

*at the heart of your community*



## Report & Financial Statements

For the year ended 31 March 2015

# Foreword

## I am pleased to introduce the Annual Report & Financial Statements for the year ended 31 March, 2015.

It is pleasing to report that a significant majority of homes (83%) now meet the Welsh Housing Quality Standard, with the remainder due to be completed in the next financial year. In meeting the promises made to tenants when Tai Calon was established, we have continued to invest in improving homes, services and communities. In doing so, we have sought to meet the needs and aspirations of tenants throughout the county borough and made a real and lasting difference to their lives.

The Your Neighbourhood, Your Choice project has also helped tenants and residents identify the improvements they want to see happen in their community. The completed and planned environmental schemes have generated a real sense of pride and ownership in neighbourhoods as the quality of communal spaces is improved.

Tai Calon is more than a landlord as it also supports tenants and residents in finding work, taking up training opportunities and volunteering. During the year we helped more than 40 people gain employment, with another two setting up their own businesses.

None of these achievements would have been possible without positive partnership working with tenants and residents, the local authority and our other key partners. Going forward we will need to ensure those partnerships develop and flourish so we can deliver on our vision for 2020 and beyond. Our ambition for the next five years is to grow and continue to make a difference to the quality of peoples lives and their communities in Blaenau Gwent.

Could I, on behalf of the Board, express our thanks to involved tenants, staff, the local authority, our funders and Welsh Government for all their advice and support during the year.



*Norma Barry*

**Dr Norma Barry,  
Chair of the Board**

# Contents

## PAGE

Board members and professional advisors	3
Operating and financial review	4
Board report	10
Auditors' report	14
Income and expenditure account	16
Statement of total recognised surpluses and deficits	16
Balance sheet	17
Cash flow statement	18
Notes to the financial statements	21

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

# Board Members and Professional Advisors

## Board

### Tenant Board Members

Elaine Townsend (Resigned July 2014)  
Michael Rose (Appointed July 2014)  
Ellen Jones (Appointed July 2014)  
Roy Jones  
Margaret Retallick  
Shirley Ford

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### Council Board Members

Jim McIlwee (Resigned May 2014)  
Keren Bender  
Diane Rowberry (Appointed May 2014)  
Tim Sharrem  
Keith Chaplin  
Bernard Willis

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### Independent Board Members

Dr Norma Barry (chair)  
Fred Davies (vice chair)  
Nigel Perring  
Steve Porter (Appointed July 2014)  
Debbie Green (Resigned July 2014)  
Mark Perry (Appointed September 2014)

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### Co-opted Board Members

Katherine Howells (Appointed September 2014)  
Steve Higginson (Appointed January 2015)  
Keith Edwards (Appointed January 2015)

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### Executive Officers

Jen Barfoot – Chief Executive  
David Lloyd – Resources Director & Company Secretary (Resigned Aug 2014)  
Martyn Price – Interim Director of Finance (Appointed August 2014)  
Bill Pearch – Director of Assets & Property  
Andrew Myatt – Director of Communities & Housing  
Liz Rogers – Director of Organisational Development and Human Resources (Appointed January 2015)  
Jane Strange – Company Secretary (Appointed August 2014 & Resigned July 2015)  
Martyn Price – Company Secretary (Appointed July 2015)

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### Registered Office

Solis One, Griffin Lane, Rising Sun Industrial Estate, Blaina, NP13 3JW

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### External Auditors

Haines Watts Wales LLP Statutory Auditors, 7 Neptune Court, Vanguard Way, Cardiff, CF24 5PJ

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### Internal Auditors

Service Matters, Orbit Housing Group Limited, Garden Court, Harry Weston Road, Binley Business Park, Coventry, CV3 2SU

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### Bankers

Barclays Bank, Windsor Court, 3 Windsor Place, Cardiff, CF10 3ZL

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### Funders

The Royal Bank of Scotland Plc	Barclays Bank
Housing Finance	Windsor Court
7th Floor, 135 Bishopsgate	3 Windsor Place
London, EC2M 3UR	Cardiff, CF10 3ZL

# Operating and Financial Review

For the year ended 31 March 2015

The Board is pleased to present its Operating and Financial Review, Board Report and the audited Financial Statements for Tai Calon Community Housing Ltd (Tai Calon) for the year ended 31st March 2015.

## The Objectives and Strategies of Tai Calon

### Aims & Objectives

Tai Calon was launched on the 26th of July 2010, following the transfer of homes from Blaenau Gwent County Borough Council.

Tai Calon is a not-for-profit-organisation and is Blaenau Gwent's largest provider of social housing with 6,149 homes. The organisation is investing over £111million in its homes to ensure they are brought up to the Welsh Housing Quality Standard (WHQS) by the end of 2015.

Our aim is to ensure that all promises made to tenants are delivered, that tenants remain at the heart of everything we do, and that we shape the organisation and our people in line with our values and community mutual ethos. We are striving to build a positive reputation through real achievement.

### Mission, Vision, and Values

Tai Calon has agreed its statement of purpose or 'mission statement' and the values by which it intends to operate:

The Mission for Tai Calon is that we will:

#### **'Deliver our promises, improving homes and lives'**

The mission focuses on Tai Calon's commitment to realising the needs and aspirations of its tenants documented within the Formal Consultation Document (i.e. Offer Document) and maximising the regeneration and sustainability opportunities resulting from its core business and community investment activities.

The Vision for Tai Calon is that we will deliver:

#### **'Excellent homes and services to make our communities proud'**

Tai Calon will operate with these Values:

- Be tenant focused
- Listen and Learn
- Be excellent
- Show Respect
- Be open



# Operating and Financial Review

For the year ended 31 March 2015

The Board and Executive Team have developed a range of themes to deliver our mission and measure our success over our first five years, broken down as follows:

- Service delivery
- Asset management and WHQS delivery
- Resources delivery
- Partnership delivery
- Performance management
- Tenant investment
- Communications and marketing
- Early achievements

Throughout all of these themes runs the commitment to deliver the promises made to tenants on our behalf by Blaenau Gwent County Borough Council.

## Delivering the Welsh Housing Quality Standard

Tai Calon is on track to meet WHQS in December 2015. Tai Calon has exceeded the number of elements promised in the offer documents for roofs, kitchens, bathrooms, rewires, and heating. Since transfer we have improved 5,324 kitchens, 4,673 bathrooms, including adapted bathrooms, rewired 4,705 homes, and installed new heating in 4,475 homes.

## Investing in involving tenants

Tai Calon is committed to ensuring tenants are placed at its heart. We have invested significant resources to ensure organisational development is tenant driven and that tenants are closely involved so that they have real influence over the services and standards that we offer. We take an outcome focused approach ensuring tenant involvement in everything we do.

The development of a robust involvement structure has allowed Tai Calon to listen and learn from tenants ensuring its services are aligned to meet their needs. We offer a range of consultation methods to ensure we are well placed to understand the needs of tenants. Such mechanisms include telephone, postal and face to face surveys, focus groups and formalised policy and process development forums.

The current involvement structure is composed of:

- Membership of the Association is made up of tenants and leaseholders, we currently have nearly 800 members
- A Membership Scrutiny Committee that meets twice a month to review Board papers and undertake service reviews. Their role is to hold the Board to account and scrutinise the activities of the organisation. As part of their role they develop action plans to deliver service improvements
- A Tenant Compact Group that represents tenants and resident organisations, monitoring the promises made to tenants through the Offer Document, distributing the Environmental Improvement Grant and scrutinising the work of the Involvement Team

# Operating and Financial Review

For the year ended 31 March 2015

- A Supported Living Forum which represents those tenants living within Tai Calon's sheltered schemes
- The Quality Design Forum is a group of tenants, Board Members and staff who have been instrumental in establishing the programme of WHQS works, appointing the contractors and selecting the kitchen suppliers and kitchen units
- The Leaseholders forum is a group of leaseholders who work with Tai Calon on leaseholder specific issues
- An Equalities Panel focuses on Tai Calon's approach to equality and diversity issues

To support these key involvement activities we also arrange for tenants to attend conferences and learning events run by TPAS and CHC to ensure that they remain informed, skilled and updated on the latest best practice.

## Housing and Neighbourhoods

We want to make sure that tenants live in a great place that they can be proud of. Each tenant has a local Neighbourhood Manager who is responsible for the management of their tenancy and the local area.

The Neighbourhood Managers let our empty homes, deal with issues such as anti-social behaviour and make sure that our neighbourhoods are clean and tidy. Neighbourhood Managers proactively manage their neighbourhoods and they undertake regular neighbourhood walkabouts with tenants. Neighbourhood Managers help produce and deliver local Neighbourhood Newsletters. Rental income management is now undertaken by a specialised team who supports our tenants to pay their rent and enable them to sustain their tenancies. They also encourage tenants to get involved, and work closely with tenant and resident associations and other partners such as the Police and the local Council.

We also have a team of Sheltered Scheme Managers who are based in our 11 Sheltered Schemes across the Borough. They provide on-site support to our tenants and they work closely with other agencies to ensure our tenants receive a good service in their homes. We have also continued to work on the £14 million project to improve the environment in communities. As always, tenants are heavily involved in the decision making process around the improvements, which include anything from better footpaths to providing better car parking facilities, play areas and space for allotments.

Improvements in void properties, both in terms of reducing the number of empty homes, and the time it takes to let them; is a top priority for 2015/16. Performance is not where it needs to be, and a range of changes to the lettings, repairs and information technology processes are being put into place to drive improvement. This will also provide a commercial benefit by reducing the income loss due to empty properties.

## Financial Performance

The overall financial performance is well within the Business Plan and Annual Cashflow Covenant, agreed with the Lenders. The Income and Expenditure Account shows a net deficit of £6.127m for 2014/15, which is mainly due to planned improvements to our homes. It is likely that the I&E will continue to show a deficit for the next few years due to the major works programme required to meet the WHQS.

# Operating and Financial Review

For the year ended 31 March 2015

Tai Calon's business plan is a financial model which illustrates our ability to meet the promises made in the Offer Document to tenants. This includes spending £111m on meeting the WHQS in the first five years. The plan demonstrates that borrowing will be within the agreed funding facility and that the peak borrowing and repayment date will meet the funders and Welsh Government's requirements.

## Performance Indicators

Tai Calon has implemented a performance management framework across the organisation; part of this framework involves regularly monitoring key performance indicators. These indicators are continually reviewed, updated and improved. The table below shows some of the key indicators:

Key Performance Indicator	Target 2014/15	Actual 2014/15
Responsive Repairs – emergency repairs not in target (%)	98.3%	92.87%
Responsive Repairs – urgent repairs not in target (%)	98%	90.99%
Responsive Repairs – routine repairs not in target (%)	92%	88.58%
% Gas servicing completed within target time	100%	99.75%
Voids – average period (days)	56 calendar days	233 calendar days
Income loss from properties being empty (%)	4%	6.03%
Current tenant rent arrears (%)	2%	1.98%
Amount of rent collected (%)	99%	99.28%
Loan Covenants complied with	Yes	Yes

## Future Performance

Tai Calon has a 30 year business plan agreed by the Board, Welsh Government and Funders. The business plan demonstrates Tai Calon's ability to meet the commitments made in the Offer Document to tenants. Tai Calon will meet the WHQS by the end of 2015 which will require an investment of £111m in the homes. To fund this major investment Tai Calon has a funding facility of £125m.

The business plan is based on a number of key assumptions, such as:

- Costs to meet WHQS
- Inflation rates
- Interest rates
- Rent increases
- Void rates
- Management costs

Tai Calon regularly reviews these key assumptions and takes corrective action as necessary.



# Operating and Financial Review

For the year ended 31 March 2015

## Risk Management

Tai Calon has a Risk Management Policy which forms part of its internal control and corporate governance arrangements. The policy explains the associations underlying approach to risk management, documents the roles and responsibilities of the Board, Performance Audit and Risk Committee and the Executive Team. It also outlines key aspects of the risk management process and identified the main reporting procedures.

The following key principles outline Tai Calon's approach to risk management and internal control:

- The Board has overall responsibility for risk management and internal control within the context of its Governance role
- The Performance, Audit and Risk Committee on behalf of the Board has responsibility for reviewing the effectiveness of the risk management process
- The Executive Team has responsibility for overseeing risk management within Tai Calon as a whole. In this respect it supports, advises and implements policies approved by the Board
- Directors are responsible for implementing good risk management practice within their respective areas of responsibility
- The risk management process is integrated with the business planning process

A fundamental review of Tai Calon's risks policies commenced in late 2014/15 to ensure risk is managed effectively across the organisation.

## Treasury Management

Tai Calon has a Treasury Management Policy that is reviewed annually by the Board. Treasury Management activities are defined as:

"The management of the organisation's cash-flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

Tai Calon regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for Tai Calon and any financial instruments entered into to manage those risks.

Tai Calon acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

# Operating and Financial Review

For the year ended 31 March 2015

## Cashflows

The cash-flow statement on page 18 shows that during the year Tai Calon generated a net cash deficit from operating activities of £0.322m and net interest of £3.214m. Tai Calon drew down a net £22m in Housing Loans during the year. The deficit of £0.322m is mainly due to the continued planned investment to meet WHQS.

## Current Liquidity

Tai Calon will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available necessary for the achievement of its business/service objectives

Tai Calon has put in place a £125m loan facility with Barclays and the Royal Bank of Scotland (RBS). The loan arrangement contains two separate facilities, a £25m revolving loan facility which can be drawn, repaid and redrawn as required and a £100m long term facility.

## Key Accounting Policies

The principle accounting policies are set out on pages 21 to 24 of the Financial Statements. The policies with most impact on the financial statements are the treatment of Gap Funding, calculation of depreciation on housing properties and the capitalisation of the investment in housing stock. Component accounting has been fully adopted.

## Going Concern

The Board has a reasonable expectation that Tai Calon has adequate resources to continue operations for the foreseeable future. For this reason the going concern basis has been adopted for these financial statements.

## Statement of Compliance

It is considered best practice for RSL's with over 5,000 units in management at the Balance Sheet date to publish an Operating and Financial Review. Therefore Tai Calon has adopted the Accounting Standards Board Reporting Standard 1: Operating and Financial Review in full.

The Board is pleased to present its report and the audited financial statements for the year ended 31 March 2015.

## Principal Activities

Tai Calon owns, manages and maintains 6,149 rented homes, located in the County Borough of Blaenau Gwent. It also owns and manages 338 leasehold properties, 26 shops and approximately 550 garages.

## Board and senior executives

Tai Calon Community Housing Ltd. is managed by the Board, the Executive Team and the members. Tai Calon has issued 2 shares to members during the year, total membership now stands at 796.

## Board and governance structure

The Board has sole responsibility for overall strategic direction, financial probity and for ensuring that it has appropriate resources to achieve its goals and standards of service.

The Board consists of up to fifteen members made up as follows:

- Five tenant Board Members – elected by the tenants of Tai Calon;
- Five council appointed Board Members – these members are nominated by Blaenau Gwent County Borough Council;
- Five independent Board Members – selected by the Board in accordance with the Board Membership policy
- The Board may appoint co-optees to serve.

The Board reviews its own Governance effectiveness, regulation, risk and audit, monitoring delivery, financial accounts, budgets, policies and strategies in a continuous cycle, year-on-year, to ensure it remains focused on achieving the objectives.

## Committees

The Board has three committees, Performance Audit & Risk Committee, Remuneration Committee and Assets Committee.

The Performance, Audit and Risk Committee's principal duties are recommending the appointment of internal and external auditors; to review internal and external audit reports; to review financial statements; to review the Risk Register; and to notify the Board and Welsh Government of any incidence of fraudulent activity of which the Committee becomes aware. The Committee meets at least 3 times a year and has a maximum membership of 7 board members.

The Remuneration committee reviews the performance, terms and conditions of the executive team and overall budgetary allocations for management and employee costs. The committee meets at least once a year and consists of a maximum of seven board members.

The Asset Management Committee has delegated responsibilities for the improvements programme. The committee meets at least four times a year and consists of a maximum of seven board members.

# Board Report

For the year ended 31 March 2015

## Responsibilities of the Board

The Board is responsible for preparing the financial statements in accordance with applicable law and regulations. The Board is required under Co-operative and Community Benefit Society 2014 law to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of Tai Calon and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then ensure they are applied consistently;
- Make judgements and estimates which are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that Tai Calon will continue to operate.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Tai Calon and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2009.

The Board has general responsibility for ensuring that the assets of Tai Calon are safeguarded and to prevent and detect fraud and other irregularities.

## Performance for the year

The financial results for the year ended 31st March 2015 were as follows:

	£m
Turnover	21.635
Operating Costs	(24.928)
<b>Operating Surplus / (Deficit)</b>	<b>(3.293)</b>
Surplus on Sale of Assets	0.460
Net Interest Payable	(3.294)
<b>Surplus / (Deficit) for the year</b>	<b>(6.127)</b>

The majority of the major improvements to the housing stock have been capitalised and are shown in the balance sheet to be depreciated in line with the policy set out in the Accounting Policies on pages 21 to 24. In 2014/15 capital major improvements totalled £22.331m.

In Tai Calon's fifth year of operation the results show a revenue deficit which was in line with the 30 year business plan. It is expected that deficits will be made on the Income and Expenditure Account for the next 5 years of operation. This is mainly due to the impact of increased depreciation charges from capitalisation of the stock improvements.

## Internal Controls Framework

The Board has a key role to play in the governance of Tai Calon and is responsible for ensuring that the business operates effectively and achieves its objectives.

It is the Board's responsibility to have in place a system to identify and manage risk that includes effective internal control systems and procedures to minimise the risk of loss through fraud, corruption, errors and mismanagement. The Board has approved a 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 Performance, Audit and Risk Committee which will seek to rely on a number of forms of assurance. To do this Board will take three steps:

- Identify/review Tai Calon's business objectives, the possible opportunities and the risks and threats to achieving the objectives which in turn may lead to objectives being revised;
- Form/review Tai Calon's framework for managing and identifying risk; and
- Identify how the Board is to obtain assurance that the risk management policies adopted are adequate and operating effectively.

The framework Tai Calon has implemented is based on the following processes:

- Experienced and suitably qualified staff take responsibility for key processes and decisions, staff are appropriately trained and performance supervised and monitored;
- The Performance, Audit and Risk Committee will continually review and receive reports upon all aspects of internal control to ensure they are working effectively and being followed;
- Regular reports from Directors and senior managers, which will 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 Performance, Audit and Risk Committee will review and monitor reports from Internal Audit and External Audit to provide reasonable assurance that control procedures are in place and being followed;
- As appropriate Tai Calon will seek to achieve assurances on specific areas by use of a quality management system that receives external accreditation;
- Effective system of monitoring performance on key business areas;
- Effective corporate governance arrangements and compliance with regulatory requirements.



# Board Report

For the year ended 31 March 2015

## Employees

Tai Calon recognises that its strength lies in the quality of and commitment from its staff. Tai Calon's ability to meet its strategic and operational objectives relies upon the contribution of employees throughout Tai Calon.

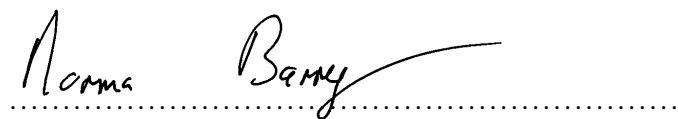
Tai Calon is committed to providing equal opportunities in employment and to avoiding unlawful discrimination in employment or to tenants. Tai Calon's Equality and Diversity Policy is intended to assist the Organisation to put this commitment into practice. Compliance with the policy should also ensure that employees do not commit unlawful acts of discrimination. Striving to ensure that the work environment is free of harassment and bullying, and that everyone is treated with dignity and respect, is an important aspect of ensuring equal opportunities in employment.

Tai Calon provides information regularly to staff on its strategies, objectives, progress and activities through a mix of formal meetings, briefing sessions and regular one-2-ones.

## Disclosure of information to auditors

The Board confirm that, as far as we are aware, there is no relevant audit information of which the Tai Calon's auditors are individually unaware. The Board also confirm that we have taken all reasonable steps that we ought to have taken to make ourselves aware of any relevant information, and to establish that the auditors of Tai Calon are aware of that information.

Approved on behalf of the Board by:



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Dr Norma Barry  
Chair of the Board

Date: 27th July 2015

# Independent Auditors Report to the members of Tai Calon Community Housing Ltd

## Year ended 31st March 2015

We have audited the financial statements of Tai Calon Community Housing ('the Association') for the year ended 31st March 2015 which comprise the Income and Expenditure Account, Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body corporate, in accordance with the requirements of the Co-operative and Community Benefit Society Act 2014, schedule 1 to the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales - General Determination 2009. 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.

## Respective responsibilities of the Board and the auditor

As explained more fully in the Statement of Board's responsibilities, set out on page 10, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical standards for Auditors.

We review whether the Board's statement on internal financial control reflects the Association's compliance with the Housing for Wales Circular HFW 02/10 "Internal controls and reporting" and we report whether the statement is not inconsistent with the information of which we are aware from our audit of 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.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# Independent Auditors Report to the members of Tai Calon Community Housing Ltd

## Opinion on Internal Control

In our opinion, with respect to the Board's statement on internal financial control:

- the Board has provided the disclosures required by the Circular and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Society Act 2014, schedule 1 to the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales - General Determination 2009;

## 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 Society 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; or
- we have not received all the information and explanations we need for our audit.

*Haines Watts Wales LLP*

**Haines Watts Wales LLP**  
**Statutory Auditor**

7 Neptune Court,  
Vanguard Way,  
Cardiff,  
CF24 5PJ

Date: 19 August 2015

# Income and Expenditure Account

For the year ended 31 March 2015

	Notes	For the year ended 31 March 2015 £'000	For the year ended 31 March 2014 £'000
Turnover	3	21,635	20,952
Operating costs	3	(24,928)	(21,726)
Operating surplus / (deficit)		(3,293)	(774)
Surplus on sale of fixed assets	6	460	502
Interest receivable		10	4
Interest payable and similar charges	11	(3,304)	(2,328)
<b>Surplus / (Deficit) on ordinary activities before taxation</b>		<b>(6,127)</b>	<b>(2,596)</b>
<b>Taxation</b>		<b>-</b>	<b>-</b>
<b>Surplus / (Deficit) for the year after tax</b>		<b>(6,127)</b>	<b>(2,596)</b>
Transfer to reserves	21	(220)	(330)
Transfer from reserves	21	2	302
General reserve brought forward		(6,345)	(2,624)
		(3,364)	(740)
General reserve carried forward		(9,709)	(3,364)

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

## Statement of recognised deficits For the year ended 31st March 2015

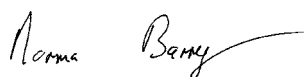
	£'000	£'000
Surplus / (Deficit) for the year before transfers to reserves	(6,127)	(2,596)
Actuarial gain / (loss)	(5,502)	4,853
<b>Total recognised surplus/(deficit) for the year</b>	<b>(11,629)</b>	<b>2,257</b>

# Balance Sheet

As at 31 March 2015

	Notes	For the year ended 31 March 2015	For the year ended 31 March 2014
		£'000	£'000
<b>Tangible fixed assets</b>			
Housing properties	12	72,139	51,824
Capital grants	13	(16,399)	(12,227)
Other Capital Funding	14	(2,992)	(2,684)
		<b>52,748</b>	36,913
Other fixed assets	15	2,146	2,469
Other property	16	5	-
		<b>54,899</b>	39,382
<b>Current assets</b>			
Debtors	17	2,828	3,107
Cash at bank and in hand		1,481	2,045
		<b>4,309</b>	5,152
Creditors: amounts falling due within one year	18	(22,691)	(16,892)
<b>Net current liabilities</b>		<b>(18,382)</b>	(11,740)
LGPS pension liability	25	(7,663)	(2,159)
<b>Total assets less current assets</b>		<b>28,854</b>	25,483
Creditors: amounts falling due after more than one year	19	(45,000)	(30,000)
		<b>(16,146)</b>	(4,517)
<b>Capital and reserves</b>			
Share capital	20	1	1
General reserves	21	(17,372)	(5,523)
Designated reserves	21	1,225	1,005
		<b>(16,146)</b>	(4,517)

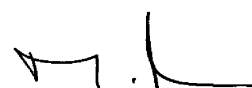
The financial statements were approved by the Board of Management on 27th July 2015 and signed on its behalf by:



**Dr N Barry**  
Chair



**F Davies**  
Vice Chair



**M Price**  
Secretary



# Cash Flow Statement

For the year ended 31 March 2015

	Notes	For the year ended 31 March 2015	For the year ended 31 March 2014
		£'000	£'000
<b>Net cash flow from operating activities</b>	(a)	(322)	617
<b>Returns on investment and servicing of finance</b>			
Interest received		10	4
Interest paid		(3,224)	(2,278)
		(3,214)	(2,274)
<b>Capital Expenditure</b>			
Purchase and construction of housing & other properties		(24,100)	(19,652)
Capital grants received		4,519	4,200
Purchase of other fixed assets		-	-
Sale of housing properties		553	526
Sale of other fixed assets		-	-
		(19,028)	(14,926)
<b>Financing</b>			
Housing loans received		36,000	28,000
Housing loans repaid		(14,000)	(10,500)
	(b)	22,000	17,500
Increase / (Decrease) in cash	(c)	(564)	917

# Notes to the Cash Flow Statement

For the year ended 31 March 2015

## a. Reconciliation of operating surplus to net cash inflow from operating activities

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
Operating deficit	(3,293)	(774)
Depreciation of tangible fixed assets	2,206	1,571
Prepaid Loan Fees	52	52
LGPS - movement between current and past service cost and contributions paid	2	309
	(1,033)	1,151
<b>Working Capital Movements</b>		
(Increase) / Decrease in stock	-	-
(Increase) / Decrease in operating debtors	159	(85)
(Decrease) / Increase in operating creditors	484	(406)
(Decrease) / Increase in provisions	68	(43)
<b>Net cash flow from operating activities</b>	<b>(322)</b>	<b>617</b>

## b. Reconciliation of net cash inflow to movement in net debt

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
Increase / (Decrease) in cash	(564)	917
(Increase) in loans	(22,000)	(17,500)
(Increase) in net debt	(22,564)	(16,583)
Net debt at 1 <sup>st</sup> April 2014	(40,955)	(24,372)
<b>Net debt at 31<sup>st</sup> March 2015</b>	<b>(63,519)</b>	<b>(40,955)</b>

# Notes to the Cash Flow Statement

For the year ended 31 March 2015

## c. Analysis of net debt

	Cash at bank and in hand	Loans due in less than one year	Changes in net debt
	£'000	£'000	£'000
At 1 <sup>st</sup> April 2014	2,045	(43,000)	(40,955)
Net cash flows	(564)	(22,000)	(22,564)
<b>At 31<sup>st</sup> March 2015</b>	<b>1,481</b>	<b>(65,000)</b>	<b>(63,519)</b>

# Notes to the Financial Statements

For the year ended 31 March 2015

## 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 the more important accounting policies, which have been applied consistently, are set out below:

### Basis of accounting

The financial statements are prepared on the historical cost basis of accounting in accordance with applicable financial reporting standards in the United Kingdom, including the Statement of Recommended Practice (SORP) for "Accounting by Registered Social Landlords" as updated in 2010, and comply with the Accounting Requirements for Social Landlords registered in Wales General Determination 2009.

### 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. Disposals of fixed assets such as Right to Buy sales income are not included in turnover.

### Housing properties

Housing properties are held at cost less depreciation and are stated at nil valuation as they transferred from Blaenau Gwent County Borough Council at nil cost and were also subject to a nil valuation based on an independent report using the basis of existing use value for social housing.

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 does 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.

### Interest payable

Interest payable is charged to the income and expenditure account to reflect the costs of loan finance attributable to each accounting period.

# Notes to the Financial Statements

For the year ended 31 March 2015

## Depreciation

Tai Calon depreciates its housing properties in accordance with the 2010 Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords". Depreciation is charged on the historic cost of property (excluding land) after deducting grants and an amount for residual value. 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 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 income and expenditure account. 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

## Capital Grants

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. Financial assistance of £8.4 million has been offered until 2017 and further 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. Capital Grants will be depreciated in line with the above depreciation policy.



# Notes to the Financial Statements

For the year ended 31 March 2015

## 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. The review undertaken during the year has indicated that no impairment has occurred.

## Repairs and maintenance

The costs of repairs and maintenance are expensed as incurred on the basis of work done at the balance sheet date.

## 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 yearend 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 Councils expenses. Tai Calon paid the Council £258,709,806.16 for the properties which is based on the value of improvement works required to meet the WHQS. The Council discharged its obligation to carry out the works under the Transfer Agreement by entering into a Development Agreement with Tai Calon for 15 years. The Council paid a fixed price of £258,709,806.16 plus VAT of £51,741,961.23. Tai Calon will be entitled to reclaim VAT on the costs incurred in meeting the WHQS as detailed in the Development Agreement.

### 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.

# Notes to the Financial Statements

For the year ended 31 March 2015

## 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 balance sheet based upon Tai Calon's best estimate of potential liabilities.

## 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 Financial Reporting Standard No. 17 – Retirement Benefits (FRS17).

## Designated Reserves

The Board will determine annually the amount of surplus that is to be transferred to the Designated Reserves. For 2014/15 the Board has agreed to transfer receipts from Right To Buy Sales to a Designated Reserve, net of the Net Income Foregone amount set out in the Transfer Agreement.

## 3. Turnover, operating costs and deficit

	Year Ended 31 <sup>st</sup> March 2015			Year ended 31 March 2014		
	Turnover	Operating Costs	Operating Costs / (Deficit)	Turnover	Operating Costs	Operating Costs / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social Housing Lettings</b>						
General needs housing	20,987	(24,594)	(3,607)	20,576	(21,398)	(822)
<b>Fully rented housing accommodation</b>	<b>20,987</b>	<b>(24,594)</b>	<b>(3,607)</b>	20,576	(21,398)	(822)
Garages	33	0	33	32	0	32
Other activities	615	(334)	281	344	(328)	16
<b>Total</b>	<b>21,635</b>	<b>(24,928)</b>	<b>(3,293)</b>	20,952	(21,726)	(774)

# Notes to the Financial Statements

For the year ended 31 March 2015

## 4. Turnover from lettings

	General Needs and Sheltered Housing	Supported Housing	Other Social Housing Letting Income	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000	£'000	£'000	£'000
Rents receivable	20,404			20,404	20,032
Service charges receivable	382			382	409
Income for Support Services	112			112	118
Other Revenue Grants	89			89	17
<b>Turnover from Social Housing Lettings</b>	<b>20,987</b>	-	-	<b>20,987</b>	20,576

## 5. Operating costs from lettings

	General Needs and Sheltered Housing	Supported Housing	Other Social Housing Letting Income	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000	£'000	£'000	£'000
<b>General needs housing</b>					
Management costs	13,395			13,395	13,233
Service Charge Cost	-			-	-
Routine Maintenance	5,615			5,615	3,748
Major Repairs Expenditure	3,599			3,599	3,111
Bad Debts	102			102	56
Depreciation of housing properties	1,883			1,883	1,250
<b>Operating costs on social housing activities</b>	<b>24,594</b>	-	-	<b>24,594</b>	21,398
<b>Operating Surplus / (deficit) on social housing lettings</b>	<b>(3,607)</b>	-	-	<b>(3,607)</b>	(822)
Rent losses due to voids (memorandum note)	1,353	-	-	1,353	1,298

# Notes to the Financial Statements

For the year ended 31 March 2015

## 6. Surplus on sale of fixed assets

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
Sale proceeds	571	543
Cost of sales	(111)	(41)
Surplus on disposal	460	502

During the year Tai Calon sold sixteen properties under the Right to Buy.

## 7. Operating deficit for the year

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
Operating surplus / (deficit) for the year is stated after charging:		
Depreciation	2,206	1,573
Operating leases – Land & Buildings	-	-
Operating leases – Other	251	252
Bad Debts	102	56
Auditor's remuneration (inclusive of VAT): in their capacity as auditors	11	13

# Notes to the Financial Statements

For the year ended 31 March 2015

## 8. Board members and senior executives emoluments

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
Emoluments (including pension contributions and benefits in kind)	366	362
Emoluments (excluding pension contributions) paid to the highest paid senior executive	96	96

No remuneration was paid to the members of the Board of Management during the year.

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 £13,897. Tai Calon does not make any further contribution to any individual pension arrangement for the Chief Executive.

## 9. Employee and employer costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
<b>Staff costs during the year:</b>		
Wages and Salaries	7,367	6,850
Social security costs	528	497
Other pension costs	927	1,066
	<b>8,822</b>	<b>8,413</b>

### Average number of full time equivalent employees during the year:

	For the year ended 31 March 2015	For the year ended 31 March 2014
	No	No
Management and administration	139	139
Wardens, caretakers and cleaners	22	23
Housing repair service	112	120
	<b>273</b>	<b>282</b>

# Notes to the Financial Statements

For the year ended 31 March 2015

## 10. Interests and related party transactions

During the year Tai Calon provided rented accommodation to five 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.

## 11. Interest payable and similar charges

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
Interest payable and similar charges	<b>3,304</b>	2,328
	<b>3,304</b>	2,328

# Notes to the Financial Statements

For the year ended 31 March 2015

## 12. Tangible fixed assets – housing properties

	Freehold Housing properties held for letting	Freehold Housing properties in the course of construction	For the year ended 31 March 2015 Total
	£'000	£'000	£'000
<b>Cost</b>			
As at 1 <sup>st</sup> April 2014	54,108	-	54,108
Additions during the year - Components	22,331	-	22,331
Disposals during the year	(140)	-	(140)
<b>At 31<sup>st</sup> March 2015</b>	<b>76,299</b>	-	<b>76,299</b>
<b>Depreciation</b>			
As at 1 <sup>st</sup> April 2014	2,284	-	2,284
Charge for the year	1,883	-	1,883
Disposals during the year	(7)	-	(7)
<b>At 31<sup>st</sup> March 2015</b>	<b>4,160</b>	-	<b>4,160</b>
<b>Net book value</b>			
<b>At 31<sup>st</sup> March 2015</b>	<b>72,139</b>	-	<b>72,139</b>
As at 1 <sup>st</sup> April 2014	51,824	-	51,824

Major repairs and investment in existing properties to let during the year amounted to £26 million. This has been accounted for as follows:

	For the year ended 31 March 2015 Total	For the year ended 31 March 2014 Total
	£'000	£'000
<b>Freehold Property and Land</b>		
Planned maintenance (revenue)	3,582	3,063
Investment (capital)	22,331	20,944
<b>Long Leasehold Property and Land</b>		
Planned maintenance (revenue)	17	48

# Notes to the Financial Statements

For the year ended 31 March 2015

## Units in Management:

General needs housing properties in management  
Shared ownership  
Leasehold management services

	For the year ended 31 March 2015	For the year ended 31 March 2014
	No	No
	<b>6,149</b>	6,165
	-	-
	<b>338</b>	336
	<b>6,487</b>	6,501

## 13. Tangible fixed assets – Capital grants

	Housing properties held for letting	Housing Properties in the course of construction	For the year ended 31 March 2015 Total
	£'000	£'000	£'000
At 1 <sup>st</sup> April 2014	12,227	-	12,227
Additions during the year	4,200	-	4,200
Disposals during the year	(28)	-	(28)
<b>At 31<sup>st</sup> March 2015</b>	<b>16,399</b>	-	<b>16,399</b>

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

## 14. Tangible fixed assets – Other Capital Funding

	Housing properties held for letting	Housing Properties in the course of construction	For the year ended 31 March 2015 Total
	£'000	£'000	£'000
At 1 <sup>st</sup> April 2014	2,684	-	2,684
Additions during the year	319	-	319
Disposals during the year	(11)	-	(11)
<b>At 31<sup>st</sup> March 2015</b>	<b>2,992</b>	-	<b>2,992</b>



# Notes to the Financial Statements

For the year ended 31 March 2015

## 15. Tangible fixed assets – other

	Office premises	Scheme equipment	Vehicles & office equipment	For the year ended 31 March 2015 Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 <sup>st</sup> April 2014	2,586	-	955	3,541
Additions during the year	-	-	-	-
Disposals during the year	-	-	-	-
<b>At 31 March 2015</b>	<b>2,586</b>	<b>-</b>	<b>955</b>	<b>3,541</b>
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2014	422	-	650	1,072
Additions during the year	132	-	191	323
Disposals during the year	-	-	-	-
<b>At 31<sup>st</sup> March 2015</b>	<b>554</b>	<b>-</b>	<b>841</b>	<b>1,395</b>
<b>Net book value</b>				
<b>At 31<sup>st</sup> March 2015</b>	<b>2,032</b>	<b>-</b>	<b>114</b>	<b>2,146</b>
At 1 <sup>st</sup> April 2014	2,164	-	305	2,469

# Notes to the Financial Statements

For the year ended 31 March 2015

## 16. Other property

	For the year ended 31 March 2015 Total
	£'000
<b>Cost</b>	
As at 1 <sup>st</sup> April 2014	-
Additions during the year - Components	5
Disposals during the year	-
<b>At 31<sup>st</sup> March 2015</b>	<b>5</b>
<b>Depreciation</b>	
As at 1 <sup>st</sup> April 2014	-
Charge for the year	-
Disposals during the year	-
<b>At 31<sup>st</sup> March 2015</b>	<b>-</b>
<b>Net book value</b>	
<b>At 31<sup>st</sup> March 2015</b>	<b>5</b>
At 1 <sup>st</sup> April 2014	-

Other property consists of 26 commercial properties and approximately 550 garages in Blaenau Gwent, these were transferred at zero value.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
Arrears of rent, water and service charges	942	877
Less: provision for bad and doubtful debts	(723)	(655)
	<b>219</b>	222
Staff car loans	1	4
Recoverable VAT	267	899
Debtors and prepayments	1,022	611
Prepaid Loan Facility Fees	52	52
	<b>1,561</b>	1,788
Debtors: falling due after more than one year:		
Prepaid loan facility fees	1,267	1,319
	<b>2,828</b>	3,107

Staff car loans at 31 March 2015 consist of loans to 2 current employees. Loans are payable over periods up to five years with interest charged between 2% and 6%.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
Accruals and deferred income	1,801	1,171
Capital creditors	509	2,275
Interest Payable & Similar Charges	318	238
Rent In Advance	54	-
Maintenance and other supplies	9	208
Housing Loans	20,000	13,000
	<b>22,691</b>	<b>16,892</b>

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
Housing Loans	45,000	30,000
	<b>45,000</b>	<b>30,000</b>
<b>Loans repayable by instalments fall due as follows:</b>		
In five years or more	45,000	30,000
Between two and five years	-	-
	<b>45,000</b>	<b>30,000</b>
<b>In one year or less</b>	20,000	13,000
	<b>65,000</b>	<b>43,000</b>

Tai Calon has a loan facility of £125m 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. £20m has been drawn down on a variable rate basis at rates ranging from 0.5% to 0.7% and £45m has been drawn down on a fixed rate basis at rates ranging from 4.5% to 4.8%. The loans are secured over the properties held by the Association.

# Notes to the Financial Statements

For the year ended 31 March 2015

## 20. Non-equity share capital

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£	£
Shares of £1 issued:		
At 1 <sup>st</sup> April 2014	<b>835</b>	850
Issued during the year	<b>2</b>	60
Cancelled during the year	<b>(41)</b>	(75)
<b>At 31<sup>st</sup> March 2015</b>	<b>796</b>	835

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.

## 21. Reserves

	Designated Reserve	Designated Reserve Total	General Pension Reserve	General reserve	General Reserve Total	2015 Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 <sup>st</sup> April 2014	1,005	<b>1,005</b>	(2,159)	(3,364)	<b>(5,523)</b>	<b>(4,518)</b>
Deficit for year	-	-	-	(6,127)	<b>(6,127)</b>	<b>(6,127)</b>
Actuarial gain for year	-	-	(5,502)	-	<b>(5,502)</b>	<b>(5,502)</b>
Transfers from revenue reserves	220	<b>220</b>	(2)	(218)	<b>(220)</b>	-
<b>At 31<sup>st</sup> March 2015</b>	<b>1,225</b>	<b>1,225</b>	<b>(7,663)</b>	<b>(9,709)</b>	<b>(17,372)</b>	<b>(16,147)</b>

# Notes to the Financial Statements

For the year ended 31 March 2015

## 22. Operating leases

At 31 March 2015 Tai Calon had annual commitments under operating leases as follows:

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
<b>Motor vehicle and office equipment expiring:</b>		
Within one year	71	-
Between two and five years	-	222
	<b>71</b>	<b>222</b>

## 23. Capital commitments

	For the year ended 31 March 2015	For the year ended 31 March 2014
	£'000	£'000
Capital expenditure contracted but not provided for in the financial statements	<b>4,978</b>	17,580
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 March 2015

## 24. Net Liabilities

This year's deficit of £6.345m has arisen mainly because of continuing major repair expenditure of £3.6m. This combined with the prior year's results and the £5.502m actuarial deficit on the pension scheme has led to the Association recognising a deficit on its general reserves of £17.37m. The pension liability of £7.663m 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 £125m of which £65m 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 Income and Expenditure Account from 2019/20 and a positive Balance Sheet from 2028/29. The deficits in the accounts are due to significant investment required to the housing stock to meet WHQS, which is funded by a £125m funding facility from Barclays and Royal Bank of Scotland. Since transfer Tai Calon has outperformed the approved business plan and borrowed over £12m less than originally planned. For these reasons the going concern basis has been adopted for these financial statements.

## 25. Pension costs

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

### LGPS

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 2013. 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 2014 to 31st March 2015 was 14.2% of members' contributions. It is projected that contributions of £882,000 will be made for the forthcoming year.

# Notes to the Financial Statements

For the year ended 31 March 2015

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS17 purposes were:

	2015	2014
	%pa	%pa
Discount rate	3.4%	4.6%
Rate of increase in salaries	3.6%	3.9%
Rate of increase in pensions	2.1%	2.4%
Rate of CPI inflation	2.1%	2.4%

	2015	2014
	%pa	% pa
<b>Expected rates of return on:</b>		
Equities	6.5%	7.0%
Government Bonds	2.2%	3.4%
Other bonds	2.9%	4.3%
Property	5.9%	6.2%
Cash/liquidity	0.5%	0.5%
Other	6.5%	7.0%

	2015	2014
	£'000	£'000
<b>Market value as at 31<sup>st</sup> March</b>		
Equities	24,757	22,142
Government Bonds	2,447	2,064
Other bonds	2,479	2,121
Property	858	735
Cash/liquidity	191	255
Other	1,049	961

The movement in the net surplus for the year to 31<sup>st</sup> March 2015 is as follows:

	2015	2014
	£'000	£'000
<b>Reconciliation of funded status to balance sheet</b>		
Fair value of plan assets	(31,781)	(28,278)
Value of funded obligations	39,444	30,437
Value of unfunded obligations	-	-
<b>Total estimated scheme deficit / (surplus)</b>	7,663	2,159



# Notes to the Financial Statements

For the year ended 31 March 2015

## Components of pension costs for year

	2015 £'000	2014 £'000
Current Service Costs	1,146	1,267
Interest on pension liabilities	1,408	1,454
Expected return on assets	(1,731)	(1,661)
Past Service cost (gain)	82	-
<b>Total pension cost recognised in income and expenditure account</b>	<b>905</b>	<b>1,060</b>

## Statement of recognised surpluses and deficits

	2015 £'000	2014 £'000
Actuarial (gains) / losses	5,502	(4,853)
<b>Total pension cost recognised in the statement of recognised surpluses and deficits</b>	<b>5,502</b>	<b>(4,853)</b>

The cumulative deficit of recognised surpluses is £4.68m.

## Changes to present value of liabilities during the year

	2015 £'000	2014 £'000
Present Value of scheme liabilities at start of year	30,437	34,006
Current service cost	1,146	1,267
Interest cost	1,408	1,454
Member contributions	412	365
Curtailments	82	-
Actuarial (gains) / losses on liabilities	7,120	(6,214)
Benefits and transfers paid	(1,161)	(441)
Business combinations	-	-
<b>Total value of funded obligations</b>	<b>39,444</b>	<b>30,437</b>

# Notes to the Financial Statements

For the year ended 31 March 2015

	2015	2014
	£'000	£'000
<b>Changes to the fair value of plan assets during the year</b>		
Present Value of scheme assets at start of year	28,278	27,296
Expected return on assets	1,731	1,661
Business combinations		
Actuarial gains on assets	1,618	(1,361)
Employer contributions	903	758
Member contributions	412	365
Benefits and transfers paid	(1,161)	(441)
<b>Total fair value of plan assets</b>	<b>31,781</b>	<b>28,278</b>
	2015	2014
	£'000	£'000
Actual return on plan assets	3,349	2,156
Experience gains / (losses) on assets	1,618	(1,361)
Experience gains / (losses) on liabilities	-	2,382





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