



**TAI CEREDIGION CYF**

**Financial Statements**

**Year ended 31 March 2013**

**TAI CEREDIGION CYF**

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## **TAI CEREDIGION CYF**

### **INTRODUCTION FROM CHAIR AND CHIEF EXECUTIVE**

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2012/13 has seen a further £9m spent on the major improvements work. The majority of this spend was completed under Tai Ceredigion's Framework Agreement that consisted of new kitchens, bathrooms, rewires, heating, windows and doors being installed. During the year Tai Ceredigion also completed a major External Wall Insulation programme, which was made possible by a £800k grant from the UK Government's CESP and Welsh Government ARBED scheme that targets households across Great Britain, in areas of low income, to improve energy efficiency standards and reduce fuel bills. Not only are these homes better insulated now, they also look more appealing and give estates a new lease of life. We intend to continue the good work throughout 2013/14 with major contracts already in place. Tai Ceredigion has also invested time and money in our own Direct Labour Organisation, who are now qualified to fit External Wall Insulation and have been awarded the Contractor's Health and Safety (CHAS) accreditation in December. This shows that they have demonstrated compliance with the sound management of current, basic health and safety legislation. In addition, six members of the DLO have successfully completed training which qualifies them to install, commission and maintain Air Source heat pumps and seven members have qualified to service, commission and maintain oil fired appliances. Six new apprentices have been taken on, continuing to demonstrate that Tai Ceredigion is leading the way in promoting sustainable communities by employing young local people and giving them hands on experience to further their careers. Our apprentice scheme is in its third year and has been very successful, with many apprentices already gaining their qualifications and obtaining full time employment within our Direct Labour Organisation. All this contributes to excellent service delivery, which consistently receives positive feedback from tenants.

During 2012/13 Tai Ceredigion and its staff celebrated passing their first official assessment by the Welsh Government. The strict Housing Association Regulatory Assessment (HARA) is one of the many ways Welsh Ministers regulate registered social landlords to protect tenants, ensure good quality housing and value for money for tenants. The HARA report details how Tai Ceredigion is satisfying the high expectations on housing associations to meet the housing and related needs in local communities. It also complimented Tai Ceredigion on its 'strong and accountable leadership' as well as the way we are 'proactive in engaging with tenants and other service users' in the design and delivery of our services.

Tai Ceredigion has been extremely successful in securing £704k in Social Housing Grant during 2012/13, which has enabled us to progress with our development programme and to continue to increase the supply of affordable homes in Ceredigion. Tai Ceredigion's first ever home is a wheelchair accessible bungalow which will substantially improve the quality of life of a local family with a disabled son who needs 24 hour care in the right surroundings. An additional three wheelchair accessible bungalows in Penparcau are also close to being finished and a further 4 schemes are ongoing. We are proud to be the first stock transfer housing association in Wales to start their development programme so soon after transfer.

The Welsh Government has made additional grant funding available in 2013/14 to support the building of 1 and 2 bedroom affordable homes, this funding is intended to provide much smaller homes for those affected by the Bedroom Tax. Tai Ceredigion has submitted three schemes for this grant funding and is currently waiting for the outcome of the submission.

We have continued to develop relationships within Ceredigion throughout 2012/13, including a strategic partnership with Ceredigion Care Society to meet community needs in rural Mid and South West Wales. Ceredigion Care Society is the largest charitable support provider within Ceredigion and the strategic partnership will see Tai Ceredigion providing affordable homes for homeless and other vulnerable local people and the Care Society providing support to those people. The innovative 'Clwb Ni', Wales's first ever intergenerational club celebrated its first birthday. The club was set up by Tai Ceredigion, Plas Crug Primary School and Ceredigion County Council and brings together primary school pupils and sheltered housing tenants to enjoy fun activities and new experiences. Clwb Ni illustrates Tai Ceredigion's approach to community engagement and more specifically the importance we place on enabling tenants to integrate within their local communities.

Following the above theme, we are still working hard to ensure that tenants are involved in decision making at all levels. We hold monthly housing surgeries in four locations across the county where tenants can voice their opinions or any concerns they may have, tenant liaison forums twice a year, sheltered scheme forums bi monthly and a tenant conference annually. We continue to monitor the delivery of promises from the offer document via meetings between the Tenant Monitoring Group and staff.

## TAI CEREDIGION CYF

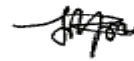
### INTRODUCTION FROM CHAIR AND CHIEF EXECUTIVE

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Lastly, we are continually grateful for the support of our funding partner Barclays Banks plc, who have been very encouraging of our early development programme, our WHQS programme and other initiatives we have undertaken. We shall also be continuing discussions with land owners and private developers to find ways to increase the supply of affordable homes in Ceredigion and neighbouring counties.



Stephen Cripps  
Chair of the Board



Steve Jones  
Chief Executive

## TAI CEREDIGION CYF

### BOARD MEMBERS, EXECUTIVE OFFICERS, ADVISORS AND BANKERS

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The membership of the Board is set out below:

Chair: Stephen Cripps (appointed 26/07/12)  
Hag Harris (resigned 26/07/12)

Vice Chair: Gay McFee

Other Members: Nesta Williams  
Gareth Lewis  
Dorothy James  
Ellen ap Gwynn (resigned 25/05/12)  
Micheal Jones (resigned 25/05/12)  
Dafydd Edwards  
Lorrae Jones-Southgate (appointed 25/04/13)  
Dick Evans  
Jane Wakeham (appointed 26/07/12)  
Mererid Jones  
Ivor Williams (resigned 25/04/13)  
Peter Saunders  
Derek Lassetter  
Alun Williams (resigned 25/05/12)  
Catrin Miles (appointed 13/07/12)  
Odwyn Davies (appointed 13/07/12)  
Lynford Thomas (appointed 10/10/12)

Executive Officers:

Chief Executive Steve Jones  
Deputy Chief Executive & Company Secretary Katrina Michael  
Director of Housing and Support Eleri Jenkins  
Director of Property Services Llyr Edwards

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

External Auditors: 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

## TAI CEREDIGION CYF

### BOARD MEMBERS, EXECUTIVE OFFICERS, ADVISORS AND BANKERS

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

Registered with charitable rules under the Industrial and Provident Societies Act No. 30701R  
Registered by the Welsh Government No. L151

The biographies of the Board Members are set out below:

#### COUNCIL BOARD MEMBERS

##### **Councillor Odwyn Davies**

Odwyn became a Ceredigion County Councillor in 1999 when he was persuaded by local young people to give it a go. He lives at Olmarch with his wife Ann and they have one son, Rhun. Odwyn is a farmer by trade, and has supported young people throughout his life through the Urdd and the Young Farmers movement. He supports the activities held in his local community and is also a governor at Ysgol y Dderi and Ysgol Bro Pedr. He has been Chairman of the County Council, and is currently a member of Llangybi Community Council and the village hall and village welfare committees.

##### **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**

Lorrae 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. She is looking forward to working on the Board of Tai Ceredigion to achieve the best provision of service and care to the tenants.

##### **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, co-ordinating Cardigan's 900 anniversary celebrations in 2010. Catrin sits on the governing body of both Ysgol Uwchradd Abertefi and Ysgol Gynradd Gymunedol Aberteifi (vice-chair) and will Chair Cardigan's premier cultural festival, "Gwyl Fawr Aberteifi" in 2013.

##### **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. An active member of the Aeron Valley community, Lynford has held various offices within local organisations ever since moving to the area. Local community is very important to him, in particular the preservation of the Welsh way of life, the language, village schools and wherever possible, retaining young people within their locality.

## **TAI CEREDIGION CYF**

### **BOARD MEMBERS, EXECUTIVE OFFICERS, ADVISORS AND BANKERS**

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#### **TENANT BOARD MEMBERS**

##### **Gay McFee, Llandysul (Vice chair)**

Gay has had a strong involvement in tenant issues since 1996, including management roles in the Welsh Tenants Federation and South Teifi Residents and Tenants Association (STRATA), as well as being a trustee for Ceredigion Association of Voluntary Organisations (CAVO).

##### **Nesta Williams**

Nesta volunteers for the Multiple Sclerosis Society and is a trustee of the Cardiac Rehabilitation Building Fund and of Ceredigion Fergusson and Heritage.

##### **Gareth Lewis, Aberystwyth**

Gareth, a retired ex-serviceman, is a director and Vice Chairman of the Rhoserchan project, which is a treatment centre for drug and alcohol. Gareth is also the Vice Chairman of the Aberystwyth War Memorial trust, a committee member of Aberystwyth Sea Cadets and Chairman of the Aberystwyth Branch of the Royal Naval Association.

##### **Dorothy James, Newcastle Emlyn**

Having started out working in hotels, Dorothy worked latterly as a dress shop assistant, also modelling to raise funds for a range of good causes.

##### **Jane Wakeham, Llandewi Brefi**

Jane Wakeham has lived in Ceredigion for 8 years. She has four children, one of which is severely disabled and three grandchildren. Jane's background is in Social Science and Social Policy and has a keen interest in Community and Social issues.

#### **INDEPENDENT BOARD MEMBERS**

##### **Stephen Cripps (Chairman)**

Stephen is a retired local government Chief Officer with a great deal of housing management experience. With over 30 years working in local government in England, Stephen's experience included responsibility for Housing, Technical Services, Environmental Services and Leisure. Stephen is also an independent member of Ceredigion County Council's Ethics and Standards Committee. Stephen is keen to give something back to the community and wants to try to ensure people have the best quality of life possible. Decent housing is essential for good health, for a sound local community and for a good quality of life generally. Tai Ceredigion is here to provide good quality housing, and a range of other related services. It is also able to play a role as a key partner working with other agencies throughout the County and beyond. Stephen is pleased to be able to contribute to that work.

##### **Dick Evans**

Dick Evans is a retired architect who practised in Cardiff and Sydney. He brings over 40 years of experience to the Board.

Dick is well versed in the role of a Housing Association Board member having sat on and chaired the Board of Cardiff based Taff Housing. He lives near Cardigan, has 3 children and enjoys painting and gardening.

##### **Mererid Jones**

Mererid – who works and lives in Aberystwyth – is currently Director of Finance for Mudiad Ysgolion Meithrin. She is a chartered accountant by profession and has been auditor for a range of clients in the voluntary and charitable sectors. Mererid is proud of her roots and passionate about the Welsh language.

## **TAI CEREDIGION CYF**

### **BOARD MEMBERS, EXECUTIVE OFFICERS, ADVISORS AND BANKERS**

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#### **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.

#### **Derek Lassetter**

Derek has enjoyed a lengthy career in Industry with various management 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 a committee member of the NHS Dyfed Powys Research Ethics Committee. Derek lives in Aberystwyth with his family.



## **TAI CEREDIGION CYF**

### **REPORT OF THE BOARD OF MANAGEMENT For the year ended 31 March 2013**

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The Board of Management present their report and the financial statements for the year ended 31 March 2013.

#### **PRINCIPAL ACTIVITIES**

Tai Ceredigion is a not-for-profit housing organisation which is registered with the Welsh Government as a Registered Social Landlord, registration number L151. Tai Ceredigion is also registered with the Financial Services Authority as an Industrial and Provident Society with charitable objectives, registration number 30701R. Tai Ceredigion was set up for the purpose of accepting a large scale voluntary transfer of housing stock from Ceredigion County Council. This transfer took place on 30<sup>th</sup> November 2009.

Tai Ceredigion's principal activities are the development and management of social housing.

#### **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 5. The Board is made up of 15 members, split between 5 members elected by the tenants of Tai Ceredigion, 5 nominated by Ceredigion County Council and 5 independent Board members. 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.

**REPORT OF THE BOARD OF MANAGEMENT  
For the year ended 31 March 2013**

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**REMUNERATION**

**(a) 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. Basic salaries are set having regard to each director's responsibilities and pay levels for comparable positions.

**(b) 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.

**(c) Service contracts**

The directors are employed on the same terms as other staff, although their notice period is three months.

**RESIDENT INVOLVEMENT**

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

We actively encourage residents' 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 the 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

## **TAI CEREDIGION CYF**

### **REPORT OF THE BOARD OF MANAGEMENT**

**For the year ended 31 March 2013**

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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 suitable 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 2013. 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 2012 to date.

#### **REVIEW OF THE BUSINESS**

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 30<sup>th</sup> November 2009.

In drawing up the Business priorities for 2012/13, Tai Ceredigion consulted with key stakeholders which included:

- Representatives from the Public Sector
- Representatives from the Third Sector
- Local voluntary organisations
- Tenants Monitoring Group
- Tenants Panel

The consultation exercise identified three broad themes:

- Delivering promises
- Developing partnerships
- Developing us

**REPORT OF THE BOARD OF MANAGEMENT  
For the year ended 31 March 2013**

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And the priorities for 2012/13 which were:

**Undertake the stock improvement Programme**

It was a successful year for WHQS work with the framework contactors achieving great results and good quality work resulting in £9m being spent on new kitchens, bathrooms, rewiring of properties, new heating systems and windows and doors being installed for tenants. Funding from the UK Government's CESP and Welsh Government Arbed scheme meant that external wall insulation has been fitted to homes across the County resulting in tenants saving money on their heating bills and the houses looking much brighter and appealing.

Number of components replaced in the year:

- Kitchens - 429
- Bathrooms - 412
- Re-wires - 493
- Windows and Doors - 642
- Gas Heating - 283

Contractors have been chosen for the next tranche of WHQS improvement work, one of which will be taking on local people as trainees under 'The Jobs Growth Wales Scheme'. Tai Ceredigion is keen to encourage our tenants to benefit from these employment opportunities whenever possible. Once the internal work on our properties is completed, Tai Ceredigion will start work on estate and external improvements.

**Improve the service provided to tenants**

As the stock improvement programme progresses, it is essential that work is monitored to ensure it is of the highest standard and tenants are pleased with the results. Tai Ceredigion organises quarterly tours and estate walkabouts, where Board members and tenant representatives can meet tenants and local County Councillors to see the improvement works taking place and hear any important concerns or points of issue. These regular estate visits are one of the promises made to tenants at the time of the stock transfer and they enable Tai Ceredigion to monitor the progress in meeting the Welsh Housing Quality Standards.

We continue to monitor Key Performance Indicators monthly, these are set by Board and Audit and Performance Committee to ensure we are delivering the best possible service to tenants. These include financial and operational Key Performance Indicators and cover a range of services from customer services, to housing and maintenance.

Over 2,000 tenants in Ceredigion can now use the innovative online repair reporting system through the medium of Welsh. Tai Ceredigion is leading the way, as it is the first housing association in Wales to provide the service bilingually. Everything Tai Ceredigion does is bilingual and we are committed to providing a high quality bilingual repairs service to all of our tenants that is convenient, efficient and dependable.

Medra our social enterprise which provides handyperson and estate services has continued to flourish during 2012/13 and was again part funded by a grant of £60,000. As well as providing the above services, it has been expanded to take on grass cutting on estates and window cleaning at all Tai Ceredigion's sheltered schemes.

Clwb Ni, an intergenerational club that brings together primary school pupils and sheltered housing tenants celebrated its first birthday during the year and also secured nearly £5,000 of funding from the 'Awards for all' Big Lottery Fund. Tenants from both Maes Gogerddan and Glyn Padarn sheltered schemes are benefitting from the socialisation opportunities that the club offers.

A significant number of tenants are being affected by the new Welfare Benefit Reforms, the 'Bedroom Tax' affects recipients of housing benefit who are deemed to be occupying properties larger than they require. Tai Ceredigion have taken their duty of care to tenants very seriously and have been proactive in looking for ways to alleviate the problems and assist tenants. A Welfare Reform Working Party was set up to identify those tenants affected and staff have been contacting these tenants to discuss the problem, find solutions and help those affected to make claims for Discretionary Housing Payments from Ceredigion County Council. Joining Tai Ceredigion in the working party are West Wales Credit

## **TAI CEREDIGION CYF**

### **REPORT OF THE BOARD OF MANAGEMENT**

**For the year ended 31 March 2013**

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Union, Ceredigion County Council, Pembrokeshire Housing Association and Tai Cantref, along with the Wales Co-operative Centre and the Chartered Institute of Housing.

#### **Develop and maintain strategic relationships with our partners and other stakeholders**

Tai Ceredigion recognises that to fully achieve its objectives will require close working relationships with its strategic 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 and includes partnership working through various Service Level Agreements which have been agreed as part of the Transfer Agreement.

More recently Tai Ceredigion has announced a strategic partnership with Ceredigion Care Society. They will work together to assist each other to achieve their respective stated strategic objectives, for the benefit of communities within Ceredigion and other parts of Mid and South West Wales.

In addition, the Association plays a full part in strategic housing planning within the County, being a member of the Rural Housing Enabler Project, the Common Housing Register, and the Housing Strategy Partnership. Tai Ceredigion has formed relationships with the other social landlords in the Ceredigion area in order to address the standards of housing services which are provided throughout the County. Opportunities for joint procurement or shared services will be explored, in order to improve the quality and cost effectiveness of service delivery.

Tai Ceredigion will continue to build relationships with all relevant agencies within the County, within the public, voluntary and private sectors. At a local level, it will seek to engage closely with Community Councils in order to identify local housing and wider community needs. It will also seek positive relationships and partnerships with key public sector bodies such as the new Local Health Boards, both Lampeter and Aberystwyth Universities, and key voluntary sector bodies such as the Princes Trust, the Citizens Advice Bureau, Communities First, Ceredigion Association of Voluntary Organisations (CAVO), Warm Wales and other local specialist social care and economic development/regeneration agencies.

#### **Develop the Board and staff team to ensure that an effective and efficient service is provided to all of our tenants**

In the 2012/13 year, the Board undertook an individual Board Member appraisal. From this a Board Members Training Programme has been developed which provides training in the areas identified to all Board Members prior to Board Meetings. In addition to this, Board Members have had the opportunity to attend various conferences and seminars throughout the year.

As a learning organisation, the Association invests in training and developing its staff. Tai Ceredigion has completed the roll out of a management and development programme for all managers. Welsh lessons are provided for all levels of ability to all staff, in order for Tai Ceredigion continue to work towards as many staff as possible becoming bilingual.

#### **Tai Ceredigion Offices**

Tai Ceredigion purchased the Head Office in Lampeter, together with a building plot for possible expansion adjacent to the office. It is also committed to developing its office in Aberystwyth and has also developed a small office on the Ridgeway estate in Cardigan.

#### **FUTURE DEVELOPMENTS**

The principal challenge for Tai Ceredigion is to deliver on the commitments made to the tenants in its offer document and to deliver the Welsh Housing Quality Standard. Over the first 5 years of its existence, Tai Ceredigion Cyf intends to spend in excess of £40million on maintenance and improvements to the housing stock. To deliver this Tai Ceredigion has arranged loan finance with Barclays Bank Plc. In addition, the Welsh Government is providing funding for up to 29 years.

## **TAI CEREDIGION CYF**

### **REPORT OF THE BOARD OF MANAGEMENT**

**For the year ended 31 March 2013**

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Tai Ceredigion has already started to build new properties which are vital as the current lack of affordable housing is critical. It is anticipated that levels of homelessness will increase as a result of the Welfare Benefit Reforms and so the provision of more affordable housing is paramount for 2013/14, Tai Ceredigion has a development budget of £6million which, along with funding from Welsh Government in the form of Social Housing Grant, will go far to try and ensure that affordable housing is made available.

#### **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 are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accepted Accounting Practice.

The Industrial and Provident Societies Acts 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 "Accounting by Registered Social Housing Providers update 2010" 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 AUDITORS**

At the date of making this report each of the Tai Ceredigion Board members, as set out on page 5, confirm the following:

- so far as each Board member is aware, there is no relevant information needed by the Tai Ceredigion auditors in connection with preparing their report of which the auditors are 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 auditors in connection with preparing their report and to establish that Tai Ceredigion auditors are aware of that information.

#### **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on 26<sup>th</sup> July 2013. At this meeting, Tai Ceredigion's 2012/13 Financial Statements will be presented for adoption.

**TAI CEREDIGION CYF**

**REPORT OF THE BOARD OF MANAGEMENT  
For the year ended 31 March 2013**

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**AUDITORS**

A resolution to re-appoint Mazars LLP as auditors to Tai Ceredigion will be proposed at the Annual General Meeting.

Approved on 26th July 2013  
and signed on its behalf by

A handwritten signature in dark ink that reads "KB Michael". The signature is written in a cursive style with some capital letters.

KB Michael  
Company Secretary

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAI CEREDIGION CYF**

We have audited the financial statements of Tai Ceredigion Cyf for the year ended 31 March 2013 which comprise the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet, the Cash Flow Statement 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).

### **Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of Board's Responsibilities set out on page 14, the Board is responsible for the preparation of 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 [(APB's)] Ethical Standards for Auditors.

This report is made solely to Tai Ceredigion's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968 and 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 Cyf 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 Cyf 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 Tai Ceredigion Cyf'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](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements;

- give a true and fair view of the state of Tai Ceredigion Cyf affairs as at 31 March 2013 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2009.

### **Opinion on 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 Industrial and Provident Societies Acts, 1965 to 2003 require us to report to you if, in our opinion;

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

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



**TAI CEREDIGION CYF****INCOME AND EXPENDITURE ACCOUNT**

For the year ended 31 March 2013

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|   |             | <b>2013</b>             | <b>2012</b>             |
|---|-------------|-------------------------|-------------------------|
|   |             | <b>£</b>                | <b>£</b>                |
|   | <b>Note</b> |                         |                         |
| <b>TURNOVER</b>                           | 2           | 9,121,248               | 9,725,703               |
| Less: Operating costs                     | 2           | (7,043,149)             | (6,928,123)             |
| <b>OPERATING SURPLUS</b>                  | 2           | <u>2,078,099</u>        | <u>2,797,580</u>        |
| Surplus on disposal of housing properties | 4           | 112,349                 | 56,520                  |
| Interest receivable                       |             | 24,736                  | 6,241                   |
| Interest payable and similar charges      | 7           | (498,427)               | (85,788)                |
| <b>SURPLUS FOR THE YEAR</b>               | 15          | <u><u>1,716,757</u></u> | <u><u>2,774,553</u></u> |

**CONTINUING OPERATIONS**

Tai Ceredigion's turnover and expenses all relate to continuing operations.

|   |    | <b>2013</b>             | <b>2012</b>             |
|---|----|-------------------------|-------------------------|
|   |    | <b>£</b>                | <b>£</b>                |
| <b>STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS</b> |    |                         |                         |
| Surplus for the year  |    | 1,716,757               | 2,774,553               |
| Actuarial losses on pension scheme                          | 21 | (508,000)               | (215,000)               |
| <b>TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR</b> |    | <u><u>1,208,757</u></u> | <u><u>2,559,553</u></u> |

**TAI CEREDIGION CYF**

**BALANCE SHEET**  
**As at 31 March 2013**

|  | Note | 2013<br>£               | 2012<br>£               |
|--|------|-------------------------|-------------------------|
| <b>TANGIBLE FIXED ASSETS</b>                                   |      |                         |                         |
| Housing properties - Gross cost less depreciation              | 8    | 20,015,064              | 10,446,828              |
| - Social Housing and other grants                              | 8    | (4,943,682)             | (1,897,543)             |
|  | 8    | <u>15,071,382</u>       | <u>8,549,285</u>        |
| Other fixed assets   | 9    | <u>957,267</u>          | <u>725,805</u>          |
|  |      | <u>16,028,649</u>       | <u>9,275,090</u>        |
| <b>CURRENT ASSETS</b>  |      |                         |                         |
| Debtors  | 10   | 2,307,922               | 1,201,963               |
| Stocks   | 11   | 13,242                  | 14,892                  |
| Cash at bank and in hand                                       |      | <u>719,404</u>          | <u>3,792,431</u>        |
|  |      | <u>3,040,568</u>        | <u>5,009,286</u>        |
| <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>          | 12   | <u>(4,791,388)</u>      | <u>(3,440,322)</u>      |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>                        |      | <u>(1,750,820)</u>      | <u>1,568,964</u>        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <u>14,277,829</u>       | <u>10,844,054</u>       |
| Pension liability  | 21   | (1,680,000)             | (1,055,000)             |
| <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b> | 13   | <u>(10,000,000)</u>     | <u>(8,400,000)</u>      |
| <b>NET ASSETS</b>  |      | <u><u>2,597,829</u></u> | <u><u>1,389,054</u></u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                         |                         |
| Non-equity share capital                                       | 14   | 171                     | 153                     |
| Income and Expenditure account                                 | 15   | <u>2,597,658</u>        | <u>1,388,901</u>        |
|  |      | <u><u>2,597,829</u></u> | <u><u>1,389,054</u></u> |

The financial statements on pages 17 to 36 were approved by the Board on 12th July 2013 and were signed on its behalf by:



Stephen Cripps



Mererid Jones



Katrina Michael

**TAI CEREDIGION CYF**

**CASH FLOW STATEMENT**

**For the year ended 31 March 2013**

|   |             | 2013                | 2012        |
|---|-------------|---------------------|-------------|
|   |             | £                   | £           |
|   | <b>Note</b> |                     |             |
| <b>Net cash inflow from operating activities</b>    | a           | <b>1,760,815</b>    | 4,205,585   |
| Returns on investments and servicing of finance     | b           | <b>(452,691)</b>    | (77,549)    |
| <b>Capital expenditure and financial investment</b> |             |                     |             |
| Capital expenditure                                 |             | <b>(10,698,317)</b> | (7,602,622) |
| Surplus on property disposals                       |             | <b>112,349</b>      | 56,520      |
| Capital grants received                             |             | <b>3,704,799</b>    | 1,135,292   |
|   |             | <b>(6,881,169)</b>  | (6,410,810) |
| <b>Cash outflow before financing</b>                | c           | <b>(5,573,045)</b>  | (2,282,774) |
| <b>Financing</b>                                    |             |                     |             |
| Loan finance  |             | <b>2,500,000</b>    | 3,900,000   |
| Issue of shares                                     |             | <b>18</b>           | 40          |
|   |             | <b>2,500,018</b>    | 3,900,040   |
| <b>(Decrease)/Increase in cash</b>                  | d           | <b>(3,073,027)</b>  | 1,617,266   |

TAI CEREDIGION CYF

NOTES TO THE CASH FLOW STATEMENTS  
For the year ended 31 March 2013

a) RECONCILIATION OF OPERATING SUPLUS TO CASH  
INFLOW FROM OPERATING ACTIVITIES

|                                | 2013<br>£        | 2012<br>£        |
|--------------------------------|------------------|------------------|
| Operating surplus for the year | 2,078,099        | 2,797,580        |
| Depreciation charges           | 898,619          | 485,738          |
| FRS 17 adjustments             | 96,000           | 63,000           |
| (Increase) in debtors          | (1,104,309)      | (349,248)        |
| Increase in creditors          | (207,594)        | 1,208,515        |
|                                | <u>1,760,815</u> | <u>4,205,585</u> |

b) RETURNS ON INVESTMENTS AND SOURCING OF FINANCE

|                   | 2013<br>£        | 2012<br>£       |
|-------------------|------------------|-----------------|
| Interest received | 24,736           | 6,241           |
| Interest paid     | (477,427)        | (83,790)        |
|                   | <u>(452,691)</u> | <u>(77,549)</u> |

c) RECONCILIATION OF NET CASH FLOW TO MOVEMENT  
IN NET DEBT

|  | 2013<br>£          | 2012<br>£          |
|--|--------------------|--------------------|
| (Decrease)/Increase in cash                  | (3,073,027)        | 1,617,266          |
| Cash inflow from increase in debt financing  | (2,500,000)        | (3,900,000)        |
|  | <u>(5,573,027)</u> | <u>(2,282,734)</u> |
| Change in net debt resulting from cash flows | (5,573,027)        | (2,282,734)        |
| Net debt at 31 March                         | <u>(9,280,596)</u> | <u>(3,707,569)</u> |

d) ANALYSIS OF CHANGES IN NET DEBT

|                          | At 1<br>April<br>2012<br>£ | Cashflows<br>£     | At 31<br>March<br>2013<br>£ |
|--------------------------|----------------------------|--------------------|-----------------------------|
| Cash in bank and in hand | 3,792,431                  | (3,073,027)        | 719,404                     |
| Loans                    | <u>(7,500,000)</u>         | <u>(2,500,000)</u> | <u>(10,000,000)</u>         |
|                          | <u>(3,707,569)</u>         | <u>(5,573,027)</u> | <u>(9,280,596)</u>          |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

1. ACCOUNTING POLICIES

Tai Ceredigion Cyf is registered under the Industrial and Provident Societies Act 1965 and is a Registered Social Landlord. Tai Ceredigion has adopted charitable rules.

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom General Accounting Practice) and comply with the Statement of Recommended Practice (SORP) "Accounting by Registered Social Housing Providers" update 2010, and The Accounting Requirements for Social Landlords General Determination (Wales) 2009. The Board is satisfied that the current accounting policies are the most appropriate for Tai Ceredigion Cyf.

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Turnover

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

(c) Fixed assets

Housing properties should be measured at cost which includes only those costs which are directly attributable to bringing the asset up to its present condition. Expenditure related to planned maintenance or improvement will be capitalised if it results in an increase to the economic performance of the asset. If the expenditure only maintained the assets performance or arrested its decline in performance, it is not capitalised. 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 net of Social Housing Grant 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 the proportion of Social Housing or other grants receivable which is attributed to housing properties, 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 net 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:

| <b>Component</b>          | <b>Lifecycle</b> |
|---------------------------|------------------|
| Kitchen                   | 20 years         |
| Bathroom                  | 25 years         |
| Windows and doors         | 30 years         |
| Roof – pitched / concrete | 60 years         |
| Roof – other              | 20 years         |
| Lift                      | 30 years         |
| Central heating boilers   | 15 years         |
| Electrical rewiring       | 30 years         |
| Insulation                | 30 years         |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

|                          |          |
|--------------------------|----------|
| Other non specific works | 30 years |
| Other non specific works | 10 years |

**ACCOUNTING POLICIES (Continued)**

**(d) Depreciation (Continued)**

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 & software               | 5 years  |
| Sheltered scheme fixtures & fittings | 5 years  |
| Office furniture and equipment       | 5 years  |
| Motor vehicles                       | 4 years  |
| Maintenance team's plant & equipment | 5 years  |

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit (such as tenanted rented property) is recognised by a charge to the Income and Expenditure Account. 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) Stocks**

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

**(f) Taxation**

**(a) 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 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 2013

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**ACCOUNTING POLICIES (Continued)**

**(f) Taxation (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, except in exceptional circumstances. Given the size of the transactions, such that they would dominate the Balance Sheet, and that they net off to zero, it has been decided to not show them gross but by way of a note (see note 20).

In line with the SORP over the 15 years the transactions will be disclosed in the financial statements. The disclosure will state that the agreement is in operation and include the gross values of the balances offset, the reasons for the offset and the period of the agreement.

**(b) Corporate Tax**

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

**(g) Pension Costs**

The Company is a contributing member of the Dyfed Pension Fund and the Social Housing Pension Scheme (SHPS). The schemes are multi-employer defined benefit schemes and therefore the amount charged to the income and expenditure account represents the contributions payable to the schemes for the year. The assets of these schemes are held separately from those of the Company in independently administered funds. Financial Reporting Standard 17 (FRS17) has been adopted in full in respect of the Dyfed Pension Fund.

Ceredigion County Council transferred employees to the Association 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 the Association. Under the Council's actuarial valuation therefore, the Association took on a £nil net liability position on transfer.

All existing and new employees have the option of joining the Fund. It is a defined benefit scheme, providing benefits based on final pensionable pay.

Tai Ceredigion accounts for its participation in the Fund in accordance with FRS 17 "Retirement benefits". Fund assets are measured using market values. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Tai Ceredigion Cyf's share of the Fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus/deficit is split between operating charges, finance items and in the Statement of Total Recognised Surpluses and Deficits, actuarial gains and losses.

TAI CEREDIGION CYF

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2013

2 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

|                                  | 2013             |                         |                           | 2012             |                         |                           |
|----------------------------------|------------------|-------------------------|---------------------------|------------------|-------------------------|---------------------------|
|                                  | Turnover<br>£    | Operating<br>Costs<br>£ | Operating<br>Surplus<br>£ | Turnover<br>£    | Operating<br>Costs<br>£ | Operating<br>Surplus<br>£ |
| Social housing lettings (Note 3) | 8,846,185        | (6,897,529)             | 1,948,656                 | 8,360,293        | (6,829,627)             | 1,530,666                 |
| Other social housing activities  |                  |                         |                           |                  |                         |                           |
| Garages                          | 158,583          | -                       | 158,583                   | 160,095          | -                       | 160,095                   |
| Medra Services                   | 72,458           | (145,620)               | (73,162)                  | 66,535           | (98,496)                | (31,961)                  |
| Other revenue grants             | 18,700           | -                       | 18,700                    | 36,187           | -                       | 36,187                    |
| Non social housing activities    |                  |                         |                           |                  |                         |                           |
| Welsh Government Grant           | -                | -                       | -                         | 1,067,000        | -                       | 1,067,000                 |
| Other                            | 25,322           | -                       | 25,322                    | 35,593           | -                       | 35,593                    |
|                                  | <u>9,121,248</u> | <u>(7,043,149)</u>      | <u>2,078,099</u>          | <u>9,725,703</u> | <u>(6,928,123)</u>      | <u>2,797,580</u>          |



TAI CEREDIGION CYF

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2013

3 PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

|  | 2013                                  |                     |                                       |             | 2012                                  |                     |                                       |             |
|--|---------------------------------------|---------------------|---------------------------------------|-------------|---------------------------------------|---------------------|---------------------------------------|-------------|
|  | General needs and sheltered housing £ | Supported housing £ | Other social housing letting income £ | Total £     | General needs and sheltered housing £ | Supported housing £ | Other social housing letting income £ | Total £     |
| <b>INCOME</b>                                |                                       |                     |                                       |             |                                       |                     |                                       |             |
| Rent receivable                              | 8,023,064                             | -                   | -                                     | 8,023,064   | 7,643,520                             | -                   | -                                     | 7,643,520   |
| Service charge income                        | 574,279                               | -                   | -                                     | 574,279     | 444,727                               | -                   | -                                     | 444,727     |
| Supporting People                            | 248,842                               | -                   | -                                     | 248,842     | 272,046                               | -                   | -                                     | 272,046     |
| Turnover from social housing lettings        | 8,846,185                             | -                   | -                                     | 8,846,185   | 8,360,293                             | -                   | -                                     | 8,360,293   |
| <b>COST</b>                                  |                                       |                     |                                       |             |                                       |                     |                                       |             |
| Management costs                             | (1,597,422)                           | -                   | -                                     | (1,597,422) | (1,637,692)                           | -                   | -                                     | (1,637,692) |
| Service charge costs                         | (389,800)                             | -                   | -                                     | (389,800)   | (403,436)                             | -                   | -                                     | (403,436)   |
| Routine maintenance                          | (1,927,731)                           | -                   | -                                     | (1,927,731) | (2,142,567)                           | -                   | -                                     | (2,142,567) |
| Bad debts                                    | 1,171                                 | -                   | -                                     | 1,171       | 2,788                                 | -                   | -                                     | 2,788       |
| Depreciation of housing properties           | (580,229)                             | -                   | -                                     | (580,229)   | (199,677)                             | -                   | -                                     | (199,677)   |
| Other costs                                  | (2,403,518)                           | -                   | -                                     | (2,403,518) | (2,449,043)                           | -                   | -                                     | (2,449,043) |
| Operating costs on social housing lettings   | (6,897,529)                           | -                   | -                                     | (6,897,529) | (6,829,627)                           | -                   | -                                     | (6,829,627) |
| Operating surplus on social housing lettings | 1,948,656                             | -                   | -                                     | 1,948,656   | 1,530,666                             | -                   | -                                     | 1,530,666   |
| Rent loss due to voids (memorandum note)     | 147,572                               | -                   | -                                     | 147,572     | 154,861                               | -                   | -                                     | 154,861     |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

## 4. SURPLUS ON DISPOSAL OF HOUSING PROPERTIES

|                                | <b>2013</b>    | <b>2012</b>   |
|--------------------------------|----------------|---------------|
|                                | <b>£</b>       | <b>£</b>      |
| Proceeds of sale of properties | 113,000        | 60,000        |
| Disposal expenses              | (651)          | (3,480)       |
|                                | <u>112,349</u> | <u>56,520</u> |

## 5. EMPLOYEES

|   | <b>2013</b>      | <b>2012</b>      |
|---|------------------|------------------|
|   | <b>Number</b>    | <b>Number</b>    |
| <b>Average monthly number of employees (including Executive Directors) expressed as full time equivalents</b> |                  |                  |
| Administration  | 21               | 19               |
| Operational services  |                  |                  |
| - Office based  | 46               | 40               |
| - Scheme managers and cleaners  | 12               | 13               |
| - Community repairs team  | 53               | 46               |
|   | <u>132</u>       | <u>118</u>       |
|   | <b>2013</b>      | <b>2012</b>      |
|   | <b>£</b>         | <b>£</b>         |
| <b>Staff costs:</b>   |                  |                  |
| Wages and salaries  | 2,782,128        | 2,558,043        |
| Social security costs   | 211,477          | 191,178          |
| Pension costs   | 204,409          | 240,109          |
|   | <u>3,198,014</u> | <u>2,989,330</u> |

## 6. DIRECTORS' EMOLUMENTS

|            | <b>2013</b>    | <b>2012</b>    |
|------------|----------------|----------------|
|            | <b>£</b>       | <b>£</b>       |
| Emoluments | <u>322,664</u> | <u>313,103</u> |

The emoluments of the directors disclosed above (including pension contributions) include amounts to be paid to:

|                            |               |                |
|----------------------------|---------------|----------------|
| The highest paid executive | <u>94,365</u> | <u>100,319</u> |
|----------------------------|---------------|----------------|

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

None of the members of the Board of Management receive any remuneration.

**TAI CEREDIGION CYF**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2013**

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

|   | <b>2013</b>    | <b>2012</b>   |
|---|----------------|---------------|
|   | <b>£</b>       | <b>£</b>      |
| Interest on loans                               |                |               |
| - repayable wholly within 5 years               | -              | -             |
| - repayable by instalments in more than 5 years | 477,427        | 83,788        |
| - repayable other than by instalments           | -              | -             |
| Pension finance costs (FRS 17 – See note 21)    | 21,000         | 2,000         |
|   | <u>498,427</u> | <u>85,788</u> |

**8. TANGIBLE FIXED ASSETS – HOUSING AND OTHER PROPERTIES**

|                             | <b>Housing<br/>Properties<br/>Completed</b> | <b>Housing<br/>Properties<br/>under<br/>Construction</b> | <b>Total<br/>as at<br/>31 March</b> |
|-----------------------------|---|--|-------------------------------------|
| <b>COST</b>                 | <b>£</b>                                    | <b>£</b>   | <b>£</b>                            |
| At 1 April 2012             | 10,708,328                                  | -  | 10,708,328                          |
| Additions                   | 9,559,232                                   | 589,233  | 10,148,465                          |
|                             | <u>20,267,560</u>                           | <u>589,233</u>   | <u>20,856,793</u>                   |
| <b>SOCIAL HOUSING GRANT</b> |   |  |                                     |
| At 1 April 2012             | 1,897,543                                   | -  | 1,897,543                           |
| Received in year            | 2,456,906                                   | 589,233  | 3,046,139                           |
|                             | <u>4,354,449</u>                            | <u>589,233</u>   | <u>4,943,682</u>                    |
| <b>DEPRECIATION</b>         |   |  |                                     |
| At 1 April 2012             | 261,500                                     | -  | 261,500                             |
| Charge in year              | 580,229                                     | -  | 580,229                             |
|                             | <u>841,729</u>                              | <u>-</u>   | <u>841,729</u>                      |
| <b>NET BOOK VALUE</b>       |   |  |                                     |
| At 31 March 2013            | <u>15,071,382</u>                           | <u>-</u>   | <u>15,071,382</u>                   |
| At 31 March 2012            | <u>8,549,285</u>                            | <u>-</u>   | <u>8,549,285</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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

8. TANGIBLES FIXED ASSETS - HOUSING AND OTHER PROPERTIES

ADDITIONS TO COMPLETED PROPERTIES HELD FOR LETTING

|   | <b>2013</b>       | <b>2012</b>      |
|---|-------------------|------------------|
|   | <b>£</b>          | <b>£</b>         |
| Replacement of components                 | 9,436,142         | 7,432,793        |
| Purchase of existing properties           | 78,000            | -                |
| Improvements                              | 45,090            | -                |
|   | <u>9,559,232</u>  | <u>7,432,793</u> |
| Charged to Income and Expenditure Account | 1,927,731         | 2,142,567        |
| Total expenditure on completed properties | <u>11,486,963</u> | <u>9,575,360</u> |

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2013

9. TANGIBLE FIXED ASSETS - OTHER

|                       | Land    | Leasehold<br>Buildings | Office<br>Improvements | IT Equipment | Vehicles/<br>Other | Total     |
|-----------------------|---------|------------------------|------------------------|--------------|--------------------|-----------|
| COST                  | £       | £                      | £                      | £            | £                  | £         |
| At 1 April 2012       | -       | -                      | 10,605                 | 660,451      | 643,063            | 1,314,119 |
| Additions             | 156,000 | 288,000                | 2,808                  | 44,580       | 58,464             | 549,852   |
| At 31 March 2013      | 156,000 | 288,000                | 13,413                 | 705,031      | 701,527            | 1,863,971 |
| <b>DEPRECIATION</b>   |         |                        |                        |              |                    |           |
| At 1 April 2012       | -       | -                      | 883                    | 291,685      | 295,746            | 588,314   |
| Charge in year        | -       | 7,680                  | 496                    | 138,565      | 171,649            | 318,390   |
| At 31 March 2013      | -       | 7,680                  | 1,379                  | 430,250      | 467,395            | 906,704   |
| <b>NET BOOK VALUE</b> |         |                        |                        |              |                    |           |
| At 31 March 2013      | 156,000 | 280,320                | 12,034                 | 274,781      | 234,132            | 957,267   |
| At 31 March 2012      | -       | -                      | 9,722                  | 368,766      | 347,317            | 725,805   |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

## 10. DEBTORS

|                                       | 2013<br>£        | 2012<br>£        |
|---------------------------------------|------------------|------------------|
| Gross rent and service charge arrears | 509,797          | 405,058          |
| Less: provision for bad debts         | (59,019)         | (88,392)         |
|                                       | <u>450,778</u>   | <u>316,666</u>   |
| Net rent arrears                      | 450,778          | 316,666          |
| Prepayments and accrued income        | 1,857,144        | 885,297          |
|                                       | <u>2,307,922</u> | <u>1,201,963</u> |

## 11. STOCKS

|                    | 2013<br>£     | 2012<br>£     |
|--------------------|---------------|---------------|
| Stock of materials | <u>13,242</u> | <u>14,892</u> |

## 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|  | 2013<br>£        | 2012<br>£        |
|--|------------------|------------------|
| Trade creditors                          | 1,551,022        | 1,310,278        |
| Rent charges received in advance         | 166,812          | 159,123          |
| Social Housing Grant received in advance | 658,660          | -                |
| Accruals and other creditors             | 2,414,894        | 1,970,921        |
|  | <u>4,791,388</u> | <u>3,440,322</u> |

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

|  | 2013<br>£         | 2012<br>£        |
|--|-------------------|------------------|
| Loan due after more than one year                                  | 10,000,000        | 7,500,000        |
| Payments due to Ceredigion County Council after more than one year | -                 | 900,000          |
|  | <u>10,000,000</u> | <u>8,400,000</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 2013

## Debt Analysis - Housing Loans

|  | 2013<br>£         | 2012<br>£        |
|--|-------------------|------------------|
| One year or less                       | 174,367           | -                |
| More than one and less than two years  | -                 | 400,000          |
| More than two and less than five years | -                 | 500,000          |
| In more than five years                | 10,000,000        | 7,500,000        |
|  | <u>10,174,367</u> | <u>8,400,000</u> |

The £10m loan is a revolving facility on an interest only basis, running for a period until the second peak debt, scheduled for 2029, converting to a standard loan facility for a further 15 years. Interest is due and paid quarterly; the average interest rate was 2.09%, inclusive of margin . At 31 March 2013, Tai Ceredigion has un-drawn loan facilities of £25m.

## 14. NON-EQUITY SHARE CAPITAL

|  | 2013<br>£  | 2012<br>£  |
|--|------------|------------|
| Shares at £1 each, allotted and issued | 153        | 113        |
| Issued during the year                 | 18         | 40         |
| Cancelled during the year              | -          | -          |
|  | <u>171</u> | <u>153</u> |
| At 31 March 2013                       | <u>171</u> | <u>153</u> |

## 15. RESERVES

|                        | Designated<br>Reserves<br>£ | Income &<br>Expenditure<br>Account<br>£ | Total<br>Reserves<br>£ |
|------------------------|-----------------------------|---|------------------------|
| At 1 April 2012        | -                           | 1,388,901                               | 1,388,901              |
| Surplus for the year   | -                           | 1,716,757                               | 1,716,757              |
| Total actuarial losses | -                           | (508,000)                               | (508,000)              |
|                        | <u>-</u>                    | <u>2,597,658</u>                        | <u>2,597,658</u>       |
| At 31 March 2013       | <u>-</u>                    | <u>2,597,658</u>                        | <u>2,597,658</u>       |

**TAI CEREDIGION CYF**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2013**

**16. CAPITAL COMMITMENTS**

|   | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| Capital expenditure contracted but not provided for in the financial statements | 5,591,191   | 160,033     |
| Capital expenditure authorised by the Board but not contracted                  | 7,868,680   | 8,587,240   |

The above commitments will be funded by existing bank facilities.

**17. OTHER FINANCIAL COMMITMENTS**

|                            | <b>2013</b>               |              | <b>2012</b>               |              |
|----------------------------|---------------------------|--------------|---------------------------|--------------|
|                            | <b>Land and Buildings</b> | <b>Other</b> | <b>Land and Buildings</b> | <b>Other</b> |
|                            | <b>£</b>                  | <b>£</b>     | <b>£</b>                  | <b>£</b>     |
| Other leases which expire: |                           |              |                           |              |
| Within one year            | -                         | 5,511        | 9,862                     | -            |
| Within one to five years   | -                         | 504          | -                         | 7,754        |
| After five years           | -                         | 4,736        | -                         | 4,736        |
|                            | -                         | 10,751       | 9,862                     | 12,490       |

**18. HOUSING STOCK**

|   | <b>2013</b>   | <b>2012</b>   |
|---|---------------|---------------|
|   | <b>Number</b> | <b>Number</b> |
| <b>Number of units in management</b>      |               |               |
| <b>Housing accommodation for letting:</b> |               |               |
| General housing                           |               |               |
| Sheltered housing                         | 1,876         | 1,865         |
|   | 348           | 354           |
| Total rented                              | 2,224         | 2,219         |
| <b>Other units</b>                        |               |               |
| Right-to-buy leases                       | 137           | 137           |
| Shared ownership                          | -             | -             |
| Garages                                   | 697           | 702           |
| Commercial Property leases                | -             | -             |



**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2013**

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**19. RELATED PARTIES**

Tai Ceredigion is managed by a Board of Management (the Board) of fifteen people. Five of the Board members are tenants. The tenancies are provided based on the Tai Ceredigion's standard terms. The Board members cannot use their position to their advantage. Five 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. The remaining five Board members are all independent members.

**20. DEVELOPMENT AGREEMENT**

The Association 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 the Association. This transaction is not reflected in the financial statements. 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 the Association chooses not to complete the works specified, the development agreement may be terminated at no financial loss to the Association.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

**21. 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 2013 the employer contributions will be 11.3% of pensionable pay. The budgeted Current Service Cost for the year commencing 1 April 2013 is approximately 17.3% of pensionable salaries which is expected to result in an approximate service cost of £290,000.

| <b>Balance sheet items as at 31 March 2013</b> | <b>2013</b>  | <b>2012</b>  | <b>2011</b>  |
|--|--------------|--------------|--------------|
|  | <b>£000s</b> | <b>£000s</b> | <b>£000s</b> |
| Present value of funded benefit obligations    | 7,820        | 6,215        | 5,509        |
| Present value of unfunded benefit obligations  | -            | -            | -            |
| Total present value of benefit obligations     | 7,820        | 6,215        | 5,509        |
| Fair value of plan assets                      | (6,140)      | (5,160)      | (4,734)      |
| Unrecognised past service cost                 | -            | -            | -            |
|  | <hr/>        | <hr/>        | <hr/>        |
| Deficit  | 1,680        | 1,055        | 755          |
|  | <hr/>        | <hr/>        | <hr/>        |

**Components of pension cost for year to 31 March 2013**

|                                       |       |
|---------------------------------------|-------|
| Current Service Cost                  | 277   |
| Interest on Pension Liabilities       | 325   |
| Expected Return on Assets             | (304) |
| Past Service Cost (Gain)              | -     |
| Effect of Curtailments or Settlements | -     |
| Effect of paragraph 41 limit          | -     |
|                                       | <hr/> |
| Total pension cost recognised in I&E  | 298   |
|                                       | <hr/> |

**Statement of other comprehensive income**

|  |       |
|--|-------|
| Actuarial (gains)/losses                   | 508   |
| Effect of paragraph 41 limit               | -     |
|  | <hr/> |
| Total pension cost recognised in the STRGL | 508   |
|  | <hr/> |

**Additional disclosure items**

|                  | Assets at 31 March 2013 |       | Assets at 31 March 2012 |       |
|------------------|-------------------------|-------|-------------------------|-------|
|                  | £000s                   | %     | £000s                   | %     |
| Equities         | 4,316                   | 70.3% | 3,571                   | 69.2% |
| Government bonds | 663                     | 10.8% | 573                     | 11.1% |
| Other bonds      | 632                     | 10.3% | 578                     | 11.2% |
| Property         | 461                     | 7.5%  | 366                     | 7.1%  |
| Cash/liquidity   | 68                      | 1.1%  | 72                      | 1.4%  |
| Other            | -                       | 0.0%  | -                       | 0.0%  |
|                  | <hr/>                   |       | <hr/>                   |       |
| <b>Total</b>     | <b>6,140</b>            |       | <b>5,160</b>            |       |
|                  | <hr/>                   |       | <hr/>                   |       |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

## 21. PENSION SCHEME (Continued)

## Change in benefit obligation during year to 31 March 2013

|   | £000s<br>Unfunded<br>Benefits | £000s<br>All<br>benefits |                                   |
|---|-------------------------------|--------------------------|-----------------------------------|
| Benefit obligation at beginning of year | -                             | 6,215                    |                                   |
| Current service cost                    | -                             | 277                      | (17.3% of pensionable payroll)    |
| Interest on pension liabilities         | -                             | 325                      |                                   |
| Member contributions                    | -                             | 102                      |                                   |
| Past service cost                       | -                             | -                        |                                   |
| Actuarial (gains)/losses on liabilities | -                             | 929                      | (11.9% of period end liabilities) |
| Curtailements                           | -                             | -                        |                                   |
| Settlements                             | -                             | -                        |                                   |
| Benefits/transfers paid                 | -                             | (28)                     |                                   |
| Business combinations                   | -                             | -                        |                                   |
|   | -                             | 7,820                    |                                   |

## Change in plan assets during year to 31 March 2013

|   |   |       |                                |
|---|---|-------|--------------------------------|
| Fair value of plan assets at beginning of year  | - | 5,160 |                                |
| Expected return on plan assets                  | - | 304   |                                |
| Actuarial gains/(losses) on assets              | - | 421   | (6.9% period end assets)       |
| Business combinations                           | - | -     |                                |
| Settlements                                     | - | -     |                                |
| Employer contributions                          | - | 181   |                                |
| Member contributions                            | - | 102   |                                |
| Benefits/transfers paid                         | - | (28)  |                                |
|   | - | 6,140 |                                |
|   |   | 726   |                                |
| <b>Actual Return on plan assets</b>             |   | 726   |                                |
| <b>Experience gains/(losses) on assets</b>      |   | 421   | (6.9% of period end assets)    |
| <b>Experience gains/(losses) on liabilities</b> |   | 0     | (0% of period end liabilities) |

## 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        | 2.60%               | 2.40%         |
| - Rate of increase in salaries | 4.35%               | 4.15%         |
| - Rate of increase in pensions | 2.60%               | 2.40%         |
| - Discount rate                | 5.10%               | 4.40%         |

## Expected rate of return on assets (gross of expenses)

|                    |       |       |
|--------------------|-------|-------|
| - Equities         | 7.00% | 7.00% |
| - Government bonds | 3.10% | 2.80% |
| - Other bonds      | 4.10% | 3.90% |
| - Property         | 6.00% | 5.70% |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

|                                  |              |              |
|----------------------------------|--------------|--------------|
| - Cash/liquidity                 | 0.50%        | 0.50%        |
| - Other                          | 7.00%        | 7.00%        |
| <i>Expenses deduction (p.a.)</i> | <i>0.32%</i> | <i>0.32%</i> |

21. PENSION SCHEME (Continued)

Asset split by investment category

|                    | 2013                                    | 2012                                    |
|--------------------|---|---|
| - Equities         | 70.3%                                   | 69.2%                                   |
| - Government bonds | 10.8%                                   | 11.1%                                   |
| - Other bonds      | 10.3%                                   | 11.2%                                   |
| - Property         | 7.5%                                    | 7.1%                                    |
| - Cash/liquidity   | 1.1%                                    | 1.4%                                    |
| - Other            | 0.0%                                    | 0.0%                                    |
|                    | 100.0%                                  | 100.0%                                  |
|                    | <i>(determined as at 31 March 2013)</i> | <i>(determined as at 31 March 2012)</i> |

Whole fund asset details

|                            | Value (£m) | Determined as at: |
|----------------------------|------------|-------------------|
| - Last actuarial valuation | 1,234      | 31 March 2010     |
| - Start of period          | 1,381      | 31 March 2012     |
| - End of period            | 1,440      | 31 December 2012  |

Tai Ceredigion also offers the Social Housing Pension Scheme (SHPS).

Tai Ceredigion participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.