



TAI CEREDIGION CYF

Financial Statements

Year ended 31 March 2017

TAI CEREDIGION CYF

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INTRODUCTION FROM CHAIR OF THE BOARD

In chairing the Board of Management of Tai Ceredigion, I am conscious of the need for the Board to consistently strike the right balance between supporting the work of the Executive Management Team whilst achieving the constructive challenge and supervisory overview which is expected by our stakeholders in a co-regulatory environment.

Over the past months the Board and the Management Team has considered and revised its strategic business plan to take the organisation forward over the next 5 year period. In this brief introduction I outline four areas where the Board has focussed its attention during the past year.

In order to continue to supply well maintained, affordable housing and the related services necessary to support and sustain tenancies, it is imperative for the organisation to retain a solid and viable financial base. Tai Ceredigion has a skilled and experienced financial team with a firm focus on budgetary control, cash flow, Treasury Management and the ability to operate within the covenants agreed with our funders. Given the uncertainties of the economic outlook, there has been an increased emphasis on all aspects of Risk Management covering both current and emerging risks to ensure that we have the requisite contingency and mitigation plans in place. Extensive stress testing of our Business Plan is now an established discipline within the organisation in order that we can identify the potential effect of cumulative risk on our financial planning.

Continuing the financial theme, the Welsh Government has powers under the 1996 Housing Act to regulate Registered Social Landlords in relation to the provision of housing and matters relating to governance and financial management. The Welsh Government Regulatory Judgement format has changed this year but I am pleased to report that we have achieved Standard Financial Viability status confirming that we meet viability requirements and have the financial capability to deal with scenarios appropriately. We have also achieved Standard Governance and Services status confirming that we are able to identify and manage new and emerging risks appropriately.

The Board remains fully committed to the principle that tenants are at the heart of the Association and has worked closely with the Executive Team to monitor and improve all aspects of the delivery of services to our tenants. I would also take this opportunity to pay particular thanks to all of the tenant members of the Tai Ceredigion Monitoring Group. Their work in monitoring and advising both the Executive Team and the Board from a tenant's perspective is invaluable. Current economic conditions remain challenging and this is likely to have a continuing impact for a significant number of our tenants who may also be adversely affected by Welfare Reform changes. The Housing Management team has remained fully engaged in ensuring that tenants are informed of changes and are offered help, advice and support.

Maintaining properties in good condition has been central to the work of the Board and Management Team over the past year. As outlined last year we have now completed a Value for Money assessment of our Property Repair and Maintenance Division with a view to maximising the benefit and value derived from this undertaking. The results have been very positive and have convinced the Board to invest further in this area of activity leading to the expansion and re-branding of this service under the Medra name.

The Board has also remained focussed on the area of Corporate Governance. As an organisation subject to Welsh Government regulation it is critical for us to regularly review areas such as Board composition, compliance with Codes of Governance, risk management, regulatory engagement and self-evaluation programmes which complement the co-regulatory environment. A significant amount of work has been undertaken in this area over the past year and I believe that we have a secure platform to take the business forward.

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, I would thank our funders, Barclays Bank, for their continuing support and assistance.

In conclusion, I wish to thank my fellow Board members, the Executive Team and staff for their continued hard work and support over the past year and I anticipate building upon our success in 2017/2018.



Derek Lassetter

Chair of the Board of Management

**REPORT OF THE BOARD OF MANAGEMENT
TAI CEREDIGION CYF**

The membership of the Board is set out below:

Chair: Derek Lassetter

Vice Chair: Lorrae Jones-Southgate (resigned 04/05/2017)

Other Members: Dafydd Edwards
Catrin Miles
Lynford Thomas
Peter Saunders
Cadwgan Thomas
John Jenkins
Catherine Shaw (appointed 23/09/2016)
Peter Deakin (appointed 23/09/2016)
Chris Mackenzie-Grieve (co-optee resigned 23/05/2017)
Karen Oliver (co-optee)
Stephen Cripps (co-optee)
Susie Abson (co-optee resigned 05/07/2016)

Executive Officers:
Chief Executive
Director of Corporate Services & Company Secretary
Director of Housing and Support
Director of Property Services

Steve Jones
Kate Curran
Eleri Jenkins
Llyr Edwards

Registered Office:

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

External Auditor:

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Internal Auditors:

TIAA Limited
Business Support Centre
53-55 Gosport Business Centre
Aerodrome Road
Gosport, Hants
PO13 0FQ

Bankers:

Barclays Bank plc
Harford Square
Lampeter
Ceredigion
SA48 7HF

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

The biographies of the Board Members are set out below:

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 Lorrae Jones-Southgate (Vice Chair)

Lorrae is a fluent Welsh speaker who has spent the last 20 years working in the Health Sector and has studied politics at Aberystwyth University. She was consort to the Mayor of Aberystwyth for 2 years, the Deputy Mayor and then the Lady Mayor of Aberystwyth. Lorrae was an Aberystwyth Town Councillor for 5 years before becoming a County Councillor of Penparcau Ward.

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 joined the Steering Group and assisted the Council by being on the Options Appraisal Panel. From this, he became the first Chair of the Monitoring Group, later standing down but staying with the Group. Until he was appointed to the Board he had then been the Vice-Chair and then the Treasurer of the Group. He is a strong believer in social housing and in social tenants being actively engaged with future developments.

INDEPENDENT BOARD MEMBERS

Derek Lassetter (Chair)

Derek has enjoyed a lengthy career in Industry, with various management and Board roles in the field of specialist metals and engineering and has worked in London, Birmingham and Sheffield with extensive overseas experience. He is also an Independent member of the British Hallmarking Council and Vice Chair of the NHS Dyfed Powys Research Ethics Committee. Derek lives in Aberystwyth with his family.

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.

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.

John Jenkins

John is a Chartered Accountant with a wide range of experience and an in-depth 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.

Chris Mackenzie-Grieve (Co-optee)

For the last 10 years Chris has been an independent management consultant working for Central and Local Government as well as Private sector clients delivering large and complex change projects. Chris and his wife now own MG's in Aberystwyth. Chris is on the Aberystwyth Regeneration Board and is Chair of the Aberystwyth Chamber of Trade.

Karen Oliver (Co-optee)

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 volunteers with the Multiple Sclerosis Society Cymru and is a keen and continuing Welsh learner.

Stephen Cripps (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.

The Board of Management present their report and the financial statements for the year ended 31 March 2017.

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.

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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 4. The Board is made up of 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 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 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.

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).

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.

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:

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- 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.

The Audit and Performance Committee has reviewed the effectiveness of the system of internal control in the Association for the year ended 31 March 2017. 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 2016 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 4, 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.

Board

of

Management

STRATEGIC REPORT

Tai Ceredigion was created by Ceredigion County Council (CCC) to receive the council housing stock of Ceredigion. The transfer of housing stock took place on 30th November 2009.

Tai Ceredigion has 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".

Tai Ceredigion's strategic mission and objectives

All strategic objectives are measured by achieving key performance indicator targets, business plan actions achieved, and the results of internal audits which are monitored and reported on monthly.

To continue to improve its performance as a good social landlord, which involves its tenants and customers at all levels, with emphasis on tenancy sustainment

During 2016/17 291 applicants were rehoused, which included 17 homeless people into temporary accommodation. We also strengthened our tenancy sustainment team in order to mitigate the effects of Welfare Reform. Between April 2016 and March 2017, 406 tenants received support from this team, resulting in additional income for Tai Ceredigion and tenants through income streams such as Housing Benefit or Welsh Water Assist of £515k.

Tenants were asked their view on Tai Ceredigion through the third census by an independent STAR survey. Results concluded that performance is continually improving with the overall tenants satisfaction increasing from 73% in 2010 to 86% in 2016. Latest results also show a high level of tenant satisfaction for re-let dwellings.

MEDRA undertook a major refurbishment project of a town house we own in Aberystwyth in order to provide housing for young adults with autism in Ceredigion who want to try independent living for the first time. Currently three tenants live in the property and additional housing management support is provided by Mencap.

In October 2016 we set up a tenants' portal (TyFi) contained in our website, which allows tenants access to our services online, including 24 hour access to their tenancy accounts. To date 64 tenants have signed up and have used TyFi to check their rent accounts, update or amend tenancy details and log complaints or compliments.

Tai Ceredigion has an independent Monitoring Group who operate on behalf of tenants and meet monthly with Tai Ceredigion senior staff. There is a range of opportunities for tenants to engage with the Association and throughout 2016/17 over 50 engagement opportunities were held from sheltered scheme forums to Resident Association groups. Two tenants also sit on the Board of Tai Ceredigion.

To maintain existing housing stock to high standards whilst also increasing the number of sustainable quality homes of mixed tenure

During 2016/17, £2.9m was spent on improving homes to the Welsh Housing Quality Standard and 50 properties benefited from External Wall insulation with the programme continuing into 2017/18.

Stock numbers increased by 24 during 2016/17, 3 existing properties previously sold under the Right to Buy legislation were bought back and 21 development units were completed; 15 in Cardigan and 6 in Llanarth. As part of the asset management strategy and stock rationalisation, the Board made the decision to sell a hard to let rural property consisting of 4 flats during the year. Two right to buy applications went through also making a net increase of 18 units during the year.

£3.6m of Social Housing Grant was approved during 2016/17 for 33 new units of mixed tenures, including disabled bungalows. £1.9m of this was received during 2016/17 with the rest profiled over the coming years. Tai Ceredigion currently has 109 development plots in ownership, of which 40 have planning permission. This has set us up for future development and Social Housing Grant opportunities

With so many people in rural areas not being able to afford a home of their own, a Rural Housing Enabler post which is housed in Tai Ceredigion and part financed by Welsh Government grant has been created.

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The role acts as an independent broker between developers, land owners, the local authority, direct stakeholders and those in housing need. The Rural Housing Enabler has also developed a model for shared ownership.

To develop and maintain sustainable community regeneration and economic development with statutory, private and voluntary sector partners.

Tai Ceredigion is working in close partnership with Ceredigion County Council, Barclays Bank and the Welsh Government – its' main strategic partners. This interaction occurs through every department within the Association.

During the latter part of 2016/17, Tai Ceredigion volunteered use of an empty property in Aberystwyth to a local food bank charity – Aber food surplus, for storage and also made connections with a local biodiversity wildlife project, who may be able to make use of some of our land between Tregaron and Cardigan.

We liaise with other RSL's during our day to day business for the benefits of all social housing tenants and have completed a kitchen replacement programme for Mid Wales Housing during 2016/17, along with some responsive repairs at their stock in Aberystwyth. We continue to provide Welfare Benefit reform advice to Bro Myrddin tenants and Information Technology support to West Wales Credit Union. Our IT department has also been approached by Age Cymru Ceredigion to tender to provide IT support to their Aberystwyth and Cardigan offices.

Various staff members are trustees, board members or governors for local charities such as Mind or local schools and this is actively encouraged by the Association as it promotes partnership working with the third sector.

Tai Ceredigion is committed to providing and recording Community Benefits to assist Welsh Government in proving we are delivering maximum value for the Welsh Pound. The Association will complete the Community Benefits Toolkit for all contracts/projects over £500k as a minimum. During 2016/17, we listened to the request of our tenants for a communal vegetable planting area at Glascoed sheltered scheme and one of our contractors undertook the work at no cost to Tai Ceredigion. We also continued to support Family Centres in Cardigan and Tregaron.

To continue to be a financially sound and viable business, that conducts its affairs with honesty, integrity and good governance throughout.

Tai Ceredigion received its regulatory judgement in April 2017 relating to the 2015/16 financial year. 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.

Tai Ceredigion has a business plan which is reviewed annually or as required by Board. The business plan consists of a five year rolling corporate plan, including forecasts of income and expenditure, corporate targets, strategic priorities and any policies adopted or specified by the Board. A detailed annual budget is produced each year, allowing strategic priorities to be met, whilst complying with funding requirements and covenants. This budget provides the main framework for financial monitoring and control through quarterly management accounts.

The five year budget is also fed into the 30 year financial business plan which is approved each year by Board, Welsh Government and our funders Barclays. Financial assumptions used for the business plan are stress tested, for example, increases in bad debts due to Welfare Reform or changes in interest rates, right through to the consequences of the perfect storm.

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.

Tai Ceredigion has a robust risk management strategy in place which has been approved by the Board. Risks are reviewed in full quarterly by the Audit and Performance Committee. Tai Ceredigion is a finalist for their risk management work in the NatFed Housing Association National Accountancy Awards, which is being held in July 2017.

To provide training, work placements and increased employment opportunities, both directly and indirectly; and be a model employer

In December 2016, Tai Ceredigion was successful in achieving the silver award for the Corporate Health Standard. The Corporate Health Standard is a continuous journey of good practice and improvement, and it can be used as a tool to support the development of policies that promote the health and well-being of employees. Taking an organisational development approach, which is the most effective way of promoting sustainable health improvement, the Standard promotes good practice and supports businesses/organisations in taking active steps to promote the health and well-being of their staff.

The Corporate Training plan included numerous health and safety courses, such as Sharps training, first aid training, hand/arm vibration training, asbestos training, working at heights and scaffold and cherry picker training as well as the Operatives Essential course. In addition, staff were trained on data protection, hoarding, mental health awareness and employment law issues. Several staff members are undertaking individual qualifications ranging from CIH housing qualifications and CPID human resources qualification to ACCA accountancy qualifications.

Tai Ceredigion employed 7 apprentices during 2016/17, one of which completed their qualification during the year with a further three due to complete in the first quarter of 2017/18. One of our main heating contractors went into liquidation during the year and, in order to save local jobs, we employed three of their staff into MEDRA, along with an apprentice. A major part of the new five year MEDRA business plan is to grow the business in order to increase maintenance work done in house and look at the possibility of providing a maintenance service to third parties.

To protect and promote the Welsh language and deliver bilingual services in everything we do

Tai Ceredigion has the Welsh language at the heart of its business and therefore undertakes its duties naturally through the medium of Welsh. To promote the use of the Welsh language, it supports its non Welsh speaking staff both financially and through releasing them for lessons or training courses.

Staff recruitment takes into account the need to fulfil front line services through the medium of Welsh and certain key staff such as scheme co-ordinators and customer services advisors are Welsh essential posts, whilst all other posts take into account people's ability to communicate verbally and in writing using the ALTE standards. As at the end of 2016/17, 80% of staff were Welsh speakers and all service areas were able to be provided through the medium of Welsh.

The Welsh Language Standard promotes the use of the Welsh language within the business environment in terms of service provision, communication and record keeping. The provision of a truly bilingual service occurs instinctively within Tai Ceredigion in terms of documentation and correspondence, bilingual signage both internally and externally, and all staff emails. Board meetings and external tenant meetings always have a simultaneous translator to encourage participation in a language of choice.

Tai Ceredigion Offices

Tai Ceredigion purchased the Head Office in Lampeter, together with a building plot for possible expansion adjacent to the office. It also has an office in Aberystwyth and during 2016/17 improved the office in Cardigan and continued to expand the mobile worker's hot desk facilities in each of the sheltered housing schemes around the county.

FUTURE DEVELOPMENTS

The principal challenge for Tai Ceredigion is to continue to deliver its strategic priorities along with the commitments made to the tenants in the original stock transfer offer document. All 171 promises documented within the offer document have been delivered over the first five years and those promises will continue to be kept. The largest and final of those promises was to improve homes up to the Welsh Housing Quality Standard, which was completed in early 2015. Tai Ceredigion has land banked sites with approximately 140 plots available for development and has selected some of these sites for inclusion in its

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30 year financial business plan. The main housing developments for 2017/18 will be the Aberystwyth Football club site of 33 units, 14 units in Cenarth and 16 units in Lampeter.

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.

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. 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.

FINANCIAL REVIEW

Tai Ceredigion reported a surplus of £1.7m for the year ended 31 March 2017 on a total turnover of £11m. An operating margin of 24% was achieved. Reported earnings from operating activities before interest were £0.7m above budgeted figures mainly due to additional income from property sales, additional income from low bad debts, as well as savings made across the company.

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	2017 £'000	2016 £'000
Statement of Comprehensive Income		
Total turnover	11,347	11,012
Income from Social Housing lettings	10,877	10,568
Depreciation	2,277	2,016
Amortisation	198	170
Interest payable	1,387	1,534
Operating surplus	2,700	2,833
Statement of Financial Position		
Tangible fixed assets, at depreciated cost	47,162	43,118
Social Housing and other grants	12,524	10,966
Net current assets	16,120	19,190
Provision for pension liability	2,920	1,170
Long term loans	20,127	21,780
Total reserves	7,044	6,912

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. Members of the Board, Executive Team and the Operational Management Team attend a yearly business planning away day where they review Tai Ceredigion’s Strategic Priorities and set out the business direction for the year to come. In addition to this, Board Members have had the opportunity to attend various conferences and seminars throughout the year.

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.

Tai Ceredigion is committed to undertaking a value for money exercise on a different department each year. The focus for 2016/17 was Corporate Services which comprises of the finance department and ICT and performance. The value for money exercise for 2017/18 will be on tenant engagement.

The sectors global accounts have identified a suite of indicators used for assessing value for money and benchmarking across the sector. Tai Ceredigion's results compare to sector averages are below:

Value for Money - Two Year Summary	Tai Ceredigion Results		Annual Sector Averages
	2017	2016	2016
For the year ended 31 March			
Total operating cost per social housing unit	£2,043	£1,930	£4,215
Management costs per social housing unit	£948	£918	£1,360
Reactive costs per social housing unit	£814	£793	£1,033
Major repairs & components per social housing unit (inc depreciation & impairment)	£2,794	£1,490	£1,176
Bad debt costs per social housing unit	£12	£15	£29
Weighted average cost of capital	6.64%	6.84%	4.5%
Free cash inflow (outflow) per association	£1,015m	£4,046m	£0.35m
Gross arrears/social housing turnover	2.3%	2.4%	4.5%
Rent per social housing unit	£4,806	£4,707	£5,158
Rental void loss per social housing unit	£49	£69	£76

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 27th September 2017. At this meeting, Tai Ceredigion's 2016/17 Financial Statements will be presented for adoption.

AUDITORS

During 2014/15, Mazars were appointed as Tai Ceredigion's External Auditors for the financial years 2014/15 to 2016/17.

Approved on 21st July 2017 and signed on its behalf by



STRATEGIC REPORT
TAI CEREDIGION CYF

Steve Jones

Chief Executive

INDEPENDANT AUDITOR'S REPORT TO THE MEMBERS OF TAI CEREDIGION CYF

We have audited the financial statements of Tai Ceredigion Cyf for the year ended 31st March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of The Board and the auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 9, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to Tai Ceredigion'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 Tai Ceredigion'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 Tai Ceredigion and its members as a body for our audit work, for this report, or for the opinions we have formed.

We have reviewed the Board's statement on Tai Ceredigion'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 entity's system of internal control.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Tai Ceredigion's affairs as at 31st March 2017 and of Tai Ceredigion's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- 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.

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

With respect to the Board's statement on internal control, in our opinion, 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 where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion;

- Tai Ceredigion 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.

Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

TAI CEREDIGION CYF

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
TURNOVER	2a	11,347	11,012
Less: Operating costs	2a	(8,647)	(8,179)
OPERATING SURPLUS	2a	<u>2,700</u>	<u>2,833</u>
Surplus on disposal of housing properties	3	366	108
Interest receivable		2	-
Interest and financing costs	7	(1,387)	(1,534)
SURPLUS FOR THE YEAR	4	<u>1,681</u>	<u>1,407</u>
Actuarial (losses)/gains on pension scheme	19	(1,549)	342
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>132</u></u>	<u><u>1,749</u></u>

TAI CEREDIGION CYF

STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Note	2017	2016
		£'000	£'000
TANGIBLE FIXED ASSETS			
Housing properties -Gross cost less depreciation	8	46,277	42,391
Other property, plant and equipment	9	885	727
		<u>47,162</u>	<u>43,118</u>
CURRENT ASSETS			
Debtors	10	21,893	22,777
Inventories	11	12	15
Cash at bank and in hand		954	1,167
		<u>22,859</u>	<u>23,959</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(6,739)	(4,769)
		<u>16,120</u>	<u>19,190</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		63,282	62,308
Pension liability	19	(2,920)	(1,170)
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(53,318)	(54,226)
NET ASSETS		<u>7,044</u>	<u>6,912</u>
CAPITAL AND RESERVES			
Non-equity share capital	14	-	-
Revenue Reserves		7,044	6,912
		<u>7,044</u>	<u>6,912</u>

The financial statements on pages 16 to 36 were approved by the Board on 21st July 2017 and were signed on its behalf by:



Derek Lassetter



John Jenkins



Kate Curran

STATEMENT OF CHANGES IN RESERVES
As at 31 March 2017

STATEMENT OF CHANGES IN RESERVES

	Revenue reserve	Total
	£'000	£'000
At 1 April 2015	5,163	5,163
Surplus for the year	1,407	1,407
Actuarial gain in respect of pension schemes	342	342
At 31 March 2016	<u>6,912</u>	<u>6,912</u>
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	<u>7,044</u>	<u>7,044</u>

STATEMENT OF CASH FLOWS
As at 31 March 2017

		2017	2016
		£'000	£'000
	Note		
Net cash generated from operating activities	A	4,875	7,022
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,321)	(6,661)
Proceeds from sale of property, plant and equipment		371	108
Grants received		3,658	2,605
Interest received		2	-
Net cash flow from investing activities		(2,290)	(3,948)
Cash flows from financing activities			
Finance costs paid		(1,398)	(1,396)
New loans		1,850	5,103
Repayment of borrowings		(3,250)	(6,550)
Proceeds on issue of shares		-	-
Net cash flow from financing activities		(2,798)	(2,843)
Net increase in cash and cash equivalents		(213)	231
Cash and cash equivalents at the beginning of the period		1,167	936
Cash and cash equivalents at the end of the period		<u>954</u>	<u>1,167</u>
A Net cash generated from operating activities			
Surplus for the year		2,700	2,833
Adjustment for non-cash items :			
Depreciation of fixed assets		2,277	2,016
Amortisation of government grants		(197)	(170)
Decrease/(increase) in inventories		6	17
Decrease/(increase) in debtors		91	(27)
Increase/(decrease) in creditors		(2)	2,353
Net cash generated by operating activities		<u>4,875</u>	<u>7,022</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

a) FREE CASHFLOW FOR THE YEAR

	2017	2016
	£'000	£'000
Net cash generated from operating activities	4,875	7,022
Interest paid	(1,398)	(1,396)
Interest received	2	-
Adjustment for reinvestment in existing properties		
Component replacements	(4,089)	(3,180)
Purchase of other replacement fixed assets	-	-
Component replacement grant received	1,625	1,644
	<hr/>	<hr/>
Free cash generated before loan repayments	1,015	4,090
Loans repaid (excluding revolving credit and overdrafts)	-	-
Free cash generated after loan repayments	<u>1,015</u>	<u>4,090</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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) 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 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

(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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

Component	Lifecycle
Roof – other	20 years
Lift	30 years
Central heating boilers	15 years
Electrical rewire	30 years
Insulation	30 years
Structure	100 years

Prior to 2015/16 the useful economic life of assets was set as 60 years, this has been changed to 100 years in line with recognised practice in the sector. Any FRS 102 adjustments have used 60 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

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 housing properties 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

VAT (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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.

(l) 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.

(m) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2a TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2017	2017	2017	2016	2016	2016
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Social housing lettings (Note 2b)	10,877	(8,482)	2,395	10,568	(8,007)	2,561
Other social housing activities						
Garages	186	-	186	185	-	185
Medra Services	20	(165)	(145)	17	(172)	(155)
Other revenue grants	23	-	23	23	-	23
Other	241		241	219		219
	<u>11,347</u>	<u>(8,647)</u>	<u>2,700</u>	<u>11,012</u>	<u>(8,179)</u>	<u>2,833</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2b PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2017	2017	2016	2016
	General needs and sheltered housing £'000	Total £'000	General needs and sheltered housing £'000	Total £'000
INCOME				
Rent receivable	9,864	9,864	9,424	9,424
Service charge income	575	575	724	724
Grant amortisation	198	198	170	170
Supporting People	240	240	250	250
	<u>10,877</u>	<u>10,877</u>	<u>10,568</u>	<u>10,568</u>
Turnover from social housing lettings	10,877	10,877	10,568	10,568
COST				
Management costs	(2,146)	(2,146)	(2,060)	(2,060)
Service charge costs	(386)	(386)	(242)	(242)
Routine maintenance	(2,092)	(2,092)	(2,030)	(2,030)
Bad debts	(27)	(27)	(33)	(33)
Depreciation	(2,277)	(2,277)	(2,016)	(2,016)
Other costs	(1,554)	(1,554)	(1,626)	(1,626)
	<u>(8,482)</u>	<u>(8,482)</u>	<u>(8,007)</u>	<u>(8,007)</u>
Operating costs on social housing lettings	(8,482)	(8,482)	(8,007)	(8,007)
Operating surplus on social housing lettings	<u>2,395</u>	<u>2,395</u>	<u>2,561</u>	<u>2,561</u>
Rent loss due to voids (memorandum note)	110	110	156	156

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SURPLUS ON DISPOSAL OF HOUSING PROPERTIES

	2017 £'000	2016 £'000
Proceeds of sale of properties	371	109
Disposal expenses	(5)	(1)
Surplus on disposals	<u>366</u>	<u>108</u>

4. SURPLUS FOR THE YEAR

	2017 £'000	2016 £'000
The surplus for the year is stated after charging/(crediting):		
Depreciation	2,277	2,016
External auditor's remuneration - - in their capacity as auditors	17	16
Surplus on disposal of fixed assets	(366)	(108)
Amortisation of grant	(198)	(170)

TAXATION

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

5. EMPLOYEES

	2017 Number	2016 Number
Average monthly number of employees (including Executive Directors) expressed as full time equivalents		
Administration	15	16
Operational services - Office based	54	53
- Scheme managers and cleaners	10	10
- Community repairs team	58	52
	<u>137</u>	<u>131</u>
	<u>2017 £'000</u>	<u>2016 £'000</u>
Staff costs:		
Wages and salaries	3,171	3,208
Social security costs	289	254
Pension costs	241	262
Total	<u>3,701</u>	<u>3,724</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

5. (CONTINUED)

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

Salary Band	2017	2016
£50,000 - £59,999	4	5
£60,000 - £69,999	-	1
£70,000 - £79,999	1	-
£80,000 - £89,999	1	2
£90,000 - £99,999	1	-
£100,000 - £109,999	-	-
£110,000 - £119,999	-	1
£120,000 - £129,999	1	-

6. KEY MANAGEMENT PERSONNEL REMUNERATION

	2017 £'000	2016 £'000
Wages and Salaries	495	415
Social Security Costs	59	50
Other Pension Costs	50	51
Compensation for loss of office	-	55
Board Members		
Wages and Salaries	-	-
Social Security Costs	-	-
Other Pension Costs	-	-
	604	571
	<u> </u>	<u> </u>
Remuneration of the Chief Executive, excluding pension contributions	<u> </u> 111	<u> </u> 107

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

7. INTEREST AND FINANCING COSTS

	2017 £'000	2016 £'000
Interest on loans		
- repayable by instalments in more than 5 years	1,348	1,493
Pension finance costs (See note 19)	39	41
	<u> </u> 1,387	<u> </u> 1,534

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

8. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Housing Properties Completed £'000	Housing Properties under Construction £'000	Total £'000
COST			
At 1 April 2016	43,629	4,474	48,103
Additions	7,629	(1,634)	5,995
Disposals	(50)	-	(50)
	<u>51,208</u>	<u>2,840</u>	<u>54,048</u>
DEPRECIATION			
At 1 April 2016	5,712	-	5,712
Charge in year	2,109	-	2,109
Disposals	(50)		(50)
	<u>7,771</u>	<u>-</u>	<u>7,771</u>
NET BOOK VALUE			
At 31 March 2017	<u>43,437</u>	<u>2,840</u>	<u>46,277</u>
At 31 March 2016	<u>37,917</u>	<u>4,474</u>	<u>42,391</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

	2017 £'000	2016 £'000
Replacement of components	4,089	3,180
Purchase of existing properties	373	-
Developments	3,116	574
Improvements	51	165
	<u>7,629</u>	<u>3,919</u>
Charged to Statement of Comprehensive Income	2,092	2,030
Total expenditure on completed properties	<u>9,721</u>	<u>5,949</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

9. OTHER PROPERTY, PLANT AND EQUIPMENT

	Land	Leasehold	Office	IT Equipment	Vehicles/ Other	Total
	£'000	Buildings £'000	Improvement £'000	£'000	£'000	£'000
COST						
At 1 April 2016	156	310	43	1,012	915	2,436
Additions	-	97	-	89	140	326
Disposals	-	-	-	-	(103)	(103)
	<u>156</u>	<u>407</u>	<u>43</u>	<u>1,101</u>	<u>952</u>	<u>2,659</u>
At 31 March 2017	156	407	43	1,101	952	2,659
DEPRECIATION						
At 1 April 2016	-	43	25	795	847	1,709
Charge in year	-	14	4	79	70	168
Disposals	-	-	-	-	(103)	(103)
	<u>0</u>	<u>57</u>	<u>29</u>	<u>874</u>	<u>814</u>	<u>1,774</u>
At 31 March 2017	0	57	29	874	814	1,774
NET BOOK VALUE						
At 31 March 2017	<u>156</u>	<u>351</u>	<u>14</u>	<u>227</u>	<u>138</u>	<u>885</u>
At 31 March 2016	<u>156</u>	<u>267</u>	<u>18</u>	<u>217</u>	<u>68</u>	<u>727</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. DEBTORS

	2017 £'000	2016 £'000
Gross rent and service charge arrears	248	252
Less: provision for bad debts	(62)	(65)
	<u>186</u>	<u>187</u>
Net rent arrears	186	187
Prepayments and accrued income	841	930
	<u>1,027</u>	<u>1,117</u>
Amounts falling due after more than one year: VAT Shelter agreement	20,866	21,660
	<u>21,893</u>	<u>22,777</u>

11. INVENTORIES

	2017 £'000	2016 £'000
Stock of materials	12	15

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Trade creditors	714	832
Rent charges received in advance	257	229
Social Housing Grant received in advance	4,198	2,296
Government grants deferred income	199	180
Accruals and other creditors	1,168	1,232
Loan due within 1 year	203	-
	<u>6,739</u>	<u>4,769</u>

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

	2017 £'000	2016 £'000
Loan due after more than one year	20,127	21,780
Government grants - deferred income	12,325	10,786
VAT shelter agreement	20,866	21,660
	<u>53,318</u>	<u>54,226</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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

13. (CONTINUED)**Debt Analysis - Housing Loans**

	2017 £'000	2016 £'000
One year or less	203	-
More than one and less than two years	-	-
More than two and less than five years	-	202
In more than five years	20,127	21,578
	<u>20,330</u>	<u>21,780</u>

£203k is an interest free affordable land loan from the Welsh Government, which was repaid in April 2017. £20m is drawdown from our facility with Barclays Bank on fixed interest rates. At 31 March 2017, Tai Ceredigion has un-drawn loan facilities of £15m.

Deferred Income - Government Grants

	2017 £'000	2016 £'000
At 1 April 2016	10,966	8,531
Grant receivable	155	1,005
Grant receivable - WG Dowry	1,600	1,600
Amortisation to Statement of Comprehensive Income	(197)	(170)
At 31 March 2017	<u>12,524</u>	<u>10,966</u>
Due within one year	<u>199</u>	<u>180</u>
Due after one year	<u>12,325</u>	<u>10,786</u>

14. NON-EQUITY SHARE CAPITAL

	2017 £	2016 £
Shares at £1 each, allotted and issued		
As at 1 April 2016	218	191
Issued during the year	20	27
At 31 March 2017	<u>238</u>	<u>218</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

15. CAPITAL COMMITMENTS

	2017	2016
	£'000	£'000
Capital expenditure contracted but not provided for in the financial statements	6,426	4,529
Capital expenditure authorised by the Board but not contracted	4,311	4,637

The above commitments will be funded by existing bank facilities.

16. OTHER FINANCIAL COMMITMENTS

	2017		2016	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Other leases which expire:				
Within one year	-	20	-	21
Within one to five years	-	50	-	49
After five years	-	-	-	3
	-	70	-	73

17. HOUSING STOCK

	2017	2016
	Number	Number
Number of units in management		
Housing accommodation for letting:		
General housing	1,919	1,913
Sheltered housing	314	314
Intermediate Rents	30	18
Total rented	2,263	2,245
Other units	132	134
Right-to-buy leases	-	-
Shared ownership	690	690
Garages	-	-
Commercial Property leases		

18. FINANCIAL INSTRUMENTS

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

Financial Assets	2017	2016
	£'000	£'000
Measured at discounted amount receivable		
Rent arrears financing transactions (see note 10)	248	252

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

18. (CONTINUED)

Financial Liabilities

Measured at amortised cost		
Loans payable (see note 13)	20,127	21,780
Measured at undiscounted amount payable		
Trade and other creditors (see note 12)	714	832
	<u>20,841</u>	<u>22,612</u>

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 2017 the employer contributions will be 14.2% of pensionable pay. The budgeted Current Service Cost for the year commencing 1 April 2017 is approximately 32.6% of pensionable salaries which is expected to result in an approximate service cost of £416,000.

Statement of Financial Position items as at 31 March

	2017 £'000	2016 £'000	2015 £'000
Present value of funded benefit obligations	13,188	9,350	9,423
Present value of unfunded benefit obligations	-	-	-
Total present value of benefit obligations	13,188	9,350	9,423
Fair value of plan assets	(10,268)	(8,180)	(8,103)
Unrecognised past service cost	-	-	-
Deficit	<u>2,920</u>	<u>1,170</u>	<u>1,320</u>

Components of pension cost for year to 31 March 2017

Current Service Cost	290
Interest on Pension Liabilities	39
Administration Expenses	8
Past service cost (gain)	-
Effect of Curtailments or Settlements	-
Effect of asset ceiling	-
Total pension cost recognised in SOCI	<u>337</u>

Statement of other comprehensive income

Remeasurements (liabilities & assets)	1,549
Effect of asset ceiling	-
Total remeasurements included in the SOCI	<u>1,549</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

19. (CONTINUED)

Additional disclosure items

	Assets at 31 March 2017		Assets at 31 March 2016	
	£'000	%	£'000	%
Equities	7,239	70.5%	5,652	69.1%
Government bonds	-	0.0%	785	9.6%
Other bonds	1,992	19.4%	802	9.8%
Property	955	9.3%	908	11.1%
Cash/liquidity	82	0.8%	33	0.4%
Other	-	0.0%	-	0.0%
Total	10,268		8,180	

Change in benefit obligation during year to 31 March 2017

	£'000 Unfunded Benefits	£'000 All benefits	
Benefit obligation at beginning of period	-	9,350	
Current service cost	-	290	(22.7% of pensionable payroll)
Interest on pension liabilities	-	332	
Member contributions	-	88	
Past service cost	-	-	
Remeasurement (liabilities)			
Experience (gain)/loss		1,171	(8.9% of period end liabilities)
(Gain)/loss on assumptions	-	2,280	(17.3% of period end liabilities)
Curtailments	-	-	
Settlements	-	-	
Benefits/transfers paid	-	(323)	
Business combinations	-	-	
Benefit obligation at end of period	-	13,188	

Change in plan assets during year to 31 March 2017

Fair value of plan assets at beginning of period	-	8,180	
Expected return on plan assets	-	293	
Remeasurement (assets)	-	1,902	(18.5% period end assets)
Administration expenses	-	(8)	
Business combinations	-	-	
Settlements	-	-	
Employer contributions	-	136	
Member contributions	-	88	
Benefits/transfers paid	-	(323)	
Fair value of plan assets at end of period	-	10,268	

Actual Return on plan assets **2,014** (19.68% of period end assets)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

19. (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	2.0%	2.3%
- Rate of increase in salaries	3.5%	3.8%*
- Rate of increase in pensions	2.0%	2.3%
- Discount rate	3.6%	2.6%

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

Whole fund asset details

	Value (£m)	Determined as at:
- Last actuarial valuation	1,900	31March 2016
- Start of period	1,859	31December 2015
- End of period	2,236	31December 2016

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 2016/17, rent received from tenant Board members was £7,597. 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 2016/17 are summarised below:

Council Tax/NNDR	£8,697
EWI	£208,000
Service Level Agreements	£98,653
Vehicles MOT/Servicing	£7,447
Planning fees	£5,524
Payroll deductions	£508
Other miscellaneous payments	£5,383

As at 31st March 2017, Tai Ceredigion held Ceredigion County Council as a creditor in its Statement of Financial Position to the value of £170,208 for payment of service level agreements and towards sewage treatment works maintenance. It also held Ceredigion County Council as a debtor to the value of £116,945 for the 4th quarter Supporting People charge, as well as S106 funds.

The remaining Board members are all independent members.

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 2017.