



*at the heart of your community*



# **ANNUAL REPORT**

and Financial Statements

For the year ended 31<sup>st</sup> March 2018

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Tai Calon Community Housing Limited is a charitable association, registered with Welsh Government (registration number L153) and Registered with charitable rules under the Co-operative and Community Benefit Society Act No. 30950R

# CHAIR OF THE BOARD'S REPORT

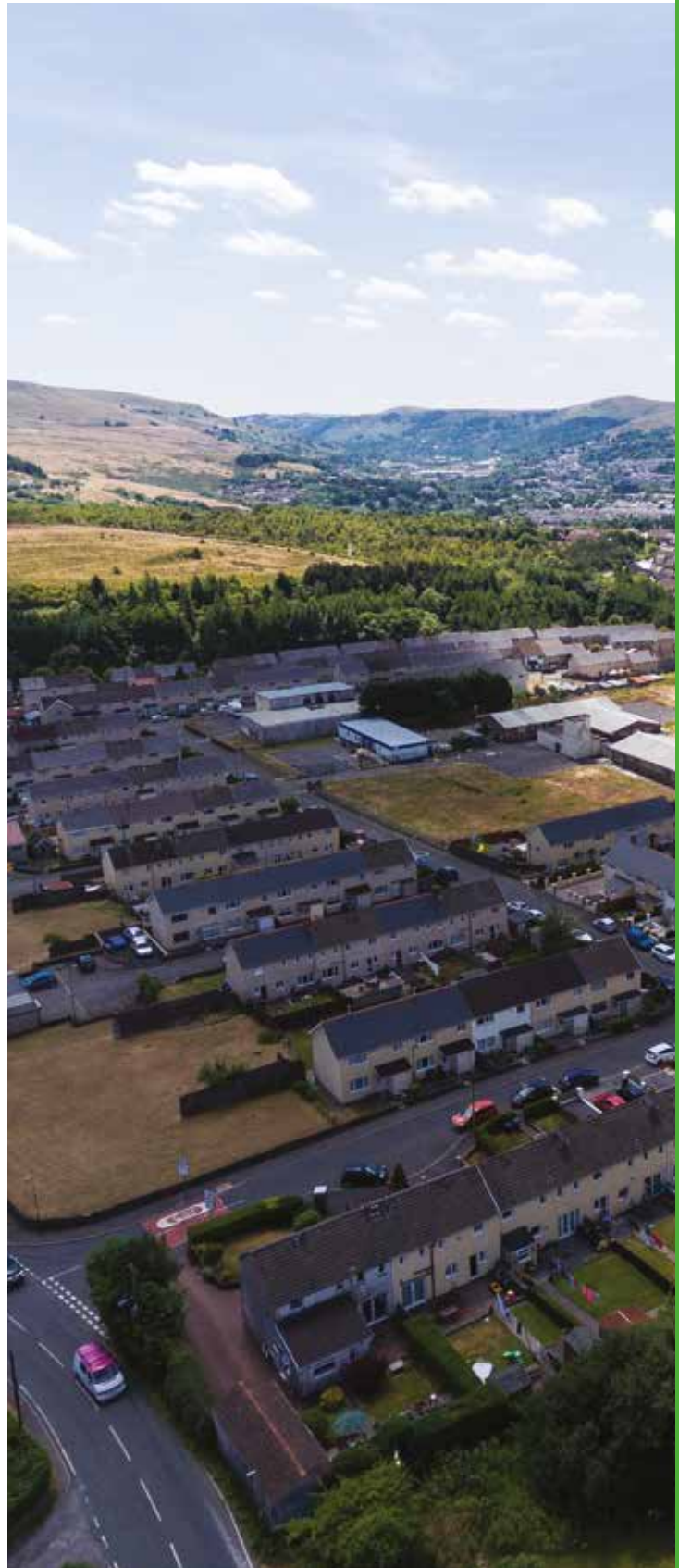
**I am very pleased to present Tai Calon's Annual Report and Financial Statements for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018.**

It gives me great pleasure to be able to report that we have seen significant progress across a range of our services. The number of empty homes has dropped to the lowest level ever, and the repairs service is improving and becoming much more customer focused.

During the year, we have welcomed new Board Members who have quickly fitted into their roles, displaying commitment, enthusiasm and effective team working. They come from diverse backgrounds and possess a range of different, but relevant, experiences. These new members bring much valued knowledge and skills to supplement those of the more experienced members in Board discussions and decision making.

There is now a very effective relationship between Board Members and the Executive Team. The Board continues to challenge in a robust, but constructive manner. There is, nevertheless, strong mutual trust and respect between Board Members and the Executive Team. We work well together on strategic projects, such as developing the Asset Management Strategy and the stress testing of our business plan. This year there was a comprehensive self-evaluation exercise carried out, which illustrated the high regard the Board has for staff and their achievements over this year.

Tenants will always be at the heart of Tai Calon's work. It has been pleasing to see an expansion in the numbers of tenants getting involved, in a variety of ways, with improving neighbourhoods



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For the year ended 31<sup>st</sup> March 2018

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and communities. This has been a very positive development and in the coming year we wish to see this continue.

To conclude, on behalf of the Board, I would like to express our sincere thanks to:

All our tenants and residents who make such positive contributions to their neighbourhoods and communities and to the work of Tai Calon;

Our staff, who work so hard to deliver high quality and customer focused services; and

Our many partners, in particular our Blaenau Gwent County Borough Council colleagues, our contractors and the agencies that support our work.

I would also like to mention the Board's appreciation for the support we receive from Nick Smith MP and Alun Davies AM.

I am confident that, going forward, we now have a strong Board and highly skilled team in place that are capable of leading the business and addressing our challenges. We are determined to ensure that Tai Calon continues to develop as a forward thinking and dynamic organisation, to become one of the best housing associations in Wales.



*Norma Barry*

**Dr. Norma Barry**  
Board Chair

# CHIEF EXECUTIVE'S REPORT

**Reflecting on the last year, I think we can feel pleased with the progress made, and we can look forward with confidence that we will continue to improve our organisation and our standard of service delivery.**

Ensuring that we are continuously improving is important to us and we now have a range of important sources of data to show us, both how we are progressing, and where we need to focus on improvements.

The most important data source is the independent annual satisfaction survey of one third of all tenants and leaseholders. Carried out by ARP Research, this gives us important feedback on trends in satisfaction, and enables us to focus our attention on the areas most important to our customers. We use the feedback to address any areas of relatively lower satisfaction.

Pleasingly, we saw positive increases in satisfaction with repairs, with 'being kept informed', and in 'overall satisfaction'; these were areas we had focused on to bring about improvements, following feedback from the previous year's survey.

We use Housemark benchmarking, to compare our performance and costs with other Housing Associations across Wales, and in England. This is a particularly useful tool that enables us to bring about service improvements and deliver the best possible value for money.

An area of marked improvement is that of the number of empty homes. We began the year with 186 and finished it with 85. The trend continues downward and our target for the year is 60. This means an additional 101 families housed and approximately £400,000 rent income generated.

This improvement has happened because of the teams working closely together, and with a shared ambition to achieve the best possible results.

Another area of positive performance is the income team which is one of the very best in Wales and we are proud of the work they do. This is fundamentally important to our business, but it also helps keep tenants out of debt and in their home.

We aim to see such progress in all our performance areas and to make people proud of Tai Calon.

We would wish to thank all the tenants and leaseholders who give up their time to work with us, and to thank our staff and contractors for delivering the fantastic improvements over the year.

Thank you all and we look forward to even better performance next year!



A handwritten signature in blue ink, appearing to read 'J. Logan', written over a white background.

**Joe Logan**  
Chief Executive

# BACKGROUND AND SOCIO ECONOMIC CONTEXT

**Tai Calon Community Housing was formed on 26<sup>th</sup> July 2010 as part of a Large Scale Voluntary Transfer from Blaenau Gwent County Borough Council and is the largest social housing landlord in Blaenau Gwent.**

We have 5,968 general needs homes in management in neighbourhoods across the Borough. Most of these are three bedroom houses, and all have been brought up to the Welsh Housing Quality Standard. A significant number of our homes are of non traditional construction which can be more complex to maintain. We work hard to ensure that our homes are the right size, standard and location and consider remodelling, demolition or disposal as part of our Asset Management Strategy.

Blaenau Gwent is home to 69,630 people. Unemployment in Blaenau Gwent is higher and income lower than the Welsh average, and

the take-up of in-work benefits is high. More people from Blaenau Gwent work outside the Borough than from nearly any other area in Wales, which can mean larger travel bills.

The proportion of homes that have access to the internet in Blaenau Gwent is the second lowest in Wales, at 78%. This presents challenges for Tai Calon as it evolves to be a digitally inclusive landlord, providing as much of its services and information electronically as possible. Many of the benefits that our tenants rely on are increasingly accessed digitally, so low levels of internet usage pose a threat to Tai Calon’s rental income.

	Employment Rate aged 16-64 years old <sup>1</sup>	Income <sup>1</sup>	Proportion of residents who commute outside the Borough <sup>2</sup>	Proportion who have internet access at home <sup>3</sup>
<b>Blaenau Gwent</b>	68.4%	£546.50	51%	78%
<b>Wales</b>	72.4%	£578.50	31%	84%
<b>Position out of 22 Welsh local authorities</b>	20 <sup>th</sup>	18 <sup>th</sup>	2 <sup>nd</sup>	21 <sup>st</sup>

However Blaenau Gwent is changing. The A465 Heads of the Valleys upgrade will improve transport links into the area, and work has begun on the first phase of a new £100 million automotive business park in Ebbw Vale. Tai Calon

is committed to playing a full part in Blaenau Gwent’s improvement in accordance with our vision of providing homes and neighbourhoods where people are proud to live.

**Source:** <sup>1</sup>- Stats wales.gov.uk Data to December 2017, <sup>2</sup> - Stats Wales, Data to 30 June 2017, <sup>3</sup>- National Survey for Wales 2016/17

# THE 2017/18 STAR SURVEY RESULTS

Tai Calon conducts an annual independent STAR (Satisfaction of Tenants and Residents) survey. The survey took place in September 2017 and 2,045 questionnaires were distributed to tenants and leaseholders in all our neighbourhoods. 709 responses were received, giving a response rate of 37%.



Bench Mark	2016 result	Change over time	2017 result	
85%	64%	↑	77%	satisfaction overall
84%	71%	↑	75%	quality of home
84%	73%	↑	78%	value for money of rent
72%	53%	↑	63%	listens to views and acts on them
80%	64%	↑	76%	being kept informed
82%	71%	↑	75%	dealing with enquiries generally
78%	55%	↑	67%	repairs & maintenance overall
85%	73%	↑	79%	neighbourhood as a place to live

It is very encouraging to see the improvement in satisfaction in 2017's results compared to those from 2016. All areas have risen, with significant improvements in the results for overall satisfaction and repairs and maintenance. These come on the back of several operational changes made after the results of 2016, particularly in the repairs area where there was a focus on reducing the time tenants had to wait for a repair, and ensuring that they were better informed and kept up to date.

There is more work to do to improve tenant satisfaction, as Tai Calon's results are still lower than many other Welsh Housing Associations. Tai Calon will continue to invest in better tenant engagement, tenant communications and further improvements to the repairs experience in 2018/19.

To measure this improvement a similar STAR survey will be conducted in September 2018.

# FINANCIAL PERFORMANCE

The 2017/18 financial statements are prepared under Financial Reporting Standard (FRS102), Accounting Standard and Housing Statement of Recommended Practice (SORP 2014).

In December 2015 Board agreed to use the transitional provisions available under FRS102 to restate housing properties at valuation and then treat this as deemed historic cost. This had the impact of increasing the historic cost value that the assets are held on the Statement of Financial Position, with a revaluation reserve created to account for the difference. At the same time historic social housing grant was taken to the Statement of Comprehensive Income which in turn generated a positive movement on reserves.

The financial result for the year ending 31<sup>st</sup> March 2018 is a deficit of £2.695 million compared to the previous year figure of £6.213

million. This was mainly driven by the changes in pension past service deficit contributions during the year.

The pension deficit for the year ending 31<sup>st</sup> March 2018 stands at £13.423 million and has reduced by £154,000 as recognised in the Statement of Comprehensive Income. The financial statements also include a Statement of Cash Flows which has been set out in accordance with the Welsh Government accounting determination. This requires the statement of both cash flow and free cash flow which is considered to be a closer definition of operational efficiency.

## 2017/18 Financial Statement – Results Summary Statement of Comprehensive Income

	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000	Movement £'000
Turnover	24,289	23,353	936
Operating Expenditure	(24,936)	(23,472)	(1,464)
<b>Operating Deficit</b>	<b>(647)</b>	<b>(119)</b>	<b>(528)</b>
Sale of Assets	345	452	(107)
Net Interest	(4,096)	(4,012)	(84)
Pension Deficit Adjustment	1,703	(2,534)	4,237
<b>Net Deficit on Comprehensive Income for the Year</b>	<b>(2,695)</b>	<b>(6,213)</b>	<b>3,518</b>



Turnover has increased by 4.01% from £23.353 million to £24.289 million which has been driven by the increase in rents as set out in Welsh Government rent policy and changes to property numbers. Our operating deficit is £647,000 which is £528,000 higher than in 2016/17.

The net cost of borrowing was £4.096 million, an increase of £84,000 on the previous year mainly due to an increase in the base rate to 0.5% from 0.25%. This reflects the efficient management of Tai Calon’s cash resources during the year with our total borrowings marginally increasing by £250,000 to £72.5 million at the year end. This additional borrowing was within the cash flow deficit covenant as agreed with the funders and helped to support works undertaken to maintain Welsh Housing Quality Standard (WHQS).

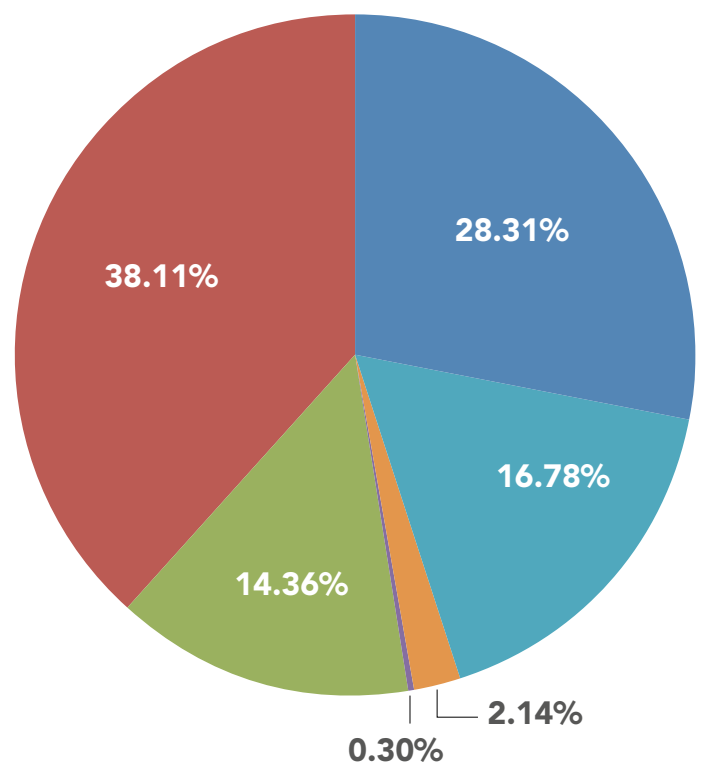
As at the 31<sup>st</sup> March 2018 the Association has £32.5 million of unutilised funding facility that, subject to annual covenants, it could draw upon alongside cash at the bank and in hand totalling £1.515 million. Our debt ratio was 24% at variable and 76% at fixed interest rates which is compliant with our treasury management strategy. Our covenants in respect of cash flow deficit, asset cover and debt per unit were all met.

As part of our annual corporate planning process we have set both our 2018/19 Budget, Medium Term Financial Plan and updated the 30 year Business Plan. The Medium Term Financial Plan identifies that we will continue to increase our debt with cash flow deficits planned until peak debt is reached. Over that period we will continue to improve our housing assets with a significant windows replacement programme underway. The total funding facility is £105 million, of which £25 million is a revolving credit facility which can be drawn, repaid and redrawn as required.

The Business Plan is subject to annual approval by the funders and is reviewed by the Regulator as part of its Regulatory Judgment. The Plan includes a number of key assumptions such as stock condition survey costs, inflation and interest rates, rent increases, impact of welfare reform, the level of empty homes and management costs. These assumptions are regularly reviewed and sensitivity and scenario analysis undertaken. It is pleasing to note a Regulatory Judgement of “Standard” which confirms that we meet viability requirements and have the financial capacity to deal with scenarios appropriately.

### Analysis of Operating Expenditure 2017/18

- Management & Service
- Routine Maintenance
- Major Repairs
- Bad Debts
- Depreciation
- Impairment of housing properties



## ASSETS

Effective Asset Management and a reduction in the number of empty homes remains a corporate priority. The Board made some significant strategic asset management decisions to progress this priority, including approval of the Asset Management Strategy and a list of Priority Projects for future consideration by the Board. The ambition is to secure funding to build new homes on some of these sites in the future and the Board has made the decision to explore in detail building new homes on a site in Ebbw Vale subject to a grant from Welsh Government.

Following a successful pilot of conversions of a small number of homes from three bedrooms to two, this approach has been continued to better match the housing needs of future tenants. The approach has proved successful in assisting in reducing empty homes. The window replacement programme has continued, along with improvements to external renders, roofing, gardens and the environment around homes.

The Board approved an investment of £12.6 million in homes and communities between April 2018 and March 2019 as well as indicative medium term investment of £33.3 million between April 2019 and March 2023. The future Medium Term Investment Programme is subject

to annual review and approval by the Tai Calon Board and is subject to affordability. Over the next 5 years this amounts to a total investment of £45.9 million.

### Over the next 5 years Tai Calon aims to deliver investment in homes and communities via four major works programmes:

- Works to estates and the environment e.g. open spaces, roads, car parks and drains
- Works to gardens and boundaries e.g. garden paths, walls, fences and gates
- External works to homes e.g. windows, doors, render and roofing
- Internal works to homes e.g. boilers, electrical wiring, kitchens and bathrooms. These works will maintain compliance with Tai Calon's Welsh Housing Quality Standard Compliance Policy, a copy of which can be found on our website.

The work to be carried out over the next 5 years will be completed in a priority order. The highest priority is health, safety, legal compliance and Welsh Housing Quality Standards. In addition a planned preventative maintenance programme will be developed and implemented by March 2021.

### Medium Term Investment Programme

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Estates & Environment	1,200	1,200	200	200	255
Gardens & Boundaries	1,191	1,192	1,192	476	500
External	6,892	7,672	4,313	4,826	1,409
Internal	3,066	3,087	1,735	1,942	3,287
<b>Total</b>	<b>12,349</b>	<b>13,151</b>	<b>7,440</b>	<b>7,444</b>	<b>5,451</b>

# PERFORMANCE AND BENCHMARKING

Tai Calon has an agreed set of Key Performance Indicators (KPIs) and associated targets that cover our operational activities. Performance for 2017/18, and the previous financial year is described in Table 1. Additionally, Welsh Government require all Registered Social Landlords to prepare a set of Value for Money (VFM) KPIs. These are described in Table 2 for 2016/17 and 2017/18. Performance for the Welsh sector against the VFM KPIs is also included in Table 2.

Table 1- Operational KPIs	2016/17	2017/18	Target
<b>Repairs and Maintenance KPIs</b>			
Percentage of Gas Servicing completed on time	99.91%	99.87%	100.00%
Repairs completed in Target time	96.48%	97.00%	98.50%
Percentage of Emergency repairs attended in 2 hours	-	80.12%	95%
Repairs completed right first time	90%	92.71%	85%
<b>Customer Contact and Tenant Satisfaction KPIs</b>			
Percentage of calls answered by Customer Services	97.20%	97.02%	95.00%
Customer Satisfaction with Customer Services	99.09%	99.57%	95.00%
Number of complaints upheld	136	35	122
Percentage of tenants happy with their neighbourhood	86.61%	86.40%	90.00%
Tenant satisfaction with let properties	98.66%	97.67%	92.00%
Overall satisfaction with Repairs Process	94.04%	90.64%	95.00%
<b>Empty Home KPIs</b>			
Maximum number of void properties	188	85	100
Income loss through vacant properties	3.56%	3.02%	3.00%
Average cost of void repairs	£5,194	£6,256	-
<b>Rents and Income KPIs</b>			
Current tenant rent arrears as a % of rent owed (inc. arrears b/f)	1.29%	1.00%	2.00%
Amount of rent collected as a % of rent owed (excluding water rates)	100.21%	100.24%	99.00%

## Table 2 - Value For Money Key Performance Indicators

Key Performance Indicator	Wales Sector Averages 2016/17	Tai Calon 2016/17	Tai Calon 2017/18*
Operating costs for lettings per Social Housing unit	£2,990	£3,130.56	£3,445.54
Management costs per Social Housing unit	£1,181	£1,304.08	£1,338.64
Reactive repair costs per Social Housing unit	£1,091	£1,313.74	£1,452.92
Major repairs and component costs per Social Housing unit (Capital)	£1,084	£879.10	£1,146.63
Bad debts per Social Housing unit	£29	£15.49	£11.56
"Weighted average cost of capital (current year)"	4.87%	5.59%	5.66%
Free cash flow (before draw down or repayment of loans)	£222,000	£-5,881,000	£-5,756,000
Gross Arrears/Social Housing turnover	4.30%	0.93%	0.83%
Total rent per Social Housing unit	£5,076	£3,796.50	£3,973.53
Rental void loss per Social Housing unit	£79	£136.39	£121.15

\* Figures in this column based on 2016/17 definitions which may be subject to change

### Operating Costs

Operating costs have increased since last year. There are two significant reasons for this, the first is an actuarial adjustment related to FRS 102 and the pension scheme. Secondly, these costs include void works. As discussed below, the number of voids has decreased significantly through the year. This reduction involved higher up front costs however, as large numbers of previously empty homes needed to be brought back into circulation.

### Repairs and Maintenance

Ensuring that our tenants' homes are safe and maintained to the standard they expect is very important to us. It's also very important to our

tenants, which was made clear in the 2016 STAR survey when they gave us a score of 55% for satisfaction with repairs and maintenance.

In early 2017, we made a number of changes as a result of this feedback to improve the service tenants receive, the time they have to wait for the repair and how we keep them informed through the process. It's encouraging that the STAR survey in 2017 showed a marked improvement in satisfaction with repairs, rising 12% to 67%, however we recognise that there is far more to do in this area.

We are looking to continue to improve the repairs service provided in 2017/18. Alongside this we will be continuing to move from reactive repairs to planned maintenance, focusing on replacing components at the end of their lifespan rather than fixing them when they stop working.

### **Customer Contact and Customer Satisfaction**

Our Customer Services answered 97% of all calls received, and callers were satisfied with the way the call was handled more than 99% of the time.

Telephone is the primary method that tenants use to contact us, and we received over 86,000 calls in the year. We have developed a digital strategy where we will be offering a greater variety of ways for tenants to interact with us in the future. This could be by email, using our website or other digital channels.

Offering a greater variety of channels for tenants to communicate with us has a variety of benefits. It offers the opportunity for cost savings, with the average cost of an online interaction being £0.13 compared with £4.20 for a telephone call. It also assists with the transition to Universal Credit by building experience of accessing services online, as new Universal Credit applicants are expected to apply digitally.

### **Empty Homes**

Reducing the number of empty homes has been a key area of focus for Tai Calon in 2017/18. Each empty home is a missed opportunity for us on multiple levels as it means less rent for Tai Calon, a family looking for a home not being housed, and a less attractive neighbourhood for the other residents of the street.

At the start of the year we set ourselves an ambitious target of reducing the number of empty homes from 188 at the start of the year to 100 by year end. To achieve the target we formed a cross functional team tasked with

examining the whole void properties process from the previous tenant leaving to letting the property to the new tenant moving in.

The result was that we exceeded the target and ended the year at 85 empty homes, which is the lowest empty homes figure for several years and a 55% reduction through the year. Whilst there was an increased cost to this activity, as mentioned above, this is justified by the benefit to our income as more of our homes are occupied and receiving rent.

The focus on empty homes will continue in 2018/19. We have set ourselves a target of another reduction to 1% of stock, and will also be focusing on reducing the time homes are empty and the cost of repairing them.

### **Rents and Income**

The overall rent received per unit rose slightly in 2017/18 to £3,973.53 compared to the 2016/17 figure of £3,796.50. Tai Calon's rent levels remain very low however in comparison with the rest of Wales figure of £5,076.

Low levels of rent arrears and high levels of rent collected have traditionally been an area of strength for Tai Calon. This performance continued in 2017/18 with current tenant arrears of 1% and rent collected of 100.24%.

The rent collected figure of above 100% is in line with our strategy of encouraging tenants to maintain a credit balance where it is appropriate to do so. Universal Credit was fully deployed in Blaenau Gwent in July 2018, and a credit balance is helpful in smoothing over the transition between the two sets of benefits without significantly increasing arrears.

We will continue to work with tenants incurring arrears and will continue our policy of early intervention to minimise them before they occur rather than collecting them when they have built up. This is in the best interest of ourselves and our tenants.

## HELPING TENANTS INTO EMPLOYMENT

In line with our value of Focusing on Tenants and Communities, we run a number of schemes to improve the life chances of tenants and residents of Blaenau Gwent by helping them gain new skills and obtain employment.

These schemes can help increase the income of our tenants, which benefits Tai Calon as they are better able to pay their rent and have more income to spend in the local economy. The team have engaged with a variety of partners in 2017/18:



### Volunteer Work Placements

Tai Calon has partnered with a variety of other agencies such as Communities for Work and Job Centre Plus to provide opportunities for clients to work alongside Tai Calon staff. Placements have been made in the IT, Finance, Communities, Green Earth, Housing and Human Resources teams. In total 48 clients have attended the programme, 18 have gained employment and four have gained an Agored Cymru Entry Level 1 award in Exploring Horticulture.

### Learn to Earn

In partnership with Aneurin Leisure Tai Calon has developed a programme where tenants and residents are given the skills to begin a career in the sports and leisure sector. Two applicants began the pilot programme and both have gained the qualifications they studied for and obtained employment in the leisure sector. The project is to be extended into 2018/19.

### Dame Kelly Holmes "Get on Track"

Tai Calon has run a second cohort of clients through the Get on Track programme. Designed to engage with young people who face disadvantage, the programme uses top athletes to act as mentors and help them achieve their potential. Twelve young people began the programme and all twelve completed it. Since then one has moved into employment and will receive coaching and support over the next year. The programme will run for a further three years until 2021.

### Growing Spaces Brynmawr

Growing Spaces is a project where Tai Calon has provided shop premises in Brynmawr. They collect furniture left in Tai Calon's void properties and then upcycle it for sale to the public. They also recycle paint from major manufacturers to sell to tenants and the public at a discount.

# RISK

Risk management is important to Tai Calon as it is fundamental to operating safely and effectively. The Welsh Government, as regulator of the sector, expects the Board to have a thorough understanding of the risks facing the organisation and to be confident that those risks are being managed effectively.

Tai Calon maintains both corporate and operational risk registers. These are reviewed every quarter, and contain the details of the risk itself, its severity and the action to be taken










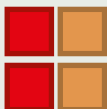


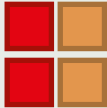

to mitigate it. The Audit and Risk Committee (ARC) then review the corporate risks quarterly and will commission external audits of specific risks as necessary. Tai Calon’s risk appetite – the amount of risk we are prepared to accept in order to meet our strategic objectives – is also set annually by the Board.



The risk cycle is shown graphically below while more detail on the major risks facing Tai Calon are shown on the following page.










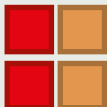




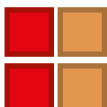


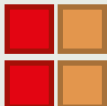
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For the year ended 31<sup>st</sup> March 2018

Inherent risk	Grading	Residual risk	Grading
That employees, tenants, contractors or the public are not kept safe.		While good progress has been made in this area, it was felt that this risk should be maintained at red.	
That the improvements required by Welsh Government are not delivered.		Many of the improvements required in 2016 have been delivered and Tai Calon hold regular meetings with Welsh Government.	
That a major fraud takes place.		We have deployed a range of controls across Tai Calon and the external auditors did not identify any major weaknesses in these controls.	
Risk of negative publicity affecting our reputation.		We have built good relations with other stakeholders and are working hard to promote positive engagement	
That our financial plans and assumptions are not fit for purpose and undermine our viability.		We have reviewed our cost base and improved the accuracy of our stock condition data which has reduced our risk level. This area will be kept under review due to the effect of factors outside our control, such as Brexit, will have on our assumptions	
That the Welsh Government alters its rent policy affecting our business plan.		We work closely with the Welsh Government on rent policy, however this risk has been maintained as red because we are still awaiting the outcome of the Welsh Government Rent Policy review.	
That we are not able to invest to maintain homes to the expected standards.		Where appropriate we always look to remodel or redevelop our stock so that it fits the needs of the area and are improving our systems to control our costs.	

			
High risk – Red	Medium risk – Red / Amber	Medium risk– Amber/Green	Low risk- Green



Inherent risk	Grading	Residual risk	Grading
That welfare reform changes impact significantly on the socio/economic outcomes of tenants leading to higher voids and anti-social behaviour.		We have developed good links with the DWP and the Council; however the move to full service in Blaenau Gwent of Universal Credit in July 2018 means that the risk level is retained at red.	
That the number of empty homes remains high.		Intense activity in 2017/18 has reduced the number of empty homes considerably with a consequent reduction in the risk level.	
Unable to embed the cultural change required to enable delivery of 20/20 Vision.		Positive feedback from our staff survey and the staff conference has lowered the risk level.	
Risk that community decline affects Tai Calon's ability to operate.		The number of empty homes has been reduced considerably and new standards for neighbourhoods are being deployed.	
That internal controls are not embedded.		The activities we have in place have been externally audited and found to be fit for purpose.	
That service delivery improvements are not implemented due to poor data.		We are reviewing both our data and communications strategies to ensure they are fit for purpose.	
Risk that Tai Calon is unprepared for the additional accountability and assurance that the General Data Protection Regulation requires.		A programme of training and an Information Asset Register has been put in place for key staff across the organisation.	
Failure to meet the Corporate plan goals when developing new homes.		The Board has agreed an Asset Management Strategy which will allow Tai Calon to meet its objectives.	

# GOVERNANCE AND INTERNAL CONTROL

## Governance

Tai Calon is governed by the Board and managed by the Executive Team. As a Community Housing Mutual, tenants are entitled to become tenant shareholders and at the end of the year shareholder membership stood at 659.

The Board has overall responsibility for the strategic direction, financial probity and for ensuring that we have the appropriate resources available to achieve our goals and standards of service.

### The composition of the Board is as follows:

- Six Independent Board members – selected by the Board and elected at the Annual General Meeting
- Three Tenant Board members – elected by the tenants of Tai Calon, with the result ratified at the Annual General Meeting
- Three Council appointed Board members who are nominated by Blaenau Gwent County Borough Council
- Up to three Co-opted members may also be on the Board albeit they may not vote

All our Board Members, with the exception of those co-opted, have the right to vote at Board meetings. The Executive Team attend Board meetings but do not have voting rights. Board members work together to deliver the aims and objectives of the Association. The Board meets on average eight times a year and a work plan has been established. This plan includes overseeing finances, agreeing policies, monitoring performance, making strategic decisions and generally ensuring good

governance is in place across the business. To support this aim we have adopted the revised Code of Governance published by Community Housing Cymru in June 2018. A review of our compliance with the Code of Governance was undertaken by Board in July 2018. The Committee has also reviewed the evidence base which provides assurance to the Regulator in respect of the Annual Statement of Compliance.

The Board recognises the importance of self-evaluation. We have undertaken an exercise in 2017/18 which has been integral to our corporate planning process.

The Board has updated its Standing Orders, Financial Regulations, Scheme of Delegation and Procurement Framework during 2017/18 where relevant.

Tai Calon is committed to fairness and equality across all of our services, as we recognise the benefits that it brings to both the Board and our staff. We published our 2017/18 Gender Pay Gap Report in March 2018 and will continue to work to develop our policies and procedures in a way that encourages inclusion and a fair and diverse work environment.

An Audit and Risk Committee is in place. This Committee meets four times a year and is delegated to monitor internal and external audit, risk management and internal controls, fraud and irregularities and review the financial statements. An Operations Committee meets quarterly and reviews the performance of the organisation in respect of service delivery and tenant engagement. An Executive Appointments and Remuneration Committee meet at least once a year. They review the performance and terms and conditions of the Executive Team.

The Association received a positive Regulatory Judgement in September 2017 which included the highest rated categories for both governance and finance. As well as the positive regulatory assessment, the organisation has received positive internal and external audit opinions.

### Internal Control

The Board is responsible for ensuring that our business operates effectively and achieves its objectives.

It is the Board's responsibility to have a system in place that identifies and manages risk. This includes effective internal control systems and procedures to minimise the risk of loss through fraud, corruption, errors and mismanagement. The Board has an Anti-Fraud Policy which aims to achieve these objectives.

**Whilst the Board cannot delegate ultimate responsibility for the system of internal control, it has delegated responsibility to the Audit and Risk Committee which will rely on a number of forms of assurance. To do this the Board has taken three steps:**

- Identified/reviewed our business objectives, the possible opportunities and the risks and threats to achieving the objectives.
- Formed/reviewed our framework for managing and identifying risk; and
- Identified how the Board will obtain assurance that the risk management policies adopted are adequate and operating effectively.



### **The internal control framework is based on a Three Lines of Defence approach and seeks assurance by ensuring that:**

- Experienced and suitably qualified staff take responsibility for key processes and decisions, staff are appropriately trained and performance supervised and monitored;
- The Audit and Risk Committee continually review and receive reports upon all aspects of internal control to ensure they are working effectively and being followed, including fraud and irregularities;
- Regular reports are provided from directors and senior managers, which cover operational and financial matters, to give assurance that internal controls are working effectively;
- Regular monitoring and reporting of all risk related matters, including results of control of risk management procedures and strategic and operational risk maps;
- The Audit and Risk Committee reviews and monitors reports from Internal Audit and External Audit to provide reasonable assurance that control procedures are in place and being followed;
- Effective system of monitoring performance on key business areas;
- Effective corporate governance arrangements and compliance with regulatory requirements.
- Additional work has been undertaken to provide assurance in respect of health and safety responsibilities including landlord duties, and a peer review has been undertaken.

The Association has received a positive annual internal audit statement and has continued its oversight by both the Executive Team and the Audit and Risk Committee on the implementation of internal audit recommendations. The Audit and Risk Committee has reviewed this evidence and reported to Board favourably on the reliability of the system of internal control.

Having reviewed the evidence presented, Board are satisfied that there are no weaknesses in our system of internal control which might lead to material losses, contingencies or uncertainties which require disclosure in the financial statements or the auditor's report on the financial statements.



# STATEMENT OF BOARD RESPONSIBILITIES

The Board is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Co-operative and Community Benefit Societies Act 2014 and Registered Social Landlord legislation require the Board to prepare a financial statement for each financial year which gives a true and fair view of the state of affairs and of the surplus or deficit of the Association for that period.

In preparing the financial statement, the Board is required to select suitable accounting policies, as described on pages 31 to 35; and then apply it on a consistent basis, making judgements and estimates that are prudent and reasonable. They must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, our financial position. This also enables Board to ensure that the financial statements comply with the relevant legislation.

The Board is also responsible for safeguarding our assets and hence reasonable steps are taken to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of corporate and financial information included on our website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## In so far as the Board is aware:

- there is no relevant audit information of which the Association and the auditors are unaware and;
- All steps have been undertaken to make itself aware of any relevant audit information and to establish that the auditors are aware of this information.

Approved on behalf of the Board by:



**Dr Norma Barry,**  
Chair of the Board  
30<sup>th</sup> July 2018

## BOARD MEMBERS

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### Tenant Board Members

Vicki Browning – Appointed September 2017  
Ellen Jones – Resigned December 2017  
Stacey Collyer – Appointed March 2018

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### Council Board Members

Keren Bender – Resigned May 2017  
Tim Sharrem – Resigned May 2017  
Malcolm Day – Appointed May 2017  
Bob Summers – Appointed May 2017  
Stewart Healy – Appointed May 2017

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### Independent Board Members

Dr Norma Barry (Chair)  
Katherine Howells – Vice Chair  
Fred Davies  
Mark Perry  
Colber Adamian-Thomas  
Kelly Reynolds – Appointed January 2018  
Joy Robson – Resigned January 2018

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### Co-opted Board Members

Kelly Reynolds - Resigned January 2018  
Claire Barley – Appointed January 2018  
Stephanie Al- Wahid – Appointed May 2018

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### Operations Committee Co-opted Member

Nigel Perring

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### Executive Officers

Joe Logan – Chief Executive  
Marcia Sinfield – Director of Resources & Company Secretary  
Andrew Myatt – Director of Communities & Housing  
Liz Rogers – Director of Organisational Development,  
HR and I.T. (Until – 31<sup>st</sup> March 2018)

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<b>Registered Office</b>	Solis One, Rising Sun Industrial Estate, Blaina, NP13 3JW		
<b>External Auditors</b>	Bevan & Buckland, Chartered Accountants & Statutory Auditors, Langdon House, Langdon Road, Swansea, SA1 8QY		
<b>Internal Auditors</b>	Service Matters, Orbit Housing Group Limited, Garden Court, Harry Weston Road, Binley Business Park, Coventry, CV3 2SU		
<b>Bankers</b>	Barclays Bank, Windsor Court, 3 Windsor Place, Cardiff, CF10 3ZL		
<b>Funders</b>	<table><tr><td>The Royal Bank of Scotland Plc Housing Finance 7th Floor, 135 Bishopsgate London EC2M 3UR</td><td>Barclays Bank Windsor Court 3 Windsor Place Cardiff CF10 3ZL</td></tr></table>	The Royal Bank of Scotland Plc Housing Finance 7th Floor, 135 Bishopsgate London EC2M 3UR	Barclays Bank Windsor Court 3 Windsor Place Cardiff CF10 3ZL
The Royal Bank of Scotland Plc Housing Finance 7th Floor, 135 Bishopsgate London EC2M 3UR	Barclays Bank Windsor Court 3 Windsor Place Cardiff CF10 3ZL		

# INDEPENDENT AUDITOR'S REPORT

## Independent Auditor's report to the members of Tai Calon Community Housing registered under the Co-Operative and Community Benefit Societies Act 2014

In addition to our audit on the financial statements for the year ended 31<sup>st</sup> March 2018, we have reviewed the Board's statement of Tai Calon Community Housing ("the Association") compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

The objective of our review is to enable us to conclude on whether the Board has provided the disclosures required by the Circular and whether the statement is consistent with the information of which we are aware from our audit work on the financial statements. We are not required to form an opinion on the effectiveness of the Association's corporate governance procedures or its internal financial control.

### Opinion

With respect to the Board's statement on internal financial control on pages 18 - 20, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.

We have audited the financial statements of Tai Calon Community Housing for the year ended 31 March 2018 which comprise the statement of comprehensive income, statement of changes in reserves, the statement of financial position, the cash flow statement and its related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

### In our opinion the financial statements:

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



### Bevan & Buckland Chartered Accountants & Statutory Auditors

Langdon House  
Langdon Road  
Swansea  
SA1 8QY

Date: 30/07/2018



## Basis for Opinion

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

### Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Matters on which we are required to report by exception

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

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



### Responsibilities of the board

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

In preparing the financial statements, the Board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

### Use of our report

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

*Bevan Buckland*

### Bevan & Buckland Chartered Accountants & Statutory Auditors

Langdon House  
Langdon Road  
Swansea  
SA1 8QY

Date: 30/07/2018



## Statement of Comprehensive Income

### for the Year Ended 31<sup>st</sup> March 2018

	Notes	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000
Turnover	3	24,289	23,353
Operating costs	3	(24,936)	(23,472)
Operating surplus / (deficit)		(647)	(119)
Surplus on sale of fixed assets	6	345	452
Interest receivable		1	9
Interest payable and similar charges	12	(4,097)	(4,021)
<b>Deficit on ordinary activities before taxation</b>		<b>(4,398)</b>	<b>(3,679)</b>
Taxation		-	-
<b>Deficit for the year after tax</b>		<b>(4,398)</b>	<b>(3,679)</b>
Changes in pension past service deficit contribution liability on revaluation		1,703	(2,534)
<b>Total Comprehensive income for the year</b>		<b>(2,695)</b>	<b>(6,213)</b>

Tai Calon's income and expenditure relate to continuing operations. There is no difference between the historic cost results and those shown on the Statement of Comprehensive Income account above.

**Statement of Changes in Reserve**for the Year Ended 31<sup>st</sup> March 2018

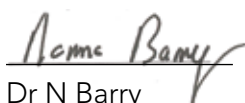
	<b>Income &amp; Expenditure Reserve £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Total Reserve £'000</b>
At 1 <sup>st</sup> April 2017	(18,027)	48,422	<b>30,395</b>
Deficit from Comprehensive Income	(2,695)	0	<b>(2,695)</b>
Transfer from Revaluation Reserve	163	(163)	<b>0</b>
<b>At 31<sup>st</sup> March 2018</b>	<b>(20,559)</b>	<b>48,259</b>	<b>27,700</b>

## Statement of Financial Position

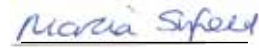
for the Year Ended 31<sup>st</sup> March 2018

	Notes	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000
<b>NON-CURRENT ASSETS / FIXED ASSETS</b>			
<b>Property, Plant &amp; Equipment</b>			
Social Housing properties	13	125,397	122,831
Other Property, Plant & Equipment	13	13	11
Other Fixed Assets	14	1,707	1,867
		<b>127,117</b>	<b>124,709</b>
<b>Current assets</b>			
Debtors			
Amounts falling due within one year	16	14,526	13,805
Amounts falling due after one year	17	55,655	71,159
Cash at bank and in hand		1,515	2,276
		<b>71,696</b>	<b>87,240</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	(32,019)	(30,541)
Social Housing Grant and Other Grants: amounts falling due within one year	15	(671)	(431)
		<b>39,006</b>	56,268
<b>Net current assets</b>			
LGPS pension liability	24	(13,423)	(13,577)
		<b>152,700</b>	<b>167,400</b>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due within one year	19	(109,545)	(124,997)
Social Housing Grant and Other Grants: amounts falling due within one year	15	(15,454)	(12,007)
		<b>27,701</b>	<b>30,396</b>
<b>Total net assets</b>			
<b>Capital and reserves</b>			
Share capital	20	1	1
Income & Expenditure Reserve		(20,559)	(18,027)
Revaluation Reserve		48,259	48,422
		<b>27,701</b>	<b>30,396</b>
<b>Total capital and reserves</b>			

The financial statements were approved by the Board of Management on 30<sup>th</sup> July 2018 and signed on its behalf by:

  
Dr N Barry  
Chair

  
K Howells  
Vice Chair

  
M Sinfield  
Secretary

## Statement of Cash Flows for the Year Ended 31<sup>st</sup> March 2018

	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000
<b>Operating Surplus / (Deficit)</b>	<b>(647)</b>	<b>(119)</b>
<b>Adjustments for non cash items</b>		
Depreciation of tangible fixed assets	3,879	3,589
Impairment of tangible fixed assets	400	194
Government grants utilised in the year	(502)	(327)
<b>Working capital movements</b>		
(Increase) / decrease in debtors	14,709	11,036
Decrease/ (increase) in operating creditors	(14,244)	(11,406)
(Decrease) / increase in provisions	36	(46)
Decrease / (increase) in stock	(14)	(200)
Pension deficit cash contributions paid	1,549	748
<b>Net cash generated from operating activities</b>	<b>5,166</b>	<b>3,469</b>
Interest received	1	9
Interest paid	(4,072)	(4,031)
Prepaid loan fees	52	52
<b>Adjustment for reinvesting in existing activities:</b>		
Purchase of other fixed assets	0	(43)
Component replacement	(6,851)	(5,285)
<b>Free cash generated / (consumed) before loan repayments</b>	<b>(5,704)</b>	<b>(5,829)</b>
Loans repaid	(11,900)	(12,000)
<b>Free cash generated / (consumed) after loan repayments</b>	<b>(17,604)</b>	<b>(17,829)</b>
<b>Cash flow from investing activities</b>		
Proceeds from the sale of properties and other fixed assets	493	787
Grants received	4,200	4,400
<b>Cash flow from financing activities</b>		
New secured loans and drawdowns from existing revolving credit facilities	12,150	12,750
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(761)</b>	<b>108</b>
Cash and cash equivalents at the beginning of the year	2,276	2,168
Cash and cash equivalents at the end of the year	1,515	2,276

## Notes to the Financial Statements

### for the Year Ended 31<sup>st</sup> March 2018

#### 1. Legal Status

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

#### 2. Principal Accounting Policies

A summary of significant accounting policies, which have been applied consistently, are set out below:

##### Format of accounts

The financial statements have been prepared in accordance with the applicable financial reporting statements in the United Kingdom including the Statement of Recommended Practice for "Accounting for Registered Social Providers" as updated in 2014 (Housing SORP 2014), and comply with the Accounting Requirements for Social Landlords registered in Wales General Determination 2015. All amounts are registered in thousands of pounds.

##### Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

##### Basis of preparation

Tai Calon's business activities, its current financial position and factors likely to affect its future development are set out within the strategic report. Tai Calon has in place long term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the day to day operations. Tai Calon also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future, being a period of at least

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.

##### Adoption of the Housing SORP 2014

From 2015/16, Tai Calon adopted Housing SORP 2014 and, as appropriate, Financial Reporting Standard 102 ("FRS102"). Tai Calon is classed as a public benefit entity under FRS102.

##### As part of the introduction of FRS102 the names of the financial statements changed as follows:

- The Balance Sheet became the Statement of Financial Position
- The Income and Expenditure Account and the Statement of Total Recognised Surplus/Deficit was combined to become the Statement of Comprehensive Income & Statement of Changes in Reserves
- The Reserves movement was renamed to the Statement of Changes in Reserves
- The Cash Flow Statement became the Statement of Cash Flows

##### 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 and amortisation of Social Housing Grant. Disposals of fixed assets such as Right to Buy sales income are not included in turnover.

##### Housing properties

Housing properties are held at historic cost less depreciation.

Prior to the introduction of FRS102 properties were stated at nil valuation as they transferred from Blaenau Gwent County Borough Council

at nil cost and were also subject to a nil valuation. Historic cost for capital works undertaken since the point of transfer was then included on the Statement of Financial Position at historic cost less depreciation.

Under the transitional provisions under FRS102 in 2015/16 the Board of Tai Calon approved that housing properties would be restated at their social housing existing use value and that this then would be deemed historic cost. This restatement calculation is included in these financial statements. As part of these transitional arrangements a value in respect of freehold land was identified and is held as a separate fixed asset which is not depreciated.

Any overhead costs directly attributable to bringing fixed assets into their working condition for their intended purpose are capitalised. Expenditure on initial purchase of land and buildings is capitalised and disclosed as part of housing properties in course of construction within tangible fixed assets. Any directly attributable finance costs (other than interest costs) are capitalised as the asset is developed and amortised over the life of that asset. Tai Calon will capitalise interest on loans raised to finance schemes prior to completion.

Some residents have rights under their tenancy agreement to purchase their homes at prices which are at a discount below the open market price. Profits or losses on disposals of properties are recognised as at the date a sale becomes certain. The profit or loss arising on a disposal of a property is the difference between the sale price and the aggregate of the depreciated cost, and any associated costs of disposal such as valuation and legal fees.

### Tangible Fixed Assets - Other

Other Tangible Fixed Assets covers capital expenditure which pays for improvements to existing and new non-housing assets. Examples include office premises, scheme equipment, vehicles and office equipment. The depreciation policy applied to these other tangible fixed assets sets out the expected useful economic life in respect of these other fixed asset classes.

### Interest payable

Interest payable is charged to the Statement of Comprehensive Income to reflect the costs of loan finance attributable to each accounting period.

### Depreciation

Tai Calon depreciates its housing properties in accordance with the Statement of Recommended Practice (SORP) 2014 "Accounting by Registered Social Landlords". Depreciation is charged on the historic cost of property. Freehold land is not depreciated.

Prior to the introduction of FRS102 depreciation was calculated after deducting grants and an amount for residual value was identified.

Following the adoption of FRS102 grant is accounted for separately on the face of the Statement of Financial Position sheet as either a long term or short term creditor. Further detail is included in the accounting policy on grants.

The depreciable amount is written off over the estimated useful lives from the date of purchase / build as follows:

	Houses	Flats
New build properties	150 years	110 years
Acquisition / refurbishments	100 years	100 years

Properties on long leases are depreciated over the shorter of the above and/or the remaining period of the lease.

The policy in respect of expenditure to refurbish or replace major components on housing properties is that all such work is assessed against life cycle costing principles. Any cost in respect of repairs with a life of less than 10 years is charged direct to the Statement of Comprehensive Income.



Refurbishment or replacement of major components which have an estimated useful life in excess of 10 years are capitalised and depreciated over the useful life of the component as follows:

Kitchens	15 years
Bathrooms	25 years
Re-wiring	25 years
Boiler Installations	15 years
Central heating	30 years
Roofing	60 years
Windows	30 years
Doors	25 years
Structural works	50 years
Renewable Energy = PV Panels	20 years

Depreciation is charged over the expected useful economic life of other fixed assets as follows:

Office refurbishment	10 years
Office & I.T. equipment	5 years
Vehicles and equipment	5 years
Head Office	50 years

### Grants and Amortisation

Tai Calon received financial assistance from the Welsh Government to fund set up costs relating to the transfer of the housing stock from Blaenau Gwent County Borough Council and to fund the refurbishment work required to meet the WHQS. Further financial assistance of £8.4 million has been offered until 2020 and additional financial assistance is intended to be offered until 2041. The amount of further financial assistance will depend upon satisfactory progress being made and compliance with the terms and conditions established by the Welsh Government.

In line with the Housing SORP 2014 capital grants received from government agencies and local authorities are now shown within creditors on the face of the Statement of Financial Position. Grants relating to assets are recognised in income on a straight line basis over the expected useful life of

an asset in line with the above depreciation policy. Grants receivable are included as debtors in the financial statements.

### Supporting People

Supporting People income and expenditure is accounted for on an accruals basis, matching income and expenditure and disclosures are made in accordance with relevant standards and legislation.

### Impairment

Housing properties are annually reviewed for impairment. Where there is evidence of impairment, housing properties are written down to their recoverable amount. During the year the Board approved the recommendation to reclassify a number of hard to let properties as strategic voids pending the consideration of an options appraisal. These properties have been impaired.

### Repairs and maintenance

The costs of repairs and maintenance are expensed as incurred on the basis of work done at the date the financial statements are prepared.

### Operating leases

Costs in respect of operating leases are charged to the income and expenditure account as they are incurred.

### Right to Buy sales

Surpluses arising from sales of properties under the Right to Buy legislation are disclosed on the face of the income and expenditure account.

### Taxation

#### Value Added Tax

Tai Calon is registered for VAT. The financial statements include VAT to the extent that it is suffered by Tai Calon and not recoverable from HM Revenue and Customs (HMRC). The balance of the VAT payable or recoverable at the year end is included as a current asset or liability.

### VAT Shelter

Tai Calon has a 15 year VAT shelter in place, approved by HMRC. The VAT Shelter transfers the VAT costs of the works required to meet the WHQS to Blaenau Gwent County Borough Council.

As part of the transfer agreement, Blaenau Gwent County Borough Council transferred the properties to Tai Calon with an obligation to undertake the works to meet WHQS at the Council's expense. Tai Calon is entitled to reclaim VAT on the costs incurred in meeting the WHQS as detailed in the Development Agreement.

Under FRS 102/SORP 2014 the Association is required to show the separate elements of the outstanding amounts relating to the original transfer of assets. An amount has been calculated in relation to the value of works still to be completed. This amount has not been based on the original agreement but has instead been based on the experience of the Association in the intervening years as to the true cost of the works to be completed. It is felt that this amount is a more accurate representation of the actual costs still to be completed.

### Corporation Tax

Tai Calon Community Housing Limited is regulated by the Financial Conduct Authority as a Community Benefit Society with exempt charitable status. Due to its charitable status Tai Calon is not liable for Corporation Tax on its core activities.

### Provisions

Provisions are recognised where uncertainty exists regarding the timing or amount that may be required to settle potential liabilities. Any amounts provided are charged to the income and expenditure account and credited to the Statement of Financial Position based upon Tai Calon's best estimate of potential liabilities.

### Employee Benefits

The cost of all employee benefits, to which employees have become entitled as a result of their service to the Association during the reporting period, should be included as a liability.

### Pension costs

Tai Calon participates in the Local Government Pension Scheme (LGPS), a defined benefits scheme managed by Torfaen County Borough Council (Greater Gwent). Contributions are assessed in accordance with the advice of an independent qualified actuary. Certain information concerning the assets, liabilities, income and expenditure relating to the LGPS scheme are disclosed in accordance with FRS 102.

### Loans

Basic financial instruments are recognised at amortised historical cost.

### Short Term Debtors

Debtors with no stated interest rate and receivable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement in other operating expenses.

### Revaluation Reserve

Housing Land & Buildings were revalued at the 31<sup>st</sup> March 2014 based on the basis of deemed costs. The valuation based on deemed cost resulted in a Revaluation Reserve of £49.917m being created. Depreciation of the 'Deemed Costs' assets will be funded from the Revaluation Reserve.

### SIGNIFICANT MANAGEMENT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience

and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### **a) Significant management judgements**

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

##### **Impairment of social housing properties**

The Company has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

#### **b) Estimation uncertainty**

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

##### **• Fair value measurement**

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

##### **• Provisions**

Provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

##### **• Defined benefit pension scheme**

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends.

#### **c) Materiality**

If information is misstated, omitted, incorrectly shown or not disclosed, it has the potential to influence or change the decisions or judgements taken by the majority of reasonable persons relying on the financial statements or those charged with governance. The Association recognises that any materiality threshold should be based upon what will affect users' decisions. Materiality is a matter of professional judgement influenced by the characteristics of the entity and the perceptions as to who are, or are likely to be, the users of the financial statements and their information needs. The Association gives consideration to a number of quantitative and qualitative judgements in assessing whether a misstatement is material. Separately the Association's auditors also consider these points.

## Notes to the Financial Statements

for the Year Ended 31<sup>st</sup> March 2018

### 3. Turnover, operating costs and deficit

	Year Ended 31 <sup>st</sup> March 2018			Year ended 31 <sup>st</sup> March 2017		
	Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social Housing Lettings</b>						
General needs housing	23,714	(24,731)	<b>(1,017)</b>	22,798	(23,321)	(523)
<b>Fully rented housing accommodation</b>	<b>23,714</b>	<b>(24,731)</b>	<b>(1,017)</b>	22,798	(23,321)	(523)
Garages	35	0	<b>35</b>	34	0	34
Other activities	540	(205)	<b>335</b>	521	(151)	370
<b>Total</b>	<b>24,289</b>	<b>(24,936)</b>	<b>(647)</b>	23,353	(23,472)	(119)

### 4. Turnover from lettings

	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000
<b>General Needs and Sheltered Housing</b>		
Rents receivable	22,590	21,846
Service charges receivable	449	394
Income for Support Services	82	81
Amortisation of Social Housing Grant & Other Government Grants	502	327
Other Revenue Grants	91	150
<b>Turnover from Social Housing Lettings</b>	<b>23,714</b>	22,798

## Notes to the Financial Statements

for the Year Ended 31<sup>st</sup> March 2018

### 5. Operating costs from lettings

	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000
<b>General needs housing</b>		
Management costs	6,440	7,831
Service Charge Costs	636	263
Routine Maintenance	8,671	7,889
Major Repairs Expenditure	3,267	2,816
Bad Debts	69	93
Depreciation of housing properties	3,699	3,487
Impairment of housing properties	400	194
LGPS Income & Expenditure Charge	1,549	748
<b>Operating costs on social housing activities</b>	<b>24,731</b>	23,321
<b>Operating Surplus / (Deficit) on social housing lettings</b>	<b>(1,017)</b>	(523)
Rent losses due to voids (memorandum note)	723	819

### 6. Surplus on sale of fixed assets

	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000
Sale proceeds	493	787
Cost of sales	(148)	(335)
<b>Surplus on disposal</b>	<b>345</b>	452

During the year Tai Calon sold nine properties under the Right to Buy and one through Open Market Sale.

## Notes to the Financial Statements

### for the Year Ended 31<sup>st</sup> March 2018

#### 7. Impairment

Asset and Depreciation impairments totalling £399,540 are reflected in the accounts in notes 13 and 15. During 2017/18 23 long term voids have been removed from the rent roll. An options appraisal will be undertaken on these properties in 2018/19 to assess their long term viability.

#### 8. Operating deficit for the year

	<b>For the year ended 31<sup>st</sup> March 2018 £'000</b>	For the year ended 31 <sup>st</sup> March 2017 £'000
Operating deficit for the year is stated after charging:		
Depreciation	<b>3,879</b>	3,589
Amortisation	<b>502</b>	327
Operating leases – Other	<b>325</b>	100
Bad Debts	<b>69</b>	93
Auditor's remuneration (inclusive of VAT): in their capacity as auditors	<b>13</b>	15

#### 9. Board members and senior executives emoluments

The remuneration paid to the senior executives of Tai Calon was:

	<b>For the year ended 31<sup>st</sup> March 2018 £'000</b>	For the year ended 31 <sup>st</sup> March 2017 £'000
Emoluments (including pension contributions and benefits in kind)*	<b>443</b>	359
Emoluments (excluding pension contributions) paid to the highest paid senior executive	<b>107</b>	65

The increase in Emoluments paid to the Chief Executive reflects the full year costs incurred in 2017/18 compared to part year in 2016/17.

The Chief Executive is a member of the LGPS pension scheme and no enhanced or special terms apply. Tai Calon's contribution in respect of the Chief Executive's pension fund amounted to £19,280. Tai Calon does not make any further contribution to any individual pension arrangement for the Chief Executive.

## Notes to the Financial Statements

### for the Year Ended 31<sup>st</sup> March 2018

No remuneration was paid to the members of the Board of Management during the year. The emoluments of senior executives, excluding pension contributions, were in the following ranges:

	2018 No.	2017 No.
£nil	0	0
<b>£1 - £50,000</b>	<b>0</b>	<b>0</b>
£50,001 - £60,000	0	0
<b>£60,001 - £70,000</b>	<b>1</b>	<b>1</b>
£70,001 - £80,000	1	2
<b>£80,001 - £90,000</b>	<b>1</b>	<b>1</b>
£90,001 - £100,000	0	0
<b>£100,001 - £110,000</b>	<b>1</b>	<b>1</b>
£110,001 - £120,000	0	0
<b>£120,001 - £130,000</b>	<b>0</b>	<b>0</b>

## 10. Employee and employer costs

	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000
Staff costs during the year:		
Wages and Salaries	6,835	6,894
Social security costs	657	677
Other pension costs	2,703	1,637
	<b>10,195</b>	9,208

	For the year ended 31 <sup>st</sup> March 2018 No.	For the year ended 31 <sup>st</sup> March 2017 No.
Average number of full time equivalent employees during the year:		
Management and administration	134	137
Wardens, caretakers and cleaners	14	14
Housing repair service	108	105
	<b>256</b>	256

## Notes to the Financial Statements

### for the Year Ended 31<sup>st</sup> March 2018

#### 11. Interests and related party transactions

During the year Tai Calon provided rented accommodation to three Board members who were tenants of Tai Calon, and charged rent to those members on Tai Calon's standard terms. Tenant Board members are unable to use their position to their advantage. Where Board members are Councillors, any transaction with those local authorities is at an arm's length basis and as such Board members are unable to use their position to their advantage.

#### 12. Interest payable and similar charges

	<b>For the year ended 31<sup>st</sup> March 2018 £'000</b>	For the year ended 31 <sup>st</sup> March 2017 £'000
Interest payable and similar charges	<b>4,097</b>	4,021
	<b>4,097</b>	4,021



**Notes to the Financial Statements**for the Year Ended 31<sup>st</sup> March 2018**13. Property, Plant & Equipment – Housing Land & Buildings**

	Social Housing Properties Held for letting £'000	Other Property, Plant & Equipment £'000
<b>Cost</b>		
<b>As at 1<sup>st</sup> April 2017</b>	135,719	11
Additions during the year – components	6,843	2
Impairments during the year – components	(486)	0
Disposals during the year	(178)	0
<b>At 31<sup>st</sup> March 2018</b>	<b>141,898</b>	<b>13</b>
<b>Depreciation</b>		
<b>As at 1<sup>st</sup> April 2017</b>	<b>12,888</b>	<b>0</b>
Charge for the year	3,719	0
Impairments during the year	(86)	0
Disposals during the year	(20)	0
<b>At 31<sup>st</sup> March 2018</b>	<b>16,501</b>	<b>0</b>
<b>Net book value</b>		
<b>At 31<sup>st</sup> March 2018</b>	<b>125,397</b>	<b>13</b>
As at 1 <sup>st</sup> April 2017	122,831	11

## Notes to the Financial Statements for the Year Ended 31<sup>st</sup> March 2018

Major repairs and investment in existing properties to let during the year amounted to £10.1 million. This has been accounted for as follows:

	For the year ended 31 <sup>st</sup> March 2018 Total £'000	For the year ended 31 <sup>st</sup> March 2017 Total £'000
<b>Freehold Property and Land</b>		
Planned maintenance (revenue)	3,004	1,638
Investment (capital)	6,843	5,279
<b>Long Leasehold Property and Land</b>		
Planned maintenance (revenue)	263	288
	<b>10,110</b>	<b>7,205</b>
	For the year ended 31 <sup>st</sup> March 2018	For the year ended 31 <sup>st</sup> March 2017
<b>Units in Management:</b>	<b>No.</b>	<b>No.</b>
General needs housing properties in management	5,968	6,005
General needs housing properties not in management	131	108
Leasehold management services	339	339
	<b>6,438</b>	<b>6,452</b>

**Notes to the Financial Statements**for the Year Ended 31<sup>st</sup> March 2018**14. Property, Plant & Equipment – Other Fixed Assets**

	Offices premises £'000	Vehicles & office equipment £'000	For the year ended 31 <sup>st</sup> March 2018 Total £'000
<b>Cost</b>			
As at 1 <sup>st</sup> April 2017	2,586	1,053	<b>3,639</b>
Additions during the year – components	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2018</b>	<b>2,586</b>	<b>1,053</b>	<b>3,639</b>
<b>Depreciation</b>			
As at 1 <sup>st</sup> April 2017	818	954	<b>1,772</b>
Charge for the year	132	28	<b>160</b>
<b>At 31<sup>st</sup> March 2018</b>	<b>950</b>	<b>982</b>	<b>1,932</b>
<b>Net book value</b>			
<b>At 31<sup>st</sup> March 2018</b>	<b>1,636</b>	<b>71</b>	<b>1,707</b>
As at 1 <sup>st</sup> April 2017	1,768	99	1,867

## Notes to the Financial Statements for the Year Ended 31<sup>st</sup> March 2018

### 15. Social Housing Grant & Other Government Grants

	Social Housing Grant £'000	ARBED/CESP Grant £'000	For the year ended 31 <sup>st</sup> March 2018 Total £'000
At 1 <sup>st</sup> April 2017	12,555	508	13,063
Additions during the year - components	4,200	0	4,200
Impairments during the year - components	0	0	0
Disposal during the year - components	(11)	0	(11)
<b>At 31<sup>st</sup> March 2018</b>	<b>16,744</b>	<b>508</b>	<b>17,252</b>
<b>Amortisation</b>			
At 1 <sup>st</sup> April 2017	615	10	625
Charge of the year	493	10	503
Impairments during the year	0	0	0
Disposals during the year	(1)	0	(1)
<b>At 31<sup>st</sup> March 2018</b>	<b>1,107</b>	<b>20</b>	<b>1,127</b>
<b>Net Book Value</b>			
<b>At 31<sup>st</sup> March 2018</b>	<b>15,637</b>	<b>488</b>	<b>16,125</b>
At 1 <sup>st</sup> April 2017	11,940	498	12,438

Gap Funding of £4.2 million has been received from the Welsh Government during the year.

The grants are amortised as follows:

	For the year ended 31 <sup>st</sup> March 2018 Total £'000	For the year ended 31 <sup>st</sup> March 2017 Total £'000
<b>Amounts falling due:</b>		
In one year or less	671	431
In more than one year	15,454	12,007
	<b>16,125</b>	12,438

## Notes to the Financial Statements

### for the Year Ended 31<sup>st</sup> March 2018

#### 16. Debtors: amounts falling due within one year:

	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000
Arrears of rent, water and service charges	196	211
Less: provision for bad and doubtful debts	(55)	(40)
	<b>141</b>	171
Stock	214	200
Bad Debt Provision - Non Rent Debtors	(108)	(87)
Recoverable VAT	460	969
Debtors	313	197
Prepayments	495	455
Holiday Pay Asset	10	12
Prepaid Loan Facility Fees	52	52
WHQS / VAT Shelter	12,949	11,836
<b>Total debtors due within one year</b>	<b>14,526</b>	<b>13,805</b>

#### 17. Debtors: amounts falling due after more than one year:

Prepaid loan facility fees	1,110	1,162
WHQS / VAT Shelter	54,545	69,997
<b>Total debtors due after more than one year</b>	<b>55,655</b>	<b>71,159</b>

#### 18. Creditors: amounts falling due within one year

	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000
Accruals and deferred income	285	283
Capital creditors	9	14
Interest Payable & Similar Charges	350	325
Rent In Advance	391	304
Maintenance and other supplies	399	415
Housing Loans	17,500	17,250
Holiday Pay Liability	136	114
WHQS / VAT Shelter	12,949	11,836
<b>Total creditors due within one year</b>	<b>32,019</b>	<b>30,541</b>

## Notes to the Financial Statements

### for the Year Ended 31<sup>st</sup> March 2018

#### 19. Creditors: amounts falling due after more than one year

	<b>For the year ended 31<sup>st</sup> March 2018 £'000</b>	For the year ended 31 <sup>st</sup> March 2017 £'000
Housing Loans	55,000	55,000
WHQS / VAT Shelter	54,545	69,997
	<b>109,545</b>	124,997
Loans repayable by instalments fall due as follows:		
In five years or more	55,000	55,000
Between two and five years	-	-
	<b>55,000</b>	55,000
In one year or less	17,500	17,250
	<b>72,500</b>	72,250

Tai Calon has a loan facility of £105 million on which loan arrangement fees of 1.25% were incurred. The fees are to be written off over 30 years, being the expected life of the loans agreed. Loans of £17.50 million have been drawn down on a variable rate basis at rates ranging from 0.25% to 0.51% and £55 million has been drawn down on a fixed rate basis at rates ranging from 1.3% to 4.8%. The loans are secured over the properties held by the Association.

#### 20. Non-equity share capital

	<b>For the year ended 31<sup>st</sup> March 2018</b>	For the year ended 31 <sup>st</sup> March 2017
Shares of £1 issued:		
At 1 <sup>st</sup> April 2017	641	769
Issued during the year	25	0
Cancelled during the year	(7)	(128)
<b>At 31<sup>st</sup> March 2018</b>	<b>659</b>	641

The shares provide members with the right to vote at general meetings. The shares carry no right to a dividend, there is no provision for the redemption of shares and there is no provision for a distribution following a winding up.

## Notes to the Financial Statements

for the Year Ended 31<sup>st</sup> March 2018

### 21. Operating leases

At 31<sup>st</sup> March 2018 Tai Calon had commitments under operating leases as follows:

	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 <sup>st</sup> March 2017 £'000
Motor vehicle and office equipment expiring :-		
Within one year	363	262
Between two and five years	1,020	1,258
	<b>1,383</b>	1,520
Operating lease expensed during the year	<b>334</b>	128

### 22. Capital commitments

	For the year ended 31 <sup>st</sup> March 2018 £'000	For the year ended 31 March 2017 £'000
Capital expenditure contracted but not provided for in the financial statements	<b>17,549</b>	17,365
Capital expenditure authorised by the Board but not contracted	-	-

These capital commitments will be funded by existing loan facilities, and capital grants from the Welsh Government.

## Notes to the Financial Statements for the Year Ended 31<sup>st</sup> March 2018

### 23. Statement of Comprehensive Income Deficit

This year's deficit of £2.695 million has arisen mainly because of continuing major repair expenditure of £3.267 million and routine maintenance of £8.671 million. This, combined with the prior year's results and the £1.703 million actuarial surplus on the pension scheme, has led to the Association recognising a deficit on its general reserves of £20.559 million. The pension liability of £13.423 million will only crystallise when all employees exit the pension scheme. The funding of major repairs both now and in the future is covered by existing loan facilities amounting to £105 million, of which £72.5 million has been drawn by the year end.

The Board has a reasonable expectation that Tai Calon has adequate resources to continue operations for the foreseeable future. The Board has approved a 30 year business plan which shows annual surpluses on the Statement of Comprehensive Income from 2022/23. The deficits in the general reserve are due to significant investment required to the housing stock to meet WHQS, which is funded by a £105 million funding facility from Barclays and Royal Bank of Scotland. Since transfer Tai Calon has outperformed the approved business plan and borrowed nearly £15 million less than originally planned. For these reasons the going concern basis has been adopted for these financial statements.

### 24. Pension costs

Tai Calon participates in the Torfaen County Borough Council (Greater Gwent) pension scheme (LGPS). Further information on the scheme is given below:

#### Local Government Pension Scheme

Tai Calon Community Housing Ltd participates in the Torfaen County Borough Council (Greater Gwent) pension scheme which is a defined benefit scheme based on final pensionable salary. Certain employees of Tai Calon participated in the scheme prior to the stock transfer taking place and, as such, assets or liabilities attributable to these individuals were identified at the transfer date i.e. 26th July 2010. As part of the transfer agreement, liability for the proportion of the debt attributable to these employees that relates to the pre-transfer period rests with Blaenau Gwent County Borough Council. The gains and losses recognised by Tai Calon therefore relate solely to the period since transfer.

The most recent valuation was carried out at the 31st March 2016. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. Tai Calon's contribution rate from 1st April 2017 to 31st March 2018 was 18% of members' contributions. It is projected that employer contributions of £1.628 million will be made for the forthcoming year, this figure is based on a higher contribution rate of 20.5% as the LGPS scheme will be closed to new entrants in 2018/19.



## Notes to the Financial Statements

### for the Year Ended 31<sup>st</sup> March 2018

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS102 purposes were:

Employer membership statistics	Number 31 <sup>st</sup> March 2016	Total Salaries / Pensions £'000 31 <sup>st</sup> March 2016	Total Salaries / Pensions £'000 31 <sup>st</sup> March 2016
Actives	239	6,086	50
Deferred Pensioners	73	211	50
Pensioners	54	489	62

Deferred pensioners included undecided leavers and frozen refunds. Salaries are actual, not full time equivalent.

Payroll	Assumed total pensionable payroll based on information provided
1st April 2017 to 31st March 2018	£6,424,000

LGPS early retirements			
New Early Retirements 1st April 2017 to 31st March 2018	Number	Total Pension Accrued £	Total Pension Accrued £
Redundancy	1	9,562	9,562
Efficiency	-	-	-
Other	-	-	-

Investment Returns	
The return of the Fund in market value terms for the period to 31st March 2018 is based on actual Fund returns as provided by the Administering Authority. Details are given below:	
Actual Returns from 1st April 2017 to March 2018	3.7%

## Notes to the Financial Statements

for the Year Ended 31<sup>st</sup> March 2018

The major categories of plan assets as a percentage of total plan assets		
Period Ended	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
Equities	78%	81%
Bonds	18%	17%
Property	3%	2%
Cash	1%	0%

Financial Assumptions		
Period Ended	31 <sup>st</sup> March 2018 %p.a.	31 <sup>st</sup> March 2017 %p.a.
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.8%	2.8%
Discount Rate	2.7%	2.6%

Mortality			
		Male	Female
Current Pensioners		21.5 years	23.9 years
Future Pensioners		23.6 years	26.1 years

## Notes to the Financial Statements

for the Year Ended 31<sup>st</sup> March 2018

<b>Changes in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability for the year end 31<sup>st</sup> March 2018</b>			
<b>Period ended 31<sup>st</sup> March 2018</b>	<b>Assets</b>	<b>Obligations</b>	<b>Net (liability) / asset</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair Value Plan Assets	39,900		39,900
Present Value of funded liabilities		53,477	(53,477)
<b>Opening Position as at 31<sup>st</sup> March 2017</b>	<b>39,900</b>	<b>53,477</b>	<b>(13,577)</b>
<b>Service Cost</b>			
Current service cost		2,595	(2,595)
Past service cost		0	0
<b>Total Service Cost</b>		<b>2,595</b>	<b>(2,595)</b>
<b>Net Interest</b>			
Interest income on plan assets	1,050		1,050
Interest cost on defined benefit obligation		1,418	(1,418)
<b>Total Net Interest</b>	<b>1,050</b>	<b>1,418</b>	<b>(368)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>1,050</b>	<b>4,013</b>	<b>(2,963)</b>
<b>Cashflows</b>			
Plan participants contributions	424	424	0
Employer contributions	1,414	0	1,414
Benefits paid	(772)	(772)	0
<b>Expected Closing Position</b>	<b>42,016</b>	<b>57,142</b>	<b>(15,126)</b>
<b>Remeasurements</b>			
Changes in financial assumptions		(1,255)	1,255
Return on assets excluding amounts included in net interest	448	0	448
<b>Total remeasurements recognised in Other Comprehensive Income</b>	<b>448</b>	<b>(1,255)</b>	<b>1,703</b>
Fair value of plan assets	42,464	0	42,464
Present value of funded liabilities	0	55,887	(55,887)
<b>Closing Position as at 31<sup>st</sup> March 2018</b>	<b>42,464</b>	<b>55,887</b>	<b>(13,423)</b>



Visit our offices or write to us at:

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