March 2018.

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 Stefan 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 9 and 10 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, the Joint Consultative Committee and 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 13. The Board is made up of up to 12 members, split between up to 4 tenant selected members, up to 4 nominated by Ceredigion County Council and up to 4 independent Board members. In addition, to fill in any gaps in skills 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 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 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.

Board members of Tai Ceredigion are not paid and only receive reasonable expenses.

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 Chief Executive and Director of Corporate Services).

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 innovative mechanisms of engagement.

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 Association 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 Association at risk
- a robust and independent internal audit service, reporting appropriately to members, with suitable follow up mechanisms in place.
- an up to date Assets and Liabilities register

The Audit and Performance Committee has reviewed the effectiveness of the system of internal control in the Association for the year ended 31 March 2018. 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 auditor's report on the financial statements, and the Board are not aware of any such weaknesses from 1 April 2017 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 pages 14 to 17, 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 the Tai Ceredigion auditor in connection with preparing their report and to establish that the Tai Ceredigion auditor is aware of that information.

Approved on 20th July and signed on its behalf by :



Karen Oliver, Chair of the Board of Management

GOVERNANCE

Community Housing Cymru recently launched the new Code of Governance 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.



VALUE for MONEY

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 2017/18 a Tenant Participation Value for Money review was undertaken by the Head of Finance similar to the reviews on other departments previously. It was clear that Tai Ceredigion is working hard to engage tenants in a variety of ways and that the Tai Ceredigion Monitoring Group (TCMG) assist in this greatly. That said, there is always room for continuous improvement and both staff and the TCMG will work on the recommendations in the report during 2018/19.



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		Annual Sector Averages
For the year ended 31 March	2018	2017	2017
Total operating cost per social housing unit	£2,639	£2,043	£2,990
Management costs per social housing unit	£947	£948	£1,181
Reactive costs per social housing unit	£951	£814	£1,091
Major repairs & components per social housing unit (inc depreciation & impairment)	£1,424	£2,794	£1,084
Bad debt costs per social housing unit	£5	£12	£29
Weighted average cost of capital	7.4%	6.64%	4.9%
Free cash inflow (outflow) per association	£2.918m	£0.99m	£0.222m
Gross arrears/social housing turnover	1.9%	2.3%	4.3%
Rent per social housing unit	£5,007	£4,806	£5,076
Rental void loss per social housing unit	£25	£49	£79

MONEY IN

2017-18

 Medra Services
£44,000

 Feed In Tariff
£112,000

 Other Income
£131,000

 Sale of Surplus Assets
£169,000

 Supporting People Grant
£241,000

 Other Grants
£299,000



Rent and
Service Charges
£11,322,000

MONEY OUT

2017-18



Interest Payable
on Loans
£1,492,000



Other
Costs
£1,694,000



Day to Day
Repairs
£2,162,000



Depreciation
£2,491,000



Management and
Service Costs
£2,514,000



Improving
Homes
£3,294,000



FINANCIAL REVIEW

Tai Ceredigion reported a surplus of £1.8m for the year ended 31 March 2018 on a total turnover of £12m. An operating margin of 27% was achieved.

The results for the period and for 2016/17 are summarised in the table below:

Financial Highlights - Two Year Summary	Tai Ceredigion Results	
For the year ended 31 March	2018 £'000	2017 £'000
Statement of Comprehensive Income		
Total turnover	12,158	11,347
Income from Social Housing lettings	11,595	10,877
Depreciation	2,491	2,277
Amortisation	218	198
Interest payable	1,492	1,387
Operating surplus	3,257	2,700
Statement of Financial Position		
Tangible fixed assets, at depreciated cost	52,328	47,162
Social Housing and other grants	14,881	12,524
Net current assets	16,663	16,120
Provision for pension liability	2,550	2,920
Long term loans	20,159	20,127
Total reserves	9,573	7,044

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 2017, Tai Ceredigion had 100% 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. There are internal controls in place such as regular stress testing of the business plan and prudence when setting budgets.

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.

Credit risk

Tai Ceredigion’s principal assets are its housing stock, bank balances and cash, rent arrears and other receivables. The amounts presented in the Statement of Financial Position are net of allowances for bad debts. There is no significant concentration of credit risk, with exposure spread over a large number of counterparties and tenants.



INDEPENDENT AUDITOR'S REPORT

to the Members of Tai Ceredigion Cyf

Opinion

We have audited the financial statements of Tai Ceredigion Cyf (the 'association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis for opinion

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

Conclusions relating to going concern

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 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 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: 20th July 2018



STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
TURNOVER	2a	12,158	11,347
Less: Operating costs	2a	(8,901)	(8,647)
OPERATING SURPLUS	2a	3,257	2,700
Surplus on disposal of housing properties	3	169	366
Interest receivable		5	2
Interest and financing costs	8	(1,492)	(1,387)
Impairment of investment property	10	(135)	
SURPLUS FOR THE YEAR	4	1,804	1,681
Actuarial gains/(losses) on pension scheme	20	727	(1,549)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,531	132

STATEMENT OF FINANCIAL POSITION

as at 31 March 2018

	Note	2018 £'000	2017 £'000
TANGIBLE FIXED ASSETS			
Housing properties - Gross cost less depreciation	9	51,342	46,277
Other property, plant and equipment	10	986	885
		52,328	47,162
CURRENT ASSETS			
Debtors	11	23,163	21,893
Inventories	12	17	12
Cash and cash equivalents		1,144	954
		24,324	22,859
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(7,661)	(6,739)
NET CURRENT ASSETS		16,663	16,120
TOTAL ASSETS LESS CURRENT LIABILITIES		68,991	63,282
Pension liability	20	(2,550)	(2,920)
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	(56,868)	(53,318)
NET ASSETS		9,573	7,044
CAPITAL AND RESERVES			
Non-equity share capital	15	9,573	7,044
Revenue Reserves		9,573	7,044

The financial statements on pages 32 to 54 were approved by the Board on 20th July 2018 and were signed on its behalf by:

K. Oliver

Karen Oliver

John Jenkins

John Jenkins

K. Curran

Kate Curran

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2018

STATEMENT OF CHANGES IN RESERVES

	Revenue reserves	Total
	£'000	£'000
At 1 April 2016	6,912	6,912
Surplus for the year	1,681	1,681
Actuarial loss in respect of pension schemes	(1,549)	(1,549)
At 31 March 2017	7,044	7,044
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
At 31 March 2018	9,573	9,573

STATEMENT OF CASHFLOWS

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities	A	6,224	4,875
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,794)	(6,321)
Proceeds from sale of property, plant and equipment		172	371
Grants received		3,172	3,658
Interest received		5	2
Net cash flow from investing activities		(4,445)	(2,290)
Cash flows from financing activities			
Finance costs paid		(1,386)	(1,398)
New loans		-	1,850
Repayment of borrowings		(203)	(3,250)
Proceeds on issue of shares		-	-
Net cash flow from financing activities		(1,589)	(2,798)
Net increase in cash and cash equivalents		190	(213)
Cash and cash equivalents at the beginning of the period		954	1,167
Cash and cash equivalents at the end of the period		1,144	954
A Net cash generated from operating activities			
Surplus for the year		3,257	2,700
Adjustment for non-cash items:			
Depreciation of fixed assets		2,491	2,277
Amortisation of government grants		(218)	(197)
Decrease/(increase) in inventories		(5)	6
Decrease/(increase) in debtors		(82)	91
Increase/(decrease) in creditors		781	(2)
Net cash generated by operating activities		6,224	4,875

Notes to the Financial Statements

for the year ended 31 March 2018

FREE CASHFLOW FOR THE YEAR

	2018	2017
	£'000	£'000
Net cash generated from operating activities	6,224	4,875
Interest paid	(1,386)	(1,398)
Interest received	5	2
Adjustment for reinvestment in existing properties		
Component replacements	(3,213)	(4,089)
Purchase of other replacement fixed assets	(127)	-
Component replacement grant received	1,618	1,625
Free cash generated before loan repayments	3,121	1,015
Loans repaid (excluding revolving credit and overdrafts)	203	-
Free cash generated after loan repayments	2,918	1,015

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 prefaced '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) 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.

(c) 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 occur 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

(d) 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:

Component	Lifecycle
Kitchen	20 years
Bathroom	25 years
Windows and doors	30 years
Roof – pitched / concrete	60 years
Roof – other	20 years

Component	Lifecycle
Lift	30 years
Central heating boilers	15 years
Electrical rewiring	30 years
Insulation	30 years
Structure	100 years



Notes to the Financial Statements

for the year ended 31 March 2018

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

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.

(e) Inventories

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

(f) 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.

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.

(g) Corporate Tax

Tai Ceredigion is not liable for Corporation Tax due to its charitable status.

(h) 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.

(i) Operating Leases

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

(j) 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 on the face of the Statement of Comprehensive Income.

(k) 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.



Notes to the Financial Statements

for the year ended 31 March 2018

- (l)

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.
- (m)

Interest Payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of 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.
- (n)

Financial Instruments

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities carried at amortised cost

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

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

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

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 association 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 association 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 managements 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 association 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 in 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 association considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.



Notes to the Financial Statements

for the year ended 31 March 2018

2a. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2017 Operating Surplus £'000	2017 Operating Costs £'000	2017 Turnover £'000	2018 Operating Surplus £'000	2018 Operating Costs £'000	2018 Turnover £'000
	2,395	(8,482)	10,877	2,734	(8,861)	11,595
	186	-	186	195	-	196
	(145)	(165)	20	4	(40)	44
	23	-	23	81	-	81
	241	-	241	243	-	243
	2,700	(8,647)	11,347	3,257	(8,901)	12,158

Social housing lettings (Note 2b)

Other social housing activities

Garages

Medra Services

Other revenue grants

Other

2b. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2018 General needs and sheltered housing £'000	2018 Total £'000	2017 General needs and sheltered housing £'000	2017 Total £'000
INCOME				
Rent receivable	10,479	10,479	9,864	9,864
Service charge income	657	657	575	575
Grant amortisation	218	218	198	198
Supporting People	241	241	240	240
Turnover from social housing lettings	11,595	11,595	10,877	10,877
COST				
Management costs	(2,152)	(2,152)	(2,146)	(2,146)
Service charge costs	(362)	(362)	(386)	(386)
Routine maintenance	(2,162)	(2,162)	(2,092)	(2,092)
Bad debts	(11)	(11)	(27)	(27)
Depreciation	(2,491)	(2,491)	(2,277)	(2,277)
Other costs	(1,683)	(1,683)	(1,554)	(1,554)
Operating costs on social housing lettings	(8,861)	(8,861)	(8,482)	(8,482)
Operating surplus on social housing lettings	2,734	2,734	2,395	2,395
Rent loss due to voids (memorandum note)	56	56	110	110

Notes to the Financial Statements

for the year ended 31 March 2018

3. SURPLUS ON DISPOSAL OF HOUSING PROPERTIES

	2018 £'000	2017 £'000
Proceeds of sale of properties	172	371
Disposal expenses	(3)	(5)
Surplus on disposals	169	366

4. SURPLUS FOR THE YEAR

	2018 £'000	2017 £'000
The surplus for the year is stated after charging/(crediting):		
Depreciation	2,491	2,277
External auditor's remuneration - - in their capacity as auditors	17	17
Surplus on disposal of fixed assets	(169)	(366)
Amortisation of grant	(218)	(198)

5. TAXATION

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

6 EMPLOYEES

	2018 Number	2017 Number
Average monthly number of employees (including Executive Directors) expressed as full time equivalents		
Administration	15	15
Operational services		
- Office based	56	54
- Scheme managers and cleaners	10	10
- Community repairs team	53	47
	134	126
	2018 £'000	2017 £'000
Staff costs:		
Wages and salaries	3,439	3,171
Social security costs	309	289
Pension costs	250	241
Total	3,998	3,701

6 EMPLOYEES (CONTINUED)

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

Salary Band	2018 No	2017 No
£50,000 - £59,999	3	4
£60,000 - £69,999	2	-
£70,000 - £79,999	-	1
£80,000 - £89,999	1	1
£90,000 - £99,999	2	1
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£120,000 - £129,999	1	1

7. KEY MANAGEMENT PERSONNEL REMUNERATION

	2018 £'000	2017 £'000
Wages and Salaries	549	495
Social Security Costs	65	59
Other Pension Costs	58	50

Board Members

Wages and Salaries	-	-
Social Security Costs	-	-
Other Pension Costs	-	-
Expenses	2	2
	674	606

Remuneration of the Chief Executive,
excluding pension contributions

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

8. INTEREST AND FINANCING COSTS

	2018 £'000	2017 £'000
Interest on loans		
- repayable by instalments in more than 5 years	1,418	1,348
Pension finance costs (See note 20)	74	39
	1,492	1,387

Notes to the Financial Statements

for the year ended 31 March 2018

9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Housing Properties Completed	Housing Properties under Construction	Housing Properties held for Sale	Total
COST	£'000	£'000	£'000	£'000
At 1 April 2017	51,186	2,840	22	54,048
Additions	4,322	3,044	-	7,366
Disposals	(13)	-	-	(13)
	<u>55,495</u>	<u>5,884</u>	<u>22</u>	<u>61,401</u>
At 31 March 2018	<u>55,495</u>	<u>5,884</u>	<u>22</u>	<u>61,401</u>
DEPRECIATION				
At 1 April 2017	7,768	-	4	7,772
Charge in year	2,299	-	1	2,300
Disposals	(13)	-	-	(13)
	<u>10,054</u>	<u>-</u>	<u>5</u>	<u>10,059</u>
At 31 March 2018	<u>10,054</u>	<u>-</u>	<u>5</u>	<u>10,059</u>
NET BOOK VALUE				
	<u>45,441</u>	<u>5,884</u>	<u>17</u>	<u>51,342</u>
At 31 March 2018	<u>45,441</u>	<u>5,884</u>	<u>17</u>	<u>51,342</u>
At 31 March 2017	<u>43,437</u>	<u>2,840</u>	<u>-</u>	<u>46,277</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

	2018 £'000	2017 £'000
Replacement of components	3,213	4,089
Purchase of existing properties	633	373
Developments	395	3,116
Improvements	81	51
	4,322	7,629
Charged to Statement of Comprehensive Income		
	2,162	2,092
Total expenditure on completed properties	6,484	9,721

10. OTHER PROPERTY, PLANT AND EQUIPMENT

	Land	Leasehold Buildings	Commercial Properties	Office Improvement	IT Equipment	Vehicles/Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COST							
At 1 April 2017	156	407	-	43	1,101	951	2,658
Additions	-	-	300	9	65	54	428
Disposals	-	-	-	-	-	(82)	(82)
At 31 March 2018	156	407	300	52	1,166	923	3,004
DEPRECIATION							
At 1 April 2017	-	57	-	29	874	813	1,773
Charge in year	-	17	-	4	86	84	191
Disposals	-	-	-	-	-	(82)	(82)
At 31 March 2018	0	74	0	33	960	815	1,882
IMPAIRMENT							
At 1 April 2017	-	-	-	-	-	-	-
Charge in year	-	-	135	-	-	-	135
At 31 March 2018	0	0	135	0	0	0	135
NET BOOK VALUE							
At 31 March 2018	156	333	165	19	206	108	986
At 31 March 2017	156	351	0	14	227	138	885

Notes to the Financial Statements

for the year ended 31 March 2018

11. DEBTORS

	2018 £'000	2017 £'000
Gross rent and service charge arrears	218	248
Less: provision for bad debts	(63)	(62)
	<u>155</u>	<u>186</u>
Net rent arrears	155	186
Prepayments and accrued income	955	841
	<u>1,110</u>	<u>1,027</u>
	<u>22,053</u>	<u>20,866</u>
Amounts falling due after more than one year: VAT Shelter agreement	22,053	20,866
	<u>23,163</u>	<u>21,893</u>

12. INVENTORIES

	2018 £'000	2017 £'000
Stock of materials	<u>17</u>	<u>12</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade creditors	1,644	714
Rent charges received in advance	262	257
Social Housing Grant received in advance	4,796	4,198
Government grants deferred income	226	199
Accruals and other creditors	733	1,168
Loan due within one year	-	203
	<u>7,661</u>	<u>6,739</u>

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

	2018 £'000	2017 £'000
Loan due after more than one year	20,159	20,127
Government grants - deferred income	14,655	12,325
VAT shelter agreement	22,054	20,866
	<u>56,868</u>	<u>53,318</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.

14. (CONTINUED)

Debt Analysis - Housing Loans

	2018 £'000	2017 £'000
One year or less	-	203
More than one and less than two years	-	-
More than two and less than five years	-	-
In more than five years	<u>20,159</u>	<u>20,127</u>
	<u>20,159</u>	<u>20,330</u>

£20m is drawn down from our facility with Barclays Bank on fixed interest rates. At 31 March 2018, Tai Ceredigion has un-drawn loan facilities of £15m.

Deferred Income - Government Grants

	2018 £'000	2017 £'000
At 1 April 2017	12,524	10,966
Grant receivable	975	155
Grant receivable - WG Dowry	1,600	1,600
Amortisation to Statement of Comprehensive Income	<u>(218)</u>	<u>(197)</u>
	<u>14,881</u>	<u>12,524</u>
At 31 March 2018	<u>14,881</u>	<u>12,524</u>
Due within one year	<u>226</u>	<u>199</u>
Due after one year	<u>14,655</u>	<u>12,325</u>

15. NON-EQUITY SHARE CAPITAL

	2018 £	2017 £
Shares at £1 each, allotted and issued		
As at 1 April 2017	238	218
Issued during the year	<u>17</u>	<u>20</u>
	<u>255</u>	<u>238</u>
At 31 March 2018	<u>255</u>	<u>238</u>

Notes to the Financial Statements

for the year ended 31 March 2018

16. CAPITAL COMMITMENTS

	2018 £'000	2017 £'000
Capital expenditure contracted but not provided for in the financial statements	5,986	6,426
Capital expenditure authorised by the Board but not contracted	4,735	4,311

The above commitments will be funded by existing bank facilities.

17. OTHER FINANCIAL COMMITMENTS

	2018		2017	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Other leases which expire:				
Within one year	-	20	-	20
Within one to five years	-	31	-	50
After five years	-	-	-	-
	-	51	-	70

18. HOUSING STOCK

	2018 Number	2017 Number
Number of units in management		
Housing accommodation for letting:		
General housing	1,931	1,919
Sheltered housing	312	314
Intermediate Rents	29	30
Total rented	2,272	2,263
Other units		
Right-to-buy leases	123	132
Shared ownership	-	-
Garages	682	690
Commercial Property leases	-	-

19. FINANCIAL INSTRUMENTS

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

Financial Assets	2018 £'000	2017 £'000
Measured at discounted amount receivable		
Rent arrears financing transactions (see note 11)	218	248
Financial Liabilities		
Measured at amortised cost		
Loans payable (see note 14)	20,159	20,127
Measured at undiscounted amount payable		
Trade and other creditors (see note 13)	1,644	714
	21,803	20,841

20. 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 2018 the employer contributions will be 15.8% of pensionable pay. The budgeted Current Service Cost for the year commencing 1 April 2018 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	2018 £'000	2017 £'000
Present value of funded benefit obligations	13,175	13,188
Present value of unfunded benefit obligations	-	-
Total present value of benefit obligations	13,175	13,188
Fair value of plan assets	(10,625)	(10,268)
Unrecognised past service cost	-	-
Deficit	2,550	2,920

Components of pension cost for year to 31 March 2018		
Current Service Cost	407	290
Interest on Pension Liabilities	74	39
Administration Expenses	7	8
Past service cost (gain)	-	-
Effect of Curtailments or Settlements	-	-
Effect of asset ceiling	-	-
Total pension cost recognised in SOCI	488	337
Statement of other comprehensive income		
Remeasurements (liabilities & assets)	(727)	1,549
Effect of asset ceiling	-	-
Total remeasurements included in the SOCI	(727)	1,549

Notes to the Financial Statements

for the year ended 31 March 2018

20. (CONTINUED)

Additional disclosure items

	Assets at 31 March 2018		Assets at 31 March 2017	
	£'000	%	£'000	%
Equities	7,501	70.6%	7,239	70.5%
Government bonds	-	0.0%	-	0.0%
Other bonds	2,061	19.4%	1,992	19.4%
Property	999	9.4%	955	9.3%
Cash/liquidity	64	0.6%	82	0.8%
Other	-	0.0%	-	0.0%
Total	10,625		10,268	

Change in benefit obligation during year to 31 March 2018

	£'000 Unfunded benefits	£'000 All benefits	
Benefit obligation at beginning of period	-	13,188	
Current service cost	-	407	(32.6% of pensionable payroll)
Interest on pension liabilities	-	341	
Member contributions	-	87	
Past service cost	-	-	
Remeasurement (liabilities)			
Experience (gain)/loss		0	(0.0% of period end liabilities)
(Gain)/loss on assumptions	-	(623)	(4.7% of period end liabilities)
Curtailments	-	-	
Settlements	-	-	
Benefits/transfers paid	-	(225)	
Business combinations	-	-	
Benefit obligation at end of period	-	13,175	

Change in plan assets during year to 31 March 2018

Fair value of plan assets at beginning of period	-	10,268	
Expected return on plan assets	-	267	
Remeasurement (assets)	-	104	(1.0% period end assets)
Administration expenses	-	(7)	
Business combinations	-	-	
Settlements	-	-	
Employer contributions	-	131	
Member contributions	-	87	
Benefits/transfers paid	-	(225)	
Fair value of plan assets at end of period	-	10,625	

Actual Return on plan assets 372 (3.5% of period end assets)

20. (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	2.3%	2.1%
- Rate of increase in salaries	3.8%	3.6%*
- Rate of increase in pensions	2.3%	2.2%
- Discount rate	2.6%	2.7%

* 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	2,236	31 December 2016
- End of period	2,535	31 December 2017

21. 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 2017/18, 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 2017/18 are summarised below:

Sewage & Treatment Works	£90,000
Service Level Agreements	£122,465
Vehicles MOT/servicing	£10,868
Payroll deduction	£2,598
Council Tax/ NNDR	£14,178
Planning Fees/Building regulations	£6,531
Housing Benefit overpayment	£3,851
Misc payments	£15,753
	£266,244

As at 31st March 2018, Tai Ceredigion held Ceredigion County Council as a creditor in its Statement of Financial Position to the value of £14,389 for payment of NNDR, Council Tax and vehicle maintenance. It also held Ceredigion County Council as a debtor to the value of £61,237 for the 4th quarter Supporting People charge (£55,589) and miscellaneous recharges.

The remaining Board members are all independent members.

22. 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 11 and 14 for amounts outstanding at 31 March 2018.

Notes to the Financial Statements

for the year ended 31 March 2018

23. POST BALANCE SHEET EVENTS

On the 1st April 2018, Tai Ceredigion created a group structure with a local homelessness charity, The Care Society, becoming a charitable subsidiary of the Association. Welsh Government sets out requirements for housing associations registered in Wales for group structures, these are explained in full in Housing Association circular RSL 05/08.



Notes

